Transportation Policy Brief #4

Oregon's Voluntary Road User Charge Program

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FOREWORD

The Lyndon B. Johnson School of Public Affairs, The University of Texas at Austin, has established interdisciplinary research on policy problems as the core of its educational program. A major part of this program is the nine-month policy research project (PRP), in the course of which two or more faculty members from different disciplines direct the research of 10 to 20 graduate students of diverse backgrounds on a policy issue of concern to a government or nonprofit agency.

During the 2013–2014 academic year, the Texas Department of Transportation (TxDOT) funded, through the Center of Transportation Research (CTR), a policy research project addressing seven key policy issues.

The research team interacted with TxDOT officials throughout the course of the academic year. Overall direction and guidance was provided by Mr. Phil Wilson, former Executive Director of TxDOT. Mr. Wilson participated in an October 10, 2013 workshop to determine the scope of the study. As a consequence, the following policy issues were selected for study:

- Air Transportation in Texas
- Autonomous Vehicles in Texas
- North Carolina's Strategic Mobility Formula
- Oregon's Voluntary Road User Charge Program
- Potential Use of Highway Rights-of-Way for Oil and Natural Gas Pipelines
- State Energy Severance Taxes and Comparative Tax Revenues
- U.S.-Mexico Transportation and Logistics

The findings of each policy issue are presented within the context of separate transportation policy briefs. This particular policy brief, "Oregon's Voluntary Road User Charge Program," was researched and written by Gregory Conte and Jane Santa Cruz.

The following template was also approved for each of the above-mentioned briefs:

- Executive Summary
- Background
- Key Issues
- Lessons Learned
- Relevance to Texas
- Appendices

ACKNOWLEDGMENTS

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- John Barton, P.E., Deputy Executive Director/Chief Engineer
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- Marc Williams, P.E., Director of Planning

EXECUTIVE SUMMARY

State governments, along with the U.S. Department of Transportation, have relied on motor fuel taxes for close to a century as a means to fund highway construction and maintenance, as well as other transportation projects. As an excise tax imposed on the sale of fuel for motor engines, the fuel tax was considered the most convenient and effective method of collecting revenues to fund transportation infrastructure. Today, that perception has changed as highly fuel-efficient or entirely electric vehicles enter road systems, and more rigorous standards for fuel efficiency in vehicles become the norm. While more vehicles today are on the roads than ever before, greater fuel efficiency means these vehicles are consuming less gas. This situation creates the need for both more roads and more maintenance for existing roads, yet also results in a dwindling revenue stream that fails to meet those demands.

The State of Oregon has undergone extensive policy implementation to remedy this inefficiency and identify an alternative method of tax collection that could replace the dwindling revenues that have been traditionally derived from fuel taxes. After much research, the Oregon Department of Transportation (ODOT) conducted two pilot programs, and recently received both legislative and executive approval to begin charging volunteer road users not by the amount of fuel they consume, but rather by the distance they travel through a flat per-mile rate. ODOT officials are currently conducting procurement processes and public relations initiatives to establish a larger pool of volunteers for their Road User Charge (RUC) Program set to begin on July 1, 2015.

The purpose of this report is to identify important lessons learned by ODOT throughout their process of implementing the RUC as an alternative source of funding, and determine how those lessons could be applied in Texas, if such an initiative is to be considered. ODOT's initiative has undergone years of extensive research, technical collaboration, public outreach, and significant legislative attention. While other states have recognized the dire need to remedy their revenue collections and have considered an alternative method focused on road user fees, they have failed to successfully address the issue. Oregon has taken the lead on this issue by undertaking multiple pilot programs and passing legislation. Other states have much to learn from Oregon in terms of how drivers can equitably pay for the roads they use, regardless of the type of vehicle they drive.

The main lessons learned by Oregon can be summarized as the following:

- Consumer choice, in the form of an open market system, is essential in implementing a policy centered on collecting revenues on behalf of the state.
- RUC messaging significantly depends on the audience, as urban, rural, and mixed communities have different concerns.
- Promoting the RUC not as a "new" tax, but as greater fairness in taxation, is essential to the program's success.

These lessons can provide insight and guidance should TxDOT consider a RUC Program for Texas.

BACKGROUND

Oregon has been at the forefront of highway funding in the United States and has set the precedent for how revenues are collected to finance construction, operation, and maintenance of state highways. In 1919, Oregon was the first state in the nation to introduce the current procedure of collecting taxes based on gas consumption. This tax has since increased 18 times to meet the cost of sustaining and improving roadways. Oregon is also the nation's first state to introduce the weight-mile tax for heavy vehicles, enacted in 1933.[1]

From 1970 to 2003, the gasoline tax revenue in Oregon had declined by half in "cents per vehicle mile traveled" (after adjusting for inflation).[2] This drop in revenue is attributed to one factor: the popularity of increasingly fuel-efficient and electric vehicles. For almost a century, the motor fuel tax has been the mainstay of highway finance for state governments. This method has the advantage of being roughly proportional to the distance traveled and thus has the desirable attribute of being a pay-as-you-go form of user charge. However, as consumers seek greater fuel-efficiency for their vehicles, the motor fuel taxes will become increasingly insufficient (see Appendix 2).

Like many other states, Oregon now recognizes, for political and economic reasons, that fuel tax revenues will not keep pace with improvements in vehicle fuel efficiency. The Oregon Legislature mandated the development of a new design for revenue collection for Oregon's roads and highways to replace the current system for revenue collection.[3] In 2001, House Bill (HB) 3456 was passed, assigning the Oregon Department of Transportation (ODOT) the task of administering a Road User Fee Task Force (RUFTF) and directing ODOT to develop and implement pilot programs based on RUFTF's policy recommendations (see Appendix 6). After considerable research and exploration of options, RUFTF spearheaded two pilot programs; the first was a 12-month pilot program in 2006–2007 and the second was a 4-month pilot program in 2012–2013.

The pilot programs allowed ODOT officials and policymakers to gauge public perception of and logistical concerns involved in a program centered on road usage fees in Oregon. Key policy issues arose, including the future of the state's fuel tax, data collection, reporting methods, technology matters, operations, and billing.[4] The pilot programs succeeded at providing a better understanding of how a successful statewide program would be rolled out.

In 2013, Senate Bill (SB) 810 was signed into law, authorizing ODOT to set up a mileage collection system, or a road user charge (RUC), for 5,000 volunteer motorists beginning July 1, 2015. ODOT may assess a charge of 1.5¢ per mile for the volunteer drivers and issue a gas tax refund to those participants. ODOT officials like James Whitty, Manager of ODOT's Office of Innovative Partnerships and Alternative Funding, explains that SB 810 will not setup another pilot program but rather establish the beginning of an alternate, lasting statewide method of generating revenue from personal vehicles to pay for Oregon highways.[5]

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1 Whitty, 2013a.

2 Virginia Department of Transportation Research Library, 2008.

3 Whitty, 2012.

4 Ibid.

5 Tanya, 2013

KEY POLICY ISSUES

Issues arising from this program include public concerns about privacy, public acceptance of the program, partnerships with external industries, and the statewide RUC implementation process. While many challenges exist when carrying out a statewide program based on fee collection, these four issues were identified as the most significant to evaluate. If the State of Texas were to consider undertaking a mileage-based fee system to recapture revenues lost on fuel efficiency, these issues would correspondingly be applicable.

PRIVACY CONCERNS

Following the first pilot program, which mandated a global positioning system (GPS) device for each participating vehicle and provided a single billing system through the state government, ODOT officials recognized significant privacy concerns amongst the public. Aside from any design flaws, the RUC program attracted both public enmity and national scrutiny due to required GPS technology. Many members of the general public strongly objected to a state mandate for a "GPS box" in their cars as a violation of privacy. [6] A GPS tracker is not anymore of a violation of privacy than a cell phone or E-ZPass, which both have GPS technology; citizens are still concerned about their personal privacy when discussing a RUC system.

ODOT has identified that the biggest flaw about the 2007 Road User Fee Pilot Project (RUFPP) was that it centered on a closed system, or a system that was internally assimilated and organized by a single, public body with mechanisms that cannot be exchanged by other external, private components, which could perform the same functions.[7] The RUFPP was a “pay-at-the-pump” model (see Appendix 3) that required participants to pay the road user fee at gas pumps, similar to the current gas tax. However, the RUFPP required a GPS device in each vehicle and a wireless reader attached to the pump to transmit data, such as the vehicle identification number (VIN), vehicle miles traveled (VMT) data, and fuel purchase amount every time a participating vehicle purchased gas at a service station. These data were transmitted to the service station’s point of sale computer, which conveyed the data to a central database controlled by ODOT for the appropriate VMT charge.[8]

Aside from privacy concerns, this closed system simultaneously prevented advancement in consumer technology and modifications in consumer behavior. The model was also flawed since it partially relied on automakers to develop and employ a pre-market mileage counting device embedded into new vehicles. Thus, the ability for ODOT to improve the capability of system technology was significantly limited. Moreover, it obstructed swift execution of a new system because of the constraint of relying on the equipment development processes of various automakers, which could take several years.[9]

To address these issues, ODOT refashioned its RUC model as an open system platform for the second pilot program that allowed the marketplace to play a larger role in data

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[6] Whitty, 2011.
[7] Whitty, 2012.
[8] Whitty and Svadlenak, 2009.
[9] Ibid.

collection and account management (see Appendix 4). The state removed the GPS mandate and tapped into market forces to allow greater public choice. Participants could choose the means by which they reported their mileage (from ODOT-approved methods), the on-board technology to suit their needs, and a private-sector administration option as an alternative to ODOT administration for invoicing and payment.[10]

When considering how to motivate motorists to opt into paying the per-mile road tax as authorized by SB 810, ODOT officials understood that a GPS obligation would be a potential deal breaker for statewide acceptance. To mitigate privacy concerns, ODOT preserved the policy of not mandating the GPS for RUC program participants of the RUC. Instead, drivers will be allowed to select a mileage reporting device from the marketplace, or report mileage manually. Combining reporting options with invoicing and payment choices allows users to interact directly with the marketplace, completely separating them from government involvement, if they so choose. Whitty explicitly wanted to offer motorists a range of options for fee collection so that no one could accuse the system of being an invasion of privacy.[11] Table 1 presents the three categories offered for the upcoming program.

TABLE 1: Categories of Mileage Reporting

Basic	Report all miles driven: Manual or electronic reporting without GPS. Does not distinguish the type of roads was used.
Advanced	Report miles by location: Electronic mileage reporting with GPS. Distinguishes usage of private/public and in-state/out-of-state road usage.
Switchable	Changeable reporting of miles: Switching between basic and advanced by preference

Removing the GPS mandate and creating an open market were not the only successes ODOT accomplished when it came to addressing privacy concerns. When considering a program that would soon become a statewide initiative, ODOT officials collaborated with the American Civil Liberties Union (ACLU) on proper procedures to protect privacy. Together, both groups were able to agree upon a way to meet the ACLU's privacy requirements while also meeting ODOT's operability requirements. They acknowledged that personal data would only be collected through certain methods and legal language was created to protect the personally identifiable information (PII) of users. This collaboration eventually became Section 9 of the final version of SB 810 (see Appendix 7).

The ACLU negotiated amendments to ensure that PII collected could only be disclosed when necessary for particular entities to carry out their duties in administering the program. Other amendments required that location data collected by corresponding GPS devices be destroyed when no longer needed to enforce tax compliance, and that location data be provided to a law enforcement agency only when pursuant to a warrant based on probable cause. Private details of a driver's travel cannot be handed over without cause to law

[10] Ibid.
[11] Holeywell, 2012.

enforcement and cannot be held indefinitely to enable opportunities for abuse. The ACLU believed these amendments were positive steps to guard against these perceived threats.[12]

The privacy issue was recognized as the most challenging obstacle to a successful RUC program in Oregon, and legislative as well as ODOT officials understood that overcoming this problem would be their primary mission. They discarded the idea of requiring any kind of GPS tracker and established an open system. By allowing drivers more choice through an open market and collaborating with the ACLU, ODOT eased privacy apprehensions greatly, but not completely.

PUBLIC ACCEPTANCE

When considering the implementation of any public program, especially one that involves the collection of taxes, the approach must include navigating a path to public acceptance. Although it is important to implement a well-designed program, gaining approval from those affected by the tax should be more important than any other factor. Simply because some aspect may work well for a program's functionality does not necessarily mean it will work for the public. In this respect, public program designers must establish an informational feedback loop with the public that informs policy choices as public attitudes shift and become apparent. Policymakers and program designers can then adjust their perspectives and goals accordingly, continuing to gather public feedback as they move forward. ODOT recognizes this need for public support and has carried out three important steps to stimulate public approval while ensuring that the program is received positively.[13] These steps include publicizing the critical need for a RUC program, navigating public sensitivities, and tackling the wide range of program logistics and legislative details when bringing a RUC system into reality.

The first step is to make certain that the public recognizes the problem that the RUC program is designed to address. Through focus group studies, ODOT officials learned that transportation funding was not well understood by the public. For example, most drivers do not know how much the gas tax is or how much gas tax they contribute per month. ODOT acknowledged that participants did not have thorough knowledge of the funding source for transportation improvements in Oregon. They concluded that the disconnect in understanding between the current fuel tax and the RUC may be the biggest barrier to public support, as it is difficult for people to see the similarities of these two taxes.[14]

The approach to educating Oregonians and striving for a greater participation pool in the upcoming volunteer program will involve local outreach and personalizing the program to potential users, i.e. "getting local and specific."[15] Creating interest and helping drivers understand why they should care has become a key task for ODOT. ODOT approaches their messaging campaign for the RUC program by conveying the message that the current fuel tax will be incapable of meeting local transportation needs and that the RUC will improve local communities directly by generating this much-needed revenue. Additionally, ODOT is designing a public relations and education campaign to occur throughout 2014 and up until the July 2015

[12] ACLU of Oregon, 2013.
[13] Whitty and Svadlenak, 2009.
[14] Focus Group Report, 2013.
[15] Godfrey and Averbeck, 2014.

implementation date. The campaign will focus on educating the public about the current fuel tax's inability to meet the state's revenue needs for transportation purposes. Details about the campaign are currently unavailable as the solicitation and bidding process is being conducted as of the time of publication.[16]

The second step is to adapt the RUC program so that it considers public receptivity and sensitivities. ODOT has done extensive research to identify concerns regarding public apprehensions and has sought to remedy these concerns through various channels, including a more open system with greater options, regional messaging, and dedication to protecting privacy. To further calm anxieties and promote acceptance, officials understand that achieving greater acceptance will require drivers to hear positive stories about the program from others (rather than state officials). ODOT is establishing an interest group through email and social media. Officials will use this group to talk about the program, discuss the nuances of it, facilitate positive experiences, debunk myths, and overcome the barriers on a more personal level. The interest group will be a means of greater communication to Oregonians for the purpose of education and clarification about the program.[17]

Another crucial aspect in generating public acceptance was including eight state legislators as volunteer participants in the second pilot program's newly designed platform. Whitty defined this as an important step, as the legislators would then discuss the program in great detail—specifically how easy the program is—with their colleagues behind doors closed to ODOT officials. Whitty believes some of the strongest political, bipartisan support for SB 810 sprang from testimonies based on backroom discussions, and in turn these state legislators were able to convey a positive message based on personal experience about the program to their constituents.[18] Public acceptance and positive peer-to-peer conversations are fundamental but cultivating legislator approval provides a different level of public acceptance that is likewise important for implementing a successful RUC program.

The third step is to introduce a real RUC program that completely addresses safeguards to privacy, system controls, cost estimates, and a detailed rate structure. Regarding all of these issues, ODOT has done extensive research, buildup, and promotion to address each concern effectively. The privacy issue—the biggest obstacle—was given significant attention. System controls have been moved from a closed system, controlled exclusively by the State of Oregon, to an open system administered by various private market operators, granting greater choice to fee payers, and thus ultimately garnering greater approval by fee payers.

Members of the state legislature also played an important role in constructing a bill designed with the primary mission of statewide public acceptance. House Minority Whip Vikki Berger, a proclaimed "champion" of SB 810, acknowledged the difficulty of constructing a practical bill that simultaneously met the financial needs of the state and maintained respect towards the sensitivities of state drivers. Representative Berger explains,

> "Taxes and cars: something that Americans hate and something they love. If you tie them together, you will have their full attention […] Generally, your legislators get it, with some that would say 'I wouldn't vote for this, I won't get reelected' and there's a certain group who will consider it. But at some level you need to get the public to understand. You first have to be able

[16] Godfrey, 2014.
[17] Ibid.
[18] Whitty, 2014.

> to say ‘the public understands it’ and that’s where we are now. We are getting the public to say ‘Yeah, this works. Yeah, this doesn’t hurt [our] cars or [our] taxes’ at some level”.[19]

Representative Berger, along with House Majority Whip Tobias Read, garnered bipartisan support to achieve the 3/5 vote needed to pass a new tax bill. Another RUC-related bill during the same session, HB 2453, was unable to endure the scrutiny it received through the legislative process as it was perceived as vindictive towards drivers of fuel-efficient vehicles. SB 810 is all encompassing, and was viewed as being in the best interest of the state and the public. This sense of fairness and practicality ultimately paved the way for the bill to be signed into law.

IMPLEMENTATION: INTERNAL OPERATIONS & EXTERNAL PARTNERSHIPS

As of July 2015, ODOT will have multiple program aspects to manage in addition to creating short- and long-term plans of action for the ultimate goal of statewide RUC implementation in the future. Currently, the cost estimates for the road user charge are locked in at 1.5¢ per mile, but are subject to change in the future with legislative approval. One strategy of a road user fee is to reduce congestion and grow efficient roadway usage by increasing the fee during high-volume times in certain regions. Oregon officials have stated they do not intend to use the RUC as a tool to combat congestion. The cost estimates of the system, procedures, and staff functions will fall under the operational metrics and evaluations of the taxing authority internally and externally. Oregon’s aim will be greater cost efficiency and operational effectiveness. A decrease in operating costs and transactional fees are both expected and part of the yearly metrics for the taxing authority.[20] For the moment, these are considerations that will need to be worked out over time and through regular use of RUC system.

In regards to RUC system management, ODOT is currently delineating internal and external roles and responsibilities to ensure smooth delivery of the RUC program. As mentioned previously, ODOT will not be managing all RUC program aspects, but they will be discussing their organizational capacity to leverage ODOT staff and resources towards various aspects of program management.[21] In terms of responsibilities, ODOT will likely lead operations in account management, compliance, and enforcement of RUC payment from citizens.[22] The RUC program will still be a state-led program and, therefore, ODOT will also serve as the primary liaison to the legislature and public.[23] ODOT and external partners will share the responsibility of providing consumer choices. Finally, external partners will be responsible for their respective technology elements, account management, and data transfers, as outlined in their contracts.[24] Throughout this planning and role designation, the goal is to maintain an open system that is flexible with account management and mileage reporting so that all operations do not hinge on

[19] Berger and Read, 2014.
[20] Whitty, 2011b.
[21] Capps, 2014.
[22] Capps and Atkins, 2014.
[23] Capps, 2014.
[24] Ibid.

ODOT leadership.[25]

In order to provide consumer options and expand overall program capacity, ODOT will continue contracting with commercial entities to support RUC implementation. [26] ODOT has already worked with private companies during the most recent pilot program (completed in February 2013). Through a competitive contracting process, ODOT finalized private-sector partnerships with Raytheon and Sanef for mileage-reporting devices and services.[27] Raytheon created a mileage-reporting device for the smartphone-based plan while Sanef created another mileage-reporting device along with providing billing and account services.[28] The recently completed pilot program underscored the importance of an open system that allows for interoperable and changeable program pieces so that ODOT does not manage all components of mileage-reporting and collecting RUCs.[29]

Contracting with commercial partners is crucial for providing additional capacity to implement a RUC program. According to Carly Francis, the Program Manager for the Road User Charger Program at ODOT, implementing the RUC system should be easy and functional both now and in the future, especially because changes will come as technology advances and program needs shift.[30] ODOT is currently in the process of finalizing expectations and drafting procurement documents to establish commercial partners.[31] This high degree of operational flexibility also lends itself towards providing a template for other states to easily replicate a RUC program and tailor it to their department of transportation's needs, capacity, and preferred commercial partnerships.[32]

IMPLEMENTATION: PARTICIPANT RECRUITMENT AND PUBLIC RELATIONS

In order for the July 2015 RUC program to be successful, ODOT needs to engage the public to recruit volunteers along with communicating a strong, coherent message around why a RUC is important. As previously discussed, the recruitment goal is to find a diverse group of interested Oregonians, get them on board with the program, and support them with great customer service.[33] Lynn Averbeck, Senior Project Executive for the Office of Innovative Partnerships and Funding, explains that if participants understand the transparency and logistics behind the RUC, they will be more likely to support the program and communicate that support to others.[34] In this way, the July 2015 program has a unique opportunity to not only solidify RUC implementation, but also generate massive statewide support.

There are already many RUC advocates, but ODOT needs greater statewide acceptance

[25] Atkins et al., 2014.
[26] Atkins, 2014.
[27] ODOT Office of Innovative Partnerships & Alternative Funding, 2013b.
[28] Ibid.
[29] Larson, 2014.
[30] Francis, 2014.
[31] Atkins, 2014.
[32] Larson, 2014.
[33] Godfrey and Averbeck, 2014.
[34] Averbeck, 2014.

if the program will be legally accepted as a fully implementable program for all Oregonians.[35] The Public Relations component will be valuable in spreading RUC system information and debunking myths. Michelle Godfrey, the Office's Public Information Officer, notes that drivers have concerns around privacy, additional taxation, expected unfairness for rural drivers, and the potential to punish drivers with fuel-efficient vehicles when it comes to a RUC.[36] Each of these concerns has either a solution (such as ODOT providing multiple choices to address privacy concerns) or is simply untrue (such as the fact that the RUC is not an additional tax but replaces the gas tax).[37] ODOT's proactive approach to generate public acceptance through their program volunteers and through concentrated outreach will serve as a "tipping point" for future RUC legislation.

LESSONS LEARNED

ODOT has accumulated substantial RUC implementation knowledge through multiple pilot programs and three key lessons emerge: provide consumer choice, tailor proper RUC messaging by region, and emphasize fairness in taxation.

CONSUMER CHOICE

James Whitty and his team found that consumer choice is fundamental to a successful RUC program. In the recent 2012-2013 pilot program, ODOT provided participants with multiple options for mileage reporting and billing.[38] Individual consumers prefer to choose their method of mileage reporting rather than having the government mandate one expectation for all drivers. In fact, choice generates greater public acceptance: "Almost all participants [in the second pilot] said that having a choice of road usage charging plans improved their perception of a road usage charging program and made them more comfortable with it."[39] Providing a blend of both ODOT-led and private partner-led account management options also alleviates privacy concerns.[40] If hoping to implement a RUC system, TxDOT must ensure that consumers have choices in mileage reporting and billing in order to gain their support and ease privacy concerns.

RUC MESSAGING BY REGION

Oregon and Texas are geographically similar with combinations of urban, rural, and mixed communities; therefore, messaging is significant depending on the audience. Understanding that messaging must be tailored to the audience, ODOT has adapted RUC messaging by region, especially to address the concern around unfairness to rural residents.

[35] Godfrey, 2014.
[36] Ibid.
[37] Ibid.
[38] ODOT Office of Innovative Partnerships & Alternative Funding, 2013b.
[39] Ibid.
[40] Ibid.

There may be some opposition from rural residents out of concern that a RUC targets them and the fact that they typically drive longer distances per trip than urban drivers. In reality, ODOT's research "reveal[s] that rural residents, on average, will not be affected adversely in any significant way by a road usage charge—financially, behaviorally, or technologically."[41] Rural drivers will not be paying an unfair proportion of the tax and in fact, many may already been paying their fair share through the gas tax. Michelle Godfrey emphasizes that it is crucial for ODOT to be sensitive to these concerns and differing lifestyles throughout the state.[42] The greater message is not about rural versus urban drivers but about all Oregonians maintaining their investment in roads through a RUC program.[43]

FAIRNESS IN TAXATION

The most important lesson from Oregon's RUC pilot programs is that ODOT needs to emphasize fairness in taxation. A RUC is not an additional tax but rather a supplementary tax to fill in revenue gaps that the fuel tax no longer covers. All drivers, regardless of the fuel efficiency of their cars, utilize and devalue roads through consistent use. Because of this, roads need revenue to pay for ongoing maintenance. As Representative Berger explained, quality roads are a government service that all citizens, regardless of political affiliation, want and expect.[44] Using the RUC system to supplement waning fuel tax revenues is a fair, consistent way to maintain road infrastructure. This idea of a fair tax is closely linked with the previous lesson learned around messaging and public relations. Public support can likewise be generated when the RUC message becomes tangible through the example of well-maintained roads versus poor ones.[45] Representative Berger finds a "perfect tax" in the RUC program because it meets revenue goals, makes sense, and truly is a user fee for roads.[46] The RUC, as a neutral fee, negates concerns about over-taxation and generates public acceptance when citizens choose to maintain their long-term transportation investments.

RELEVANCE TO TEXAS

A RUC system based on miles driven, rather than fuel consumed, is extremely relevant to Texas because such a program generates additional revenue for TxDOT and provides a fair, transparent means to fund the maintenance of Texas roads. Currently, TxDOT has to contend with declining gas tax revenues while still trying to find resources to address growing road congestion and ongoing road consumption due to more drivers across the state. The bottom line is that maintaining and building statewide road infrastructure requires money. The Texas Legislature likewise understands the need for greater transportation revenue and, during the summer of 2013—after several consecutive special sessions—the legislature controversially

[41] ODOT Office of Innovative Partnerships & Alternative Funding, 2013a.
[42] Godfrey, 2014.
[43] Ibid.
[44] Berger, 2014.
[45] Ibid.
[46] Ibid.

appropriated up to $1.2 billion to TxDOT for road maintenance and future projects.[47] Regardless of this additional funding, TxDOT needs to find a long-term funding solution in the face of declining revenues so that TxDOT has a plan for funding roads. With a RUC system, drivers will pay a flat rate per mile and be charged for the actual number of road miles they drive during a given time. A RUC program is worthwhile for TxDOT to implement because it generates revenue in a way that the gas tax does not, especially for fuel-efficient vehicles, and would provide an ongoing revenue stream that TxDOT could depend on for road maintenance.

Because of ODOT's work through multiple pilot programs, TxDOT will not need to create an entirely new RUC system, but can instead adapt and build on Oregon's experience. Texas, along with Oregon and other states, is part of the Western Road User Consortium, which researches RUC implementation and encourages cross-state collaboration through ongoing feedback, new ideas, and continued research.[48] Because Oregon has laid the foundation for implementation and public acceptance, TxDOT will be able to move forward without encountering many of ODOT's early obstacles and concerns. Investing in a RUC system will provide TxDOT with much-needed revenue and Texans will make a long-term commitment to maintaining good roads and continued transportation growth throughout the state.

[47] Ward, 2013.
[48] Whitty, 2013d.

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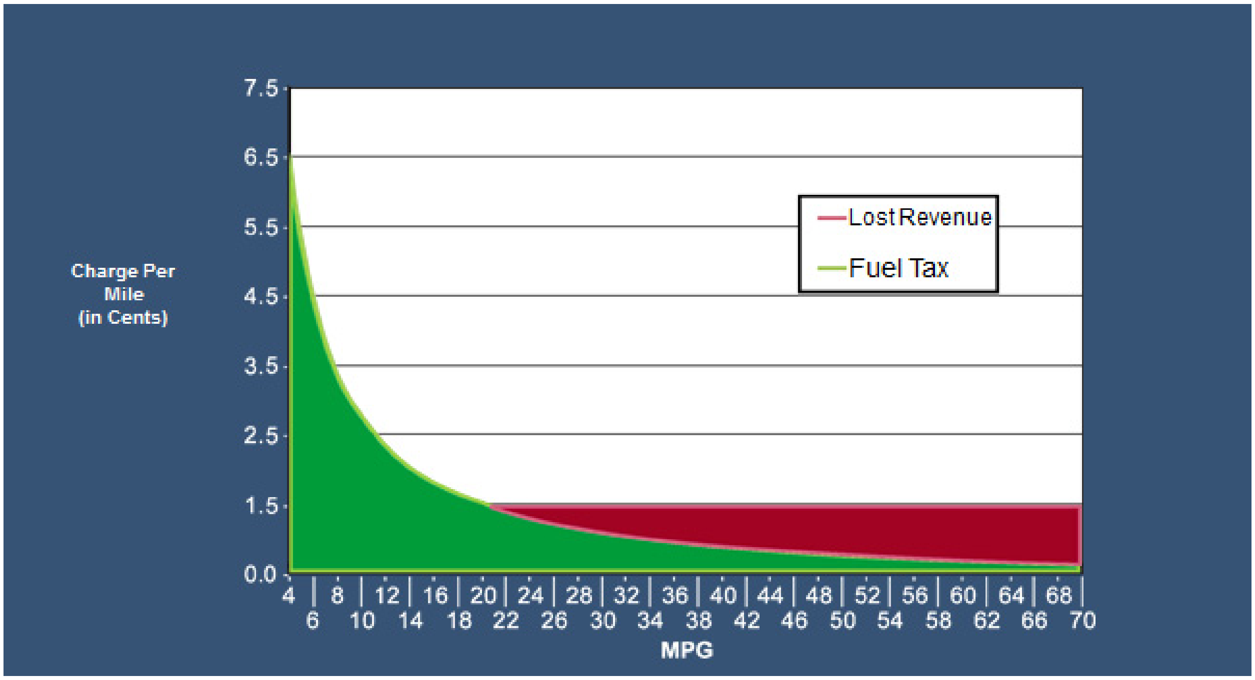
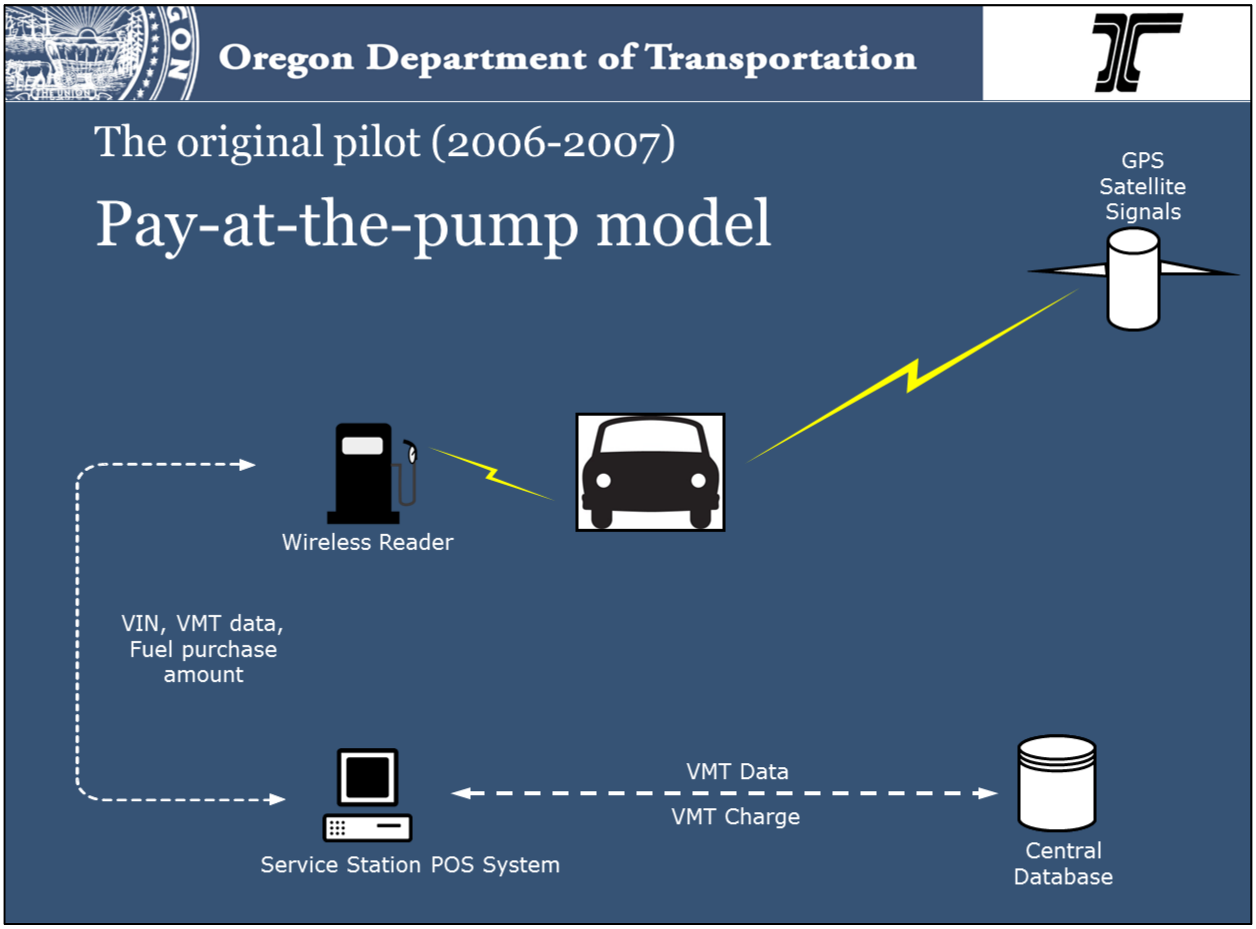
APPENDIX 2: FUEL TAX AND LOST REVENUES[49]



This graph demonstrates that when vehicles achieve less than 20 MPG, they actually pay more than 1.5¢ per mile. Also, more fuel-efficient vehicles that get greater than 20 MPG are contributing to a revenue loss if they are not on the RUC program.

[49] Whitty, 2013a.

APPENDIX 3: PILOT #1: PAY-AT-THE-PUMP MODEL[50]



[50] Whitty, 2013a.

APPENDIX 4: PILOT #2: ROAD USER CHARGE MODEL[51]

Oregon's second Road Usage Charge Pilot Program (RUCPP):

- Duration: November 1, 2012–February 28, 2013
- 44 volunteer participants from Oregon
  - 8 state legislators
  - Washington DOT and Nevada DOT managed 44 additional participants
- Paid road usage charge, received fuel tax credit
- Private sector firms provide
  - Mileage reporting technologies
  - Tax processing and account management

Plan options for RUCPP are presented in the following table.

[51] Whitty, 2013a.

Oregon RUCPP Plan Options

Plan Option	Provider	Miles Reported?	Invoice	Payment	Online Account Management?	GPS?
#1 (The Basic Plan)	Sanef	All	Emailed Monthly	Credit/Debit Card	Yes	No
#2 (The Smartphone Plan)	Sanef/Raytheon	With app running, only roads in Oregon; without app running, all roads	Emailed Monthly	Credit/Debit Card	Yes	Yes, when app is running
#3 (The Advanced Plan)	Sanef	Public roads in Oregon only	Emailed Monthly	Credit/Debit Card	Yes	Yes, device installed in vehicle
#4 (The Basic Plan)	ODOT	All	Mailed Monthly	Check	No	No
#5 (Flat Rate Plan)	ODOT	N/A	Once, at start	Check	No	No

APPENDIX 5: ROAD USAGE CHARGE PROGRAM DOCUMENTS[52]

Sequence	Document Title	Description
1	Open System Architecture Model (2012)	This report addresses a market based method to achieve a comprehensive approach to electronic road usage charging in the State of Oregon and interoperability within the State and the surrounding region. It explains the difference between open and closed IT systems in the context of various types of road charging such as tolling, per mile, and congestion pricing, and presents the case for an open system for road usage charging. It defines the functional system components, the various "actors" and their roles, and explains how an open system encourages private sector competition and promotes interoperability. Six (6) principles for an open system architecture model are provided, as well as some state and federal policy background.
2	Strategic Program Plan (2011)	This is the "plan of plans" of the Oregon RUC Program, providing a vision for a full roll out of a mandatory RUC system over an eight year timeframe. The document is based on policy directives made by the statutory Road Use Fee Task Force in 2010 and 2011. A two-phased approach is proposed but also broken down further into five detailed schedule phases, along with detailed information about twelve critical work streams.
3	Preliminary Concept of Operations (2011)	This document provided a user-friendly view of the mileage-based taxation system designed for highly fuel-efficient vehicles, with special focus on electric and plug-in electric hybrid vehicles that were entering the market at the time ODOT was preparing to implement the 2012 Road Usage Charge Pilot Project. This document was updated after the pilot was completed (Please see Pre-Legislative Concept of Operations below).
4	System Requirements Specifications (2012)	The SRS, a technical document, was designed for the successful 2012 RUC pilot project, but with a future mandatory system in mind. It contains an overview of the system and its requirements including context, security, performance, assumptions, dependencies and facilities. Mileage Collection, RUC Processing and Accounting subsystems are described in detail that covers data, hardware, trained personnel and process requirements.

[52] Road Usage Charge Program, ODOT, 2014.

Sequence	Document Title	Description
5	Interface Control Document (2012)	The ICD, a technical document, covers the interface between the Mileage Collection subsystem, RUC Processing subsystem, and the mileage message. It also explains the interface between the RUC Processing and RUC Accounting subsystems.
6	Road Usage Charge Pilot Project Evaluation Report (2013)	This document picks up where ODOT's first RUC pilot project in 2007 left off. It provides a complete overview of the more recent and successful second pilot project (RUCPP) that demonstrated the viability of an open system architecture using the latest technology including the use of a smartphone app. The document provides the policy strategy used to design and operate the project and recommends next steps towards implementation of the first mandated RUC system in the nation as set forth by Senate Bill 810.
7	Financial and Economic Cost Model (2013)	This is a planning tool that consists of Excel spreadsheets that can be used to estimate operations and transactional costs of the RUC system under a wide range of possible combinations of assumptions, or scenarios.
8	Impacts of Road Usage Charging in Rural, Urban and Mixed Counties (2013)	This report explains the study of impacts of RUC in rural, urban and mixed counties in Oregon. The analysis describes various impacts a mileage tax policy will have on the various county characteristics in Oregon. It includes total cost impact relative to current cost burden of the existing gas tax system. The document also discusses the expected behavioral impacts on users who would have to adapt to new technological features of the proposed RUC system.
9	Focus Group Report (2013)	This report describes the results of work with six focus groups of Oregon voters to test attitudes and perceptions toward a proposal for a mileage fee on new highly fuel efficient vehicles. The research probed participants' views about existing and ideal methods of funding transportation improvements and explored several possible approaches, include a specific proposal to charge fees on miles driven on new highly fuel efficient vehicles.

Sequence	Document Title	Description
10	Economic Viability of Road Usage Charging in Oregon (2013)	The economic viability analysis identifies and analyzes stakeholder interests for "Day One" and "Mature" scenarios. It also provides market analysis for RUC, explaining various business cases, key observations, scenarios for private market involvement, and cost and revenue categories. A summary of costs and revenues is included, along with information about the ODOT financial model.
11	Pre-Legislative Concept of Operations (2013)	The Pre-Legislative "ConOps" is ODOT's best guess as to how to move the RUC program forward using the latest information from the 2012 pilot project results combined with pending legislative direction. "Pre-Legislative" means prior to the passing of Senate Bill 810 while House Bill 2453 (which did not pass) was under consideration. The voluntary aspect of the Senate Bill was included in HB 2453 and is thus examined in this report. The document includes background RUC and Road Use Fee Task Force history in Oregon, explains the visioning process and program goals, and provides operational details and scenarios.
12	Road Usage Charge Program Implementation Plan (2013)	This is a bar chart schedule showing all the activities and milestones that must be accomplished and in place to initiate RUC operations by the actual state date set in Senate Bill 810 (July 1, 2015). It includes supporting text and explanatory notes about what is involved and lists the major tasks for each activity/milestone, the responsible entity, required resources, rough order-of-magnitude cost estimate and milestone current status.
13	Help Desk Operations Guide (2013)	This explains the "Help Desk" system designed and used for the 2012 Road Usage Charge Pilot Project (RUCPP). It includes an overview of the three-pronged customer support team structure, Help Desk operations procedures, and instructions for handling specific issue scenarios.

APPENDIX 6: OREGON STATUTES – CHAPTER 184

Chapter 184 — Administrative Services and Transportation Departments

2013 EDITION

(Road User Fee Task Force and Program)

184.841 Legislative findings. The Legislative Assembly finds that:

(1) An efficient transportation system is critical for Oregon's economy and quality of life.

(2) The revenues currently available for highways and local roads are inadequate to preserve and maintain existing infrastructure and to provide funds for improvements that would reduce congestion and improve service.

(3) The gas tax will become a less effective mechanism for meeting Oregon's long-term revenue needs because:

(a) It will steadily generate less revenue as cars become more fuel-efficient and alternative sources of fuel are identified; and

(b) Bundling fees for roads and highways into the gas tax makes it difficult for users to understand the amount they are paying for roads and highways. [2001 c.862 §1]

184.843 Road User Fee Task Force; members; duties; terms; reports. (1) There is created the Road User Fee Task Force.

(2) The purpose of the task force is to develop a design for revenue collection for Oregon's roads and highways that will replace the current system for revenue collection. The task force shall consider all potential revenue sources.

(3) The task force shall consist of 12 members, as follows:

(a) Two members shall be members of the House of Representatives, appointed by the Speaker of the House of Representatives.

(b) Two members shall be members of the Senate, appointed by the President of the Senate.

(c) Four members shall be appointed by the Governor, the Speaker and the President acting jointly. In making appointments under this paragraph, the appointing authorities shall consider individuals who are representative of the telecommunications industry, of highway user groups, of the Oregon transportation research community and of national research and policy-making bodies such as the Transportation Research Board and the American Association of State Highway and Transportation Officials.

(d) One member shall be an elected city official, appointed by the Governor, the Speaker and the President acting jointly.

(e) One member shall be an elected county official, appointed by the Governor, the Speaker and the President acting jointly.

(f) Two members shall be members of the Oregon Transportation Commission, appointed by the chairperson of the commission.

(4)(a) The term of a legislator appointed to the task force is four years except that the legislator ceases to be a member of the task force when the legislator ceases to be a legislator. A legislator may be reappointed to the task force.

(b) The term of a member of the task force appointed under subsection (3)(c) of this section is four years and the member may be reappointed.

(c) The term of a member of the task force appointed under subsection (3)(d) or (e) of this section is four years except that the member ceases to be a member of the task force when the member ceases to be a city or county elected official. A city or county elected official may be reappointed to the task force.

(d) The term of a member of the Oregon Transportation Commission appointed to the task force is four years except that the member ceases to be a member of the task force when the member ceases to be a member of the commission. A member of the commission may be reappointed to the task force.

(5) A legislator appointed to the task force is entitled to per diem and other expense payments as authorized by ORS 171.072 from funds appropriated to the Legislative Assembly. Other members of the task force are entitled to compensation and expenses as provided in ORS 292.495.

(6) The Department of Transportation shall provide staff to the task force.

(7) The task force shall study alternatives to the current system of taxing highway use through motor vehicle fuel taxes. The task force shall gather public comment on alternative approaches and shall make recommendations to the Department of Transportation and the Oregon Transportation Commission on the design of pilot programs to be used to test alternative approaches. The task force may also make recommendations to the department and the commission on criteria to be used to evaluate pilot programs. The task force may evaluate any pilot program implemented by the department and report the results of the evaluation to the Legislative Assembly, the department and the commission.

(8) When the task force is studying alternatives to the current system of taxing highway use through motor vehicle fuel taxes and developing recommendations on the design of pilot programs to test alternative approaches under subsection (7) of this section, the task force shall:

(a) Take into consideration the availability, adaptability, reliability and security of methods that might be used in recording and reporting highway use.

(b) Take into consideration the protection of any personally identifiable information used in reporting highway use.

(c) Take into consideration the ease and cost of recording and reporting highway use.

(d) Take into consideration the ease and cost of administering the collection of taxes and fees as an alternative to the current system of taxing highway use through motor vehicle fuel taxes.

(e) Take into consideration effective methods of maintaining compliance.

(f) Consult with highway users and transportation stakeholders, including representatives of vehicle users, vehicle manufacturers and fuel distributors.

(9) The task force shall report to each odd-numbered year regular session of the Legislative Assembly on the work of the task force, the department and the commission in designing, implementing and evaluating pilot programs.

(10) Official action by the task force requires the approval of a majority of the members of the task force.

(11) Notwithstanding ORS 171.130 and 171.133, the task force by official action may recommend legislation. Legislation recommended by the task force must indicate that it is introduced at the request of the task force. Legislative measures proposed by the task force shall be prepared in time for presession filing with the Legislative Counsel by December 15 of an even-numbered year. [2001 c.862 §2; 2011 c.470 §7; 2011 c.545 §2; 2011 c.629 §1]

184.846 Pilot programs; fees; rules. (1) The Department of Transportation may develop one or more pilot programs to test alternatives to the current system of taxing highway use through motor vehicle fuel taxes. Pilot programs may include, but need not be limited to, programs testing technology and methods for:

(a) Identifying vehicles;

(b) Collecting and reporting the number of miles traveled by a particular vehicle; and

(c) Receiving payments from participants in pilot projects.

(2) Technology and methods tested under subsection (1) of this section shall be tested for:

(a) Reliability;

(b) Ease of use;

(c) Public acceptance;

(d) Cost of implementation and administration; and

(e) Potential for evasion of accurate reporting.

(3) The department may solicit volunteers for participation in pilot programs developed under this section. A participant must:

(a) Report the participant's use of the highway system in Oregon as required by the program;

(b) Pay the fee established for the program for use of the highway system; and

(c) Display in the participant's vehicle an emblem issued under subsection (6) of this section.

(4) The department shall establish a fee for each pilot program the department undertakes. The fee shall be a highway use fee and shall be paid by each participant in the program. The program may be designed so that the fee is imposed in lieu of any tax on motor vehicle fuel imposed under ORS 319.020 or any tax on the use of fuel in a vehicle under ORS 319.530 that would otherwise be paid by the participant.

(5) If a person who participates in a pilot program under this section pays the motor vehicle fuel tax under ORS 319.020, the department may refund the taxes paid.

(6) The department shall issue an emblem for each vehicle that will be used by a participant as part of a pilot program under this section. A seller of fuel for use in a motor vehicle may not collect the tax that would otherwise be due under ORS 319.530 from a person operating a vehicle for which an emblem has been issued under this subsection.

(7) If a person participating in a pilot program under this section ends the person's participation in the program prior to termination of the program, the person shall pay to the department any amount of the highway use fee established for the program under subsection (4) of this section that the person has not yet paid. The person shall return to the department any emblem issued to the person under subsection (6) of this section.

(8) The department may terminate a pilot program at any time and may terminate participation by any particular person at any time. When a program is terminated or a person's participation is terminated by the department, the department shall collect any unpaid highway use fees established for the program under subsection (4) of this section.

(9) The department may adopt any rules the department deems necessary for the implementation of this section, including but not limited to rules establishing methods of collecting highway use fees from program participants and rules establishing reporting requirements for participants.

(10) The department may compensate participants in pilot programs established under this section.

(11) In designing, implementing and evaluating pilot programs under this section, the department shall consider the recommendations of the task force created by ORS 184.843. [2001 c.862 §3]

184.850 Variable pilot program fees. The Department of Transportation may vary any fee established under ORS 184.846 to facilitate the maximum use of road capacity. [2003 c.618 §43]

184.853 Moneys for task force and programs. (1) The department may use moneys in the State Highway Fund for financing activities required to support the task force created by ORS 184.843 and the pilot programs established under ORS 184.846.

(2) The department may solicit and accept grants and assistance from the United States Government and its agencies and from any other source, public or private.

(3) The department may accept gifts or donations of equipment necessary to carry out research and pilot programs under ORS 184.843 and 184.846. [2001 c.862 §4]

APPENDIX 7: SB 810 § 9

SECTION 9. (1) As used in this section:

(a) “Certified service provider” means an entity that has entered into an agreement with the Department of Transportation under ORS 367.806 for reporting metered use by a subject vehicle or for administrative services related to the collection of per-mile road usage charges and authorized employees of the entity.

(b) “Personally identifiable information” means any information that identifies or describes a person, including, but not limited to, the person’s travel pattern data, per-mile road usage charge account number, address, telephone number, electronic mail address, driver license or identification card number, registration plate number, photograph, recorded images, bank account information and credit card number.

(c) “VIN summary report” means a monthly report by the department or a certified service provider that includes a summary of all vehicle identification numbers of subject vehicles and associated total metered use during the month. The report may not include location information.

(2) Except as provided in subsections (3) and (4) of this section, personally identifiable information used for reporting metered use or for administrative services related to the collection of the per-mile road usage charge imposed under section 3 of this 2013 Act is confidential within the meaning of ORS 192.502 (9)(a) and is a public record exempt from disclosure under ORS 192.410 to 192.505.

(3)(a) The department, a certified service provider or a contractor for a certified service provider may not disclose personally identifiable information used or developed for reporting metered use by a subject vehicle or for administrative services related to the collection of per-mile road usage charges to any person except:

(A) The registered owner or lessee;

(B) A financial institution, for the purpose of collecting per-mile road usage charges owed;

(C) Employees of the department;

(D) A certified service provider;

(E) A contractor for a certified service provider, but only to the extent the contractor provides services directly related to the certified service provider’s agreement with the department;

(F) An entity expressly approved to receive the information by the registered owner or lessee of the subject vehicle; or

(G) A police officer pursuant to a valid court order based on probable cause and issued at the request of a federal, state or local law enforcement agency in an authorized criminal investigation involving a person to whom the requested information pertains.

(b) Disclosure under paragraph (a) of this subsection is limited to personally identifiable information necessary to the respective recipient's function under sections 2 to 15 of this 2013 Act.

(4)(a) Not later than 30 days after completion of payment processing, dispute resolution for a single reporting period or a noncompliance investigation, whichever is latest, the department and certified service providers shall destroy records of the location and daily metered use of subject vehicles.

(b) Notwithstanding paragraph (a) of this subsection:

(A) For purposes of traffic management and research, the department and certified service providers may retain, aggregate and use information in the records after removing personally identifiable information.

(B) A certified service provider may retain the records if the registered owner or lessee consents to the retention. Consent under this subparagraph does not entitle the department to obtain or use the records or the information contained in the records.

(C) Monthly summaries of metered use by subject vehicles may be retained in VIN summary reports by the department and certified service providers.

(5) The department, in any agreement with a certified service provider, shall provide for penalties if the certified service provider violates this section.