

# MICHIGAN OVERVIEW OF MILEAGE BASED USER FEES

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# Presentation Summary



- Why an Alternative Revenue Source is Needed
- Other Highway Funding Options
- MBUF Concerns
- State Pilot
- Michigan's Existing MBUF Knowledge
- How to Conduct a State Pilot



# Fuel Tax



- Fuel tax has been the largest funding mechanism for Michigan's highways
- Fuel tax has been effective for 100 years
- Fuel tax is no longer a reliable funding mechanism because increase in electric vehicles, hybrid vehicles, and improving fuel efficiency of conventional vehicles
  - Fuel tax is like a rockstar on his farewell tour
- Fuel tax has lost 50% of its purchasing power over the last 30 years
- New long-term funding source is needed



# Different Funding Options



- What are the funding options?
  - General fund
    - Not reliable, not dedicated, must compete against other priorities, current source of some current transportation funding
  - Sales tax
    - Must fight with other policy areas (education), transportation may not win, not reliable (economic downturns), not consistent
  - Other options
    - Tire tax, weight distance fee, have Ohio pay for it
  - Tolling
    - Good option for limited access highways (Interstates and other freeways)
    - Should be used where fiscally feasible/federal law allows
    - Not realistic on some arterials, collectors and local streets



# MBUFs: Promising Option



- One promising funding option is mileage based user fees (MBUFs)
  - MBUFs also known as road usage charge, road charge, vehicle miles traveled fee
- MBUFs are for all vehicles not just electric- or hybrid-vehicles
- MBUFs charge per mile driven
- State rate is typically 2.0 cents to 2.5 cents per mile (does not include federal funding)
- Heavy-duty trucks (tractor-trailers) would pay a higher rate (probably four times higher) since they wear out the highways more than automobiles





# Have Other States Studied MBUFs

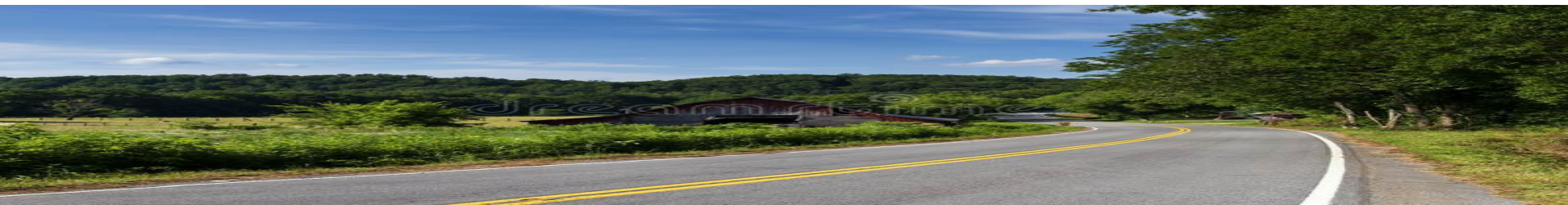
- Yes!
- Two national commissions (2005, 2010) studied different transportation options, recommended MBUFs
- More than 30 states have conducted pilots
- Two multi-state coalitions (Eastern Transportation Coalition, RUC America) have examined pilots
- Four states have permanent MBUF programs (Hawaii, Oregon, Utah, Virginia)



# MBUF Common Concerns



- Privacy: MBUFs can be used to monitor my location
  - MBUFs use GPS which is a one-way collection device, GPS by itself cannot track the location of a receiver
- Rural Residents: Rural residents will pay more with MBUFs than with fuel tax because they travel further
  - Rural residents pay less because they have a higher share of trucks and older vehicles than get lower fuel-efficiency
- Equity: Unfair to lower income residents with older vehicles
  - Residents with older vehicles would pay less with MBUFs



# Common Concerns (2)



- Double Taxation
  - MBUFs are a replacement not a supplement to the fuel tax
  - In pilot, fuel tax would be refunded to participants
- Cost of Collection
  - Initially higher than the fuel tax, but decreases quickly with scale
  - Important to choose vendors that has decreasing collection costs with scale in contract







# Questions a State Pilot Would Answer

- How would MBUFs work in Michigan
  - Similarities to other states in methods but differences
    - Example) Hawaii and rental cars
- Show drivers how MBUFs work in reality
- Show different MBUF collection mechanisms
- Examine rural/urban shift
- Show how to address privacy concerns
- Show how fuel taxes are refunded
- How to include all vehicles including electric vehicles
- How to address multi-state travel or cross-state travel
- Examine how to transition from pilot to permanent program



# Who Should be Interested in an MBUF State Pilot



- If you think MBUFs are the best thing that you have ever heard of and were thought up by geniuses who are always right you should support a pilot because it will show that MBUFs are a good idea
- If you think MBUFs are the worst thing that you have ever heard of and were thought up by idiots who are always wrong you should support a pilot because it will show that MBUFs are a bad idea





# Michigan's Bus Mobility Wallet Pilot

- State is currently conducting mobility wallet pilot
  - First step is a statistically representative statewide survey testing public RUC knowledge and acceptance
    - Total of 19,000 validated responses (Feb. 19<sup>th</sup>)
    - General survey asks about transportation methods, initial thoughts on MBUFs, provides overview video, then asks follow-up questions on feasibility
    - Home address and travel info
    - Provides good sentiment, will be important to ask question after pilot
  - Second steps of current pilot is mobility as a wallet simulation designed to help transit users in Detroit and Grand Rapids
    - Interesting but not a solution for larger problem of revenue
- Can use some of public opinion survey results to avoid reinventing the wheel





# Comprehensive Pilot Details

- 1) Total pilot cost is approximately \$4.0-5.2 million
  - More funding, larger pilot
- 2) Includes a Technical Advisory Committee that will guide the development
  - Eleven members: MDOT Director, highway users, privacy rights, rural representative, two members appointed by House, two appointed by Senate (not a complete listing)
- Consider: Availability of methods, privacy protections, ease of system, ease of collecting data, compliance, data security, law enforcement access





# Pilot Details II

- 3) Determine collection mechanisms with multiple collection options, at least one with a private vendor
- Voluntary participation
- Refunds are required
- Program must analyze alternative means of collecting revenue
- Minimize personal information
- Ensure data protection
- 4) Submit a report to the Governor, Legislature, Technical Advisor Committee, and the public: Cost, Privacy, Jurisdictional Issues, Feasibility, Complexity, Acceptance, Use of Revenues, Security/Compliance, Additional Driver Services, Implementation, Equity, Rural/Urban



# Contact Info and Questions



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