



Mileage Based User Fee Policy Task Force

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Overview

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 - Charge of Policy Task Force
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- Task Force Findings and Recommendations
- Summary

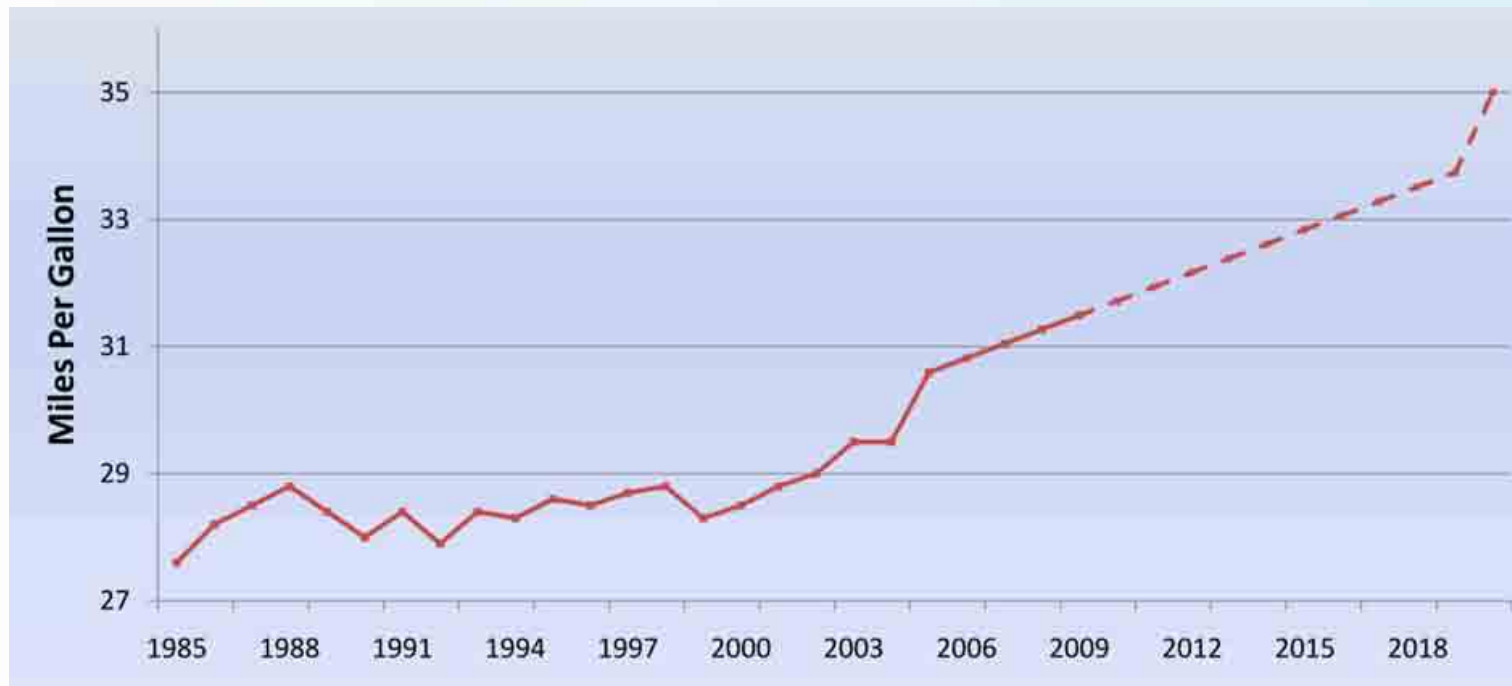
Statutory Direction



Charge of Policy Task Force

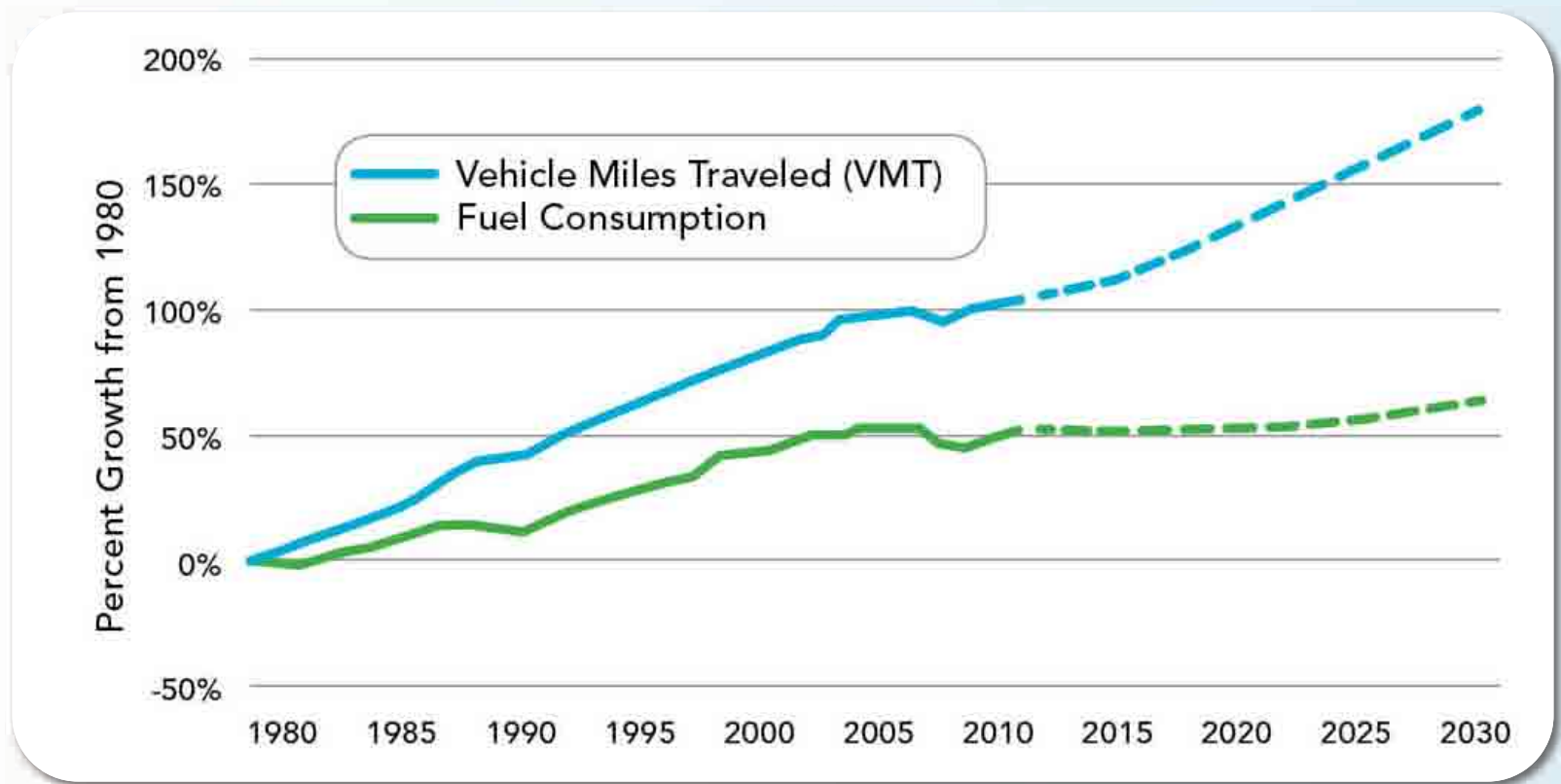
Discuss and evaluate questions, concerns, expectations, and preferences about the use of MBUF as a future transportation funding mechanism. Provide policy direction to the MnDOT Commissioner for the MBUF technology demonstration and potential broader implementation of MBUF in MN.

Estimates of Average Fuel Economy (mpg)



Source: U.S. Department of Transportation National Highway Traffic Safety Administration. "Automotive Fuel Economy Program: Annual Update Calendar Year 2004." DOT HS 809 512. http://www.nhtsa.gov/DOT/NHTSA/Vehicle%20Safety/CAFE/2004_Fuel_Economy_Program.pdf Accessed June 29, 2010.

Trends in VMT and Fuel Consumption (1980-2030)



State and Federal Gas Taxes Paid Annually

(taxes per year)	Light Duty Truck (20 mpg)		Passenger Car (30 mpg)		Hybrid (40 mpg)		Electric Vehicle (non-gas powered)	
	State Tax *	Federal Tax **	State Tax *	Federal Tax **	State Tax *	Federal Tax **	State Tax *	Federal Tax **
20,000 miles/year	\$280	\$184	\$187	\$123	\$140	\$92	\$0	\$0
15,000 miles/year	\$210	\$138	\$140	\$92	\$105	\$69	\$0	\$0
10,000 miles/year	\$140	\$92	\$93	\$61	\$70	\$46	\$0	\$0

* Minnesota tax on gasoline is \$0.28 per gallon as of publication.

** Federal tax on gasoline is \$0.184 per gallon as of publication.

Gas Taxes Paid per Mile

Fuel Consumption (mpg)	State Gas Tax (cents per mile)	State + Federal Gas Tax (cents per mile)
10 (delivery truck)	2.8	4.6
20 (light duty truck)	1.4	2.3
30 (passenger car)	0.9	1.5
40 (hybrid)	0.7	1.1
50 (hybrid)	0.6	0.9

Mileage-Based User Fee

- Drivers pay for road use on a per-mile rather than per-gallon basis
- In-vehicle technology records total miles driven
- Payment collected on a periodic basis
- Complex issue with many technical and policy options

Two-Part Effort

1. Technology Demonstration

- 500 vehicles in Hennepin and Wright Counties
- Recent news headlines





2. Policy Study

- Engage key stakeholders to identify and evaluate MBUF issues



Minnesota's Technology Demonstration

Demo Objective: Use a commercially available navigation and communication device and add customized software to collect a fee

-  allow for various factors to be included in fee structure
-  allow the system to be used for other purposes like in-vehicle signing
-  allow for market forces to improve technology
-  addresses MBUF specific concerns (Privacy, Equity, Enforcement and Evasion, and Administration Costs)

Technology Installation



Minnesota's MBUF Technology Demonstration

- 2007 Legislation authorized demonstration
- 500 vehicles to be demonstrated in each of three waves, Wright and Hennepin Counties
- Using Smartphone technology
- First wave launched in September 2011
- Last wave launches May 2012
- Parallel public policy evaluation is being undertaken
- Demonstration complete in 2012

Fee Assessment Approach

- “Real” money changes hands
 - Demonstration includes invoicing and payment by participants through PayPal
- Each participant provided with an up-front incentive to participate
 - Incentive is sufficient to “cover” approximately four months of travel
- No MBUF fees assessed until the third month of participation
 - Participant pays MBUF fees for months 3-6
 - Never has to pay more than the initial incentive

Statewide Survey

Minnesotans tend to like MBUF because:

- All drivers pay their fair share for roadway use
- It is flexible enough to work with all future vehicle fuels

Minnesotans tend to be concerned about MBUF because of:

- Cost and complexity
- Reliability of the technology
- Privacy

Statewide Survey (cont.)

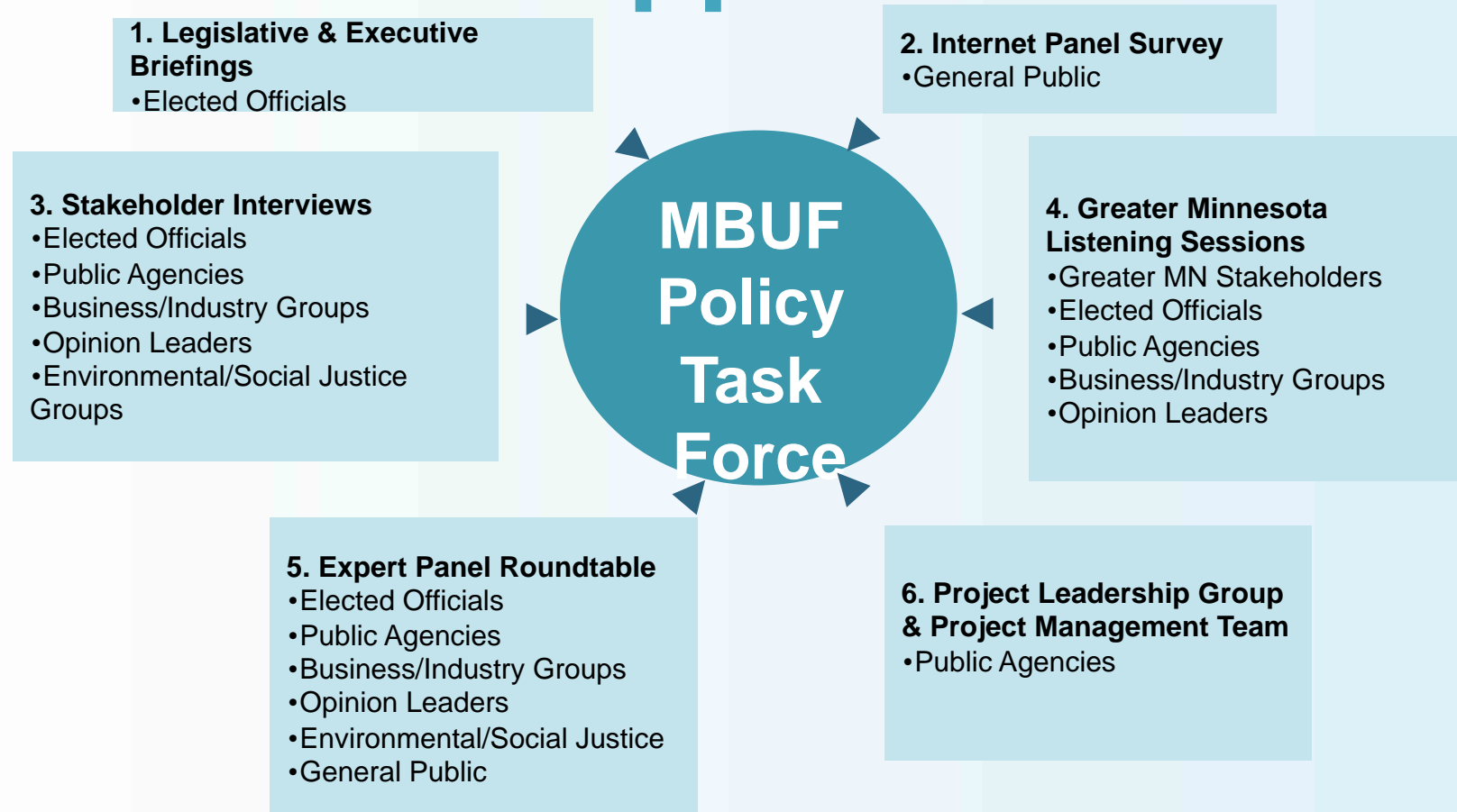
Minnesotans tend to be favorable MBUF if it:

- Charges large, heavy polluting vehicles more per mile
- Use a non-governmental audit firm to ensure data privacy
- Make the cost and maintenance of equipment a governmental responsibility, not a driver responsibility

Minnesotans tend to be unfavorable about MBUF if it charges differential rates for:

- Time of day
- Level of congestion
- Location of driving

Stakeholder Input Approach



Problem Statement

“As more people continue to use fuel-efficient and alternative-fuel vehicles that are not fully taxed or are untaxed, less revenue will be generated by the fuel tax.

In addition, changes in demographics and travel trends will further reduce revenue contributed to the fuel tax fund.

As a result, future revenues will be inadequate to fund Minnesota’s transportation infrastructure.”

Policy Objectives

PRIMARY OBJECTIVES

- Promote Equity
- Generate Transportation Funds

ANCILLARY LONG TERM OBJECTIVES

- Protect the Environment
- Improve Transportation System Performance

Finding #1



Minnesota has entered an era in which an increasing number of vehicles are using little or no conventional motor fuel... Over time, this trend will cause the motor fuel tax to be more disproportionately applied and become an increasingly inadequate transportation funding method

Recommendation #1

Any future transportation funding method(s) must ensure that all drivers pay their fair share for building and maintaining the roadway transportation system they use

Finding #2



Minnesota has entered an era of uncertainty regarding the mix of fuel sources drivers will choose

Recommendation #2

Minnesota's roadway transportation funding methods must cover all vehicles using that system, regardless of the type of fuel(s) used

Finding #3



While MBUF faces significant challenges that must be overcome before broader consideration for use in Minnesota, it is a transportation funding method that can (a) ensure that all drivers pay their fair share for using the roadway system, and (b) is flexible enough to be effective with any future fleet of vehicles using the system

Recommendation #3

State policymakers should engage in a thoughtful discussion regarding whether to use an MBUF system to address future funding gaps between motor fuel tax revenues collected and the cost to preserve, maintain and expand the roadway transportation system

Finding #4



Individual states or group(s) of states may need to take the lead on a system of MBUF to avoid a transportation funding crisis

Recommendation #4

MN state government should conduct MBUF trials, possibly in partnership with contiguous states

Finding #5



Due to the complexity of MBUF, the Task Force was reticent to make recommendations about detailed design aspects of an MBUF system. However, the Task Force reached certain opinions about broad parameters of an MBUF system.

Recommendation #5

MnDOT should conduct a detailed technical analysis of MBUF to evaluate the types of issues, concerns and design options. General parameters include:

- A. Set fees to a level sufficient to adequately fund roadway system
- B. Revenues should be constitutionally dedicated to roadway purpose
- C. Keep costs as low as possible without compromising system effectiveness

Recommendation #5 (cont)

- D. Rates should reflect the relative cost and benefit for different vehicles and users
- E. Clearly disclose fee amounts paid by users in a way that is transparent
- F. MBUF's rate setting process should be transparent and accountable to the public and elected officials
- G. Any MBUF system should be designed to protect user privacy
- H. An initial MBUF system should start out simply, and phase-in additional features and value-added services over time

Finding #6

Many important and complex decisions need to be made about the specific form an MBUF system could take



Recommendation #6

MnDOT should conduct a detailed technical analysis of MBUF to evaluate the types of issues, concerns and design options. Three potential models for phasing in:

- A. Adjusted Status Quo Model:* Adjust fuel tax and vehicle registration fees to achieve goals
- B. Partial Benefits MBUF Model:* Set up simple MBUF system to achieve goals without ancillary benefits
- C. Full Benefits MBUF Model:* Incorporate more intricate MBUF system to achieve goals and ancillary benefits

MBUF Task Force Members



Front row: Margaret Donahoe, Mayor Jim Hovland (Vice Chair), Bernie Lieder (Chair), Steve Elkins, Ron Erhardt, Wade Kline.

Second row: State Representative Frank Hornstein, State Senator Scott Dibble, Steve Murphy, Bob Anderson, Christine Zimmer.

Third row: John Mock, Barb Thoman, Roy Terwilliger, Bob DeBoer, State Representative Mike Beard.

Back row: Bob Krogman, John Hausladen, Don Jensen.

Summary

Task Force recommends that exploration of an MBUF system for Minnesota continue to advance in a measured, informed and thoughtful manner guided by the six findings and recommendations.

Report, including a minority opinion, was unanimously adopted by Task Force



Minnesota Mileage Based User Fee Program

QUESTIONS or COMMENTS?

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Report Available at:

[http://www.dot.state.mn.us/mileagebaseduserfee/
index.html](http://www.dot.state.mn.us/mileagebaseduserfee/index.html)