The Vehicle Miles Tax
Lessons from Oregon’s Pilot Program
Oregon’s Per-Mile Road Usage Charge Law

Senate Bill 810 directs the implementation of a fully operational per-mile charging program for up to 5,000 light vehicles on July 1, 2015
Total Light-duty Vehicle Miles Traveled in Three Cases (1995-2040)


History | 2012 | Projections
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Fundamentals of Road Usage Charging
Categories of Mileage Reporting

1. Reporting all miles driven (basic)

2. Reporting miles by location (advanced)

3. Changeable reporting of miles (switchable)

4. Assume maximum annual miles (simplified)
Road Usage Charge and Data Collection

THE OPTIONS

• Government only collection
  ▪ A closed system

• Establishment of a commercial market for collection
  ▪ An open system

• Combination of commercial and government collection
  ▪ An open system
Oregon’s Road Usage Charging Program
Road Usage Charge Program (SB 810)

• Implement operational road usage charge program by July 1, 2015

• Open system with taxpayer choices for mileage reporting

• 5,000 volunteers from Oregon

• Pay a road usage charge of 1.5 cents per mile and receive fuel tax credit

• Certified private sector firms provide
  - Collection of mileage data
  - Tax processing
  - Account management

• Protection of personally identifiable information by legal requirement
Oregon’s Platform for Per-mile Charge

- Machine to machine communications via standard mileage message

- DOT certifies private sector entities to collect mileage data, process the charge and manage accounts
Oregon’s Road Usage Charge Program

1. In-vehicle mileage counter transmits miles and fuel consumption totals to private sector account manager

2. Account manager sends a bill (or net refund) to vehicle owner for mileage charge less fuel tax

3. Vehicle owner pays road usage charge as part of account manager’s total bill

4. Account manager sends road usage charge collected from driver to State of Oregon
Oregon’s Platform: Requirements, Contractual Provisions and Certification

- System requirements specifications
- Business requirements documents
- Interface control documents
- Verification cross reference index
- Contracts and service level agreements

➢ Certification of technologies, systems and business processes
Oregon’s Open System Platform

ODOT Account Manager

Commercial Account Manager(s)

Transaction Processing  Account Management

Reporting

$  $

Treasury

ODOT

RUC Accounting

Procurement  Enforcement  Evaluation

Mileage Data

Data Collection Equipment
Choice of Mileage Reporting Provider

Volunteer program entry options

• Recruited by commercial account manager

• Access through on line matrix provided by ODOT
Oregon’s Reporting Methods at Commencement

**Mileage Reporting**
- Basic
- Advanced

**Refunds**
- Automatic refunds of fuel tax
- Manual refunds for off public road mileage for those choosing basic reporting
Mileage Reporting Device Activation

1. Activate device built into vehicle, or

2. Install device into vehicle
Invoicing and Payment

Invoice

• Receive by mail, email or automatic account access

• Summarized totals

Options for payment

• Cash
• Check
• Credit
• Debit
• Electronic Funds Transfer
How Oregon’s Road Usage Charge Program Addresses Main Concerns of the Public
Public Concerns with Road Usage Charging

- Privacy
- Government bureaucracy
- Complexity
- Cost
- Fairness
Issue #1: Privacy

SB 810 solutions

• Provide choices for reporting method and technology
• Select mileage reporting device from marketplace
• No mandate for vehicle location capability (GPS)
• Legal mandate to personally identifiable information
Protection of Personally Identifiable Information

SB 810, Section 9

Constrains use of Personally Identifiable Information

- Limits access
- Imposes obligation to protect
- Exception for express approval

Data destruction of mileage data within 30 days after later of:

- Payment processing
- Dispute resolution
- Noncompliance investigation
Issue #2: Governmental Bureaucracy

**Solution:** Bring in private sector and create a market

**RFQ for Commercial Account Managers (CAMs)**

- Multiple types of mileage reporting
- Evolution of technologies and business systems
- Value added services
Issue #3: Complexity

Solution: Let RUC payer choose simplicity

• Choice of provider

• Choice of how to report

• Choice of how to pay
## Issue #4: Cost of Operations

### Financial & Operational Cost Model

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<tr>
<th>Number of RUC Accounts</th>
<th>Administrative Costs as % of Revenues</th>
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<td>55%</td>
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<tr>
<td>100,000</td>
<td>12%</td>
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<td>500,000</td>
<td>5.2%</td>
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<td>1,000,000</td>
<td>4.6%</td>
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<tr>
<td>4,000,000</td>
<td>3.3%</td>
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Source: ODOT Road Usage Charge Economic Viability Report, June 2013
Issue #5: Fairness

- **Rural drivers**
  - Pay fuel tax now
  - More off-road driving

- **Fuel efficient vehicles**
  - Currently not paying fair share for road use
  - Already avoid cost of fuel
  - Road Usage Charge not a large burden

- **Non-resident driving**
  - Until regional system developed, still pay fuel tax
  - Western RUC Consortium addressing solution
What Happens Going Forward?
Timeline

• ODOT signs contracts with account managers (November 2014)
• ODOT certifies technologies and business practices (February 2015)
• Issue permanent CAM procurement documents (March 2015)
• Operational trial (March to May 2015)
• Launch of Road Usage Charge Program (July 1, 2015)
• Additional R&D and assistance to other states (Now and Beyond)
• Expand Oregon Road Usage Charge Program to mandated RUC payers (Whenever Oregon Legislature is ready)
Communications

- **Phase 1**: Define & Develop (June 2014 to Oct 2014)
- **Phase 2**: Educate & Build Awareness (Oct 2014 to May 2015)
- **Phase 3**: Activate Volunteers (May 2015 to July 2015)
- **Phase 4**: "Go Live" (July 2015 to Jan 2016)
- **Phase 5**: Grow & Monitor (Jan 2016 to July 2016)

We are Here!
Oregon DOT Recommendations to US States

1. Initiate institutional knowledge of mileage charging policies through high level task force or committee

2. Access Oregon’s open system Road Usage Charge Platform for individual or regional pilot programs
   - Access Oregon’s technology and business standards
   - Access OAM and CAMs hired by Oregon DOT
   - Advantages:
     - Save time
     - Save money
     - Design own pilot program
California’s Enactment of SB 1077

- Road Usage Charge Pilot Program with 6,000 volunteers
- Begins no later than January 1, 2017
- Task Force to explore policy options
- Exploring use of Oregon’s Road Usage Charge Platform
Western Road Usage Charge Consortium

MEMBER STATES

- Arizona
- California
- Colorado
- Idaho
- Hawaii
- Montana
- Nevada
- Oregon
- Texas
- Utah
- Washington