

# ROAD USER FEE TASK FORCE

# Report to the Oregon Legislative Assembly

2019



# Road User Fee Task Force

## 2019

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# TABLE OF CONTENTS

INTRODUCTION .....	2
ROAD USER FEE TASK FORCE PROCEEDINGS .....	3
OReGO IMPLEMENTATION UPDATES .....	4
PARTNERSHIPS WITH OTHER JURISDICTIONS .....	7
CONCLUSION.....	9

# INTRODUCTION

This report is submitted to the Legislative Assembly in compliance with ORS 184.843 [9], requiring the Road User Fee Task Force [RUFTF] to 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.

The Oregon State Legislature recognized that transportation financing would reach a crisis point, where fuels tax could not continue to provide a sustainable funding source for transportation system maintenance, improvements and construction. In response, the Legislature created the Road User Fee Task Force in 2001. The task force has been instrumental in creating and supporting road usage charge [RUC] pilots and policymaking to explore alternative transportation financing.

Following two road usage charge pilots in 2006 and 2012, the 2013 Legislative Assembly passed Senate Bill 810. SB 810 is the foundation for the only ongoing road usage charge program in the nation, OReGO. The OReGO program launched July 1, 2015, and since then, the Oregon Department of Transportation [ODOT] has been actively testing the policy and technical possibilities of RUC.

ODOT is also an active and leading participant of RUC West. RUC West brings together leaders from state transportation organizations to share best practices and research road usage charge.<sup>1</sup> Currently, RUC West consists of fourteen states that are in various stages of exploring road usage charge programs. This includes Utah-- which is establishing an operational road usage charge system-- and California and Washington, both of which have participated in pilots and are exploring interoperability with Oregon's road usage charge program.

The Federal Highway Administration awarded ODOT two Surface Transportation System Funding Alternatives [STSFA] grants. The first ODOT grant was used to conduct research regarding RUC enforcement, evaluate new technologies to transfer RUC data, partner with other entities, and launch a public education campaign. The second ODOT grant will be used to verify that RUC could be used as a local financing option. Additionally, RUC West received two STSFA grants to explore inter-state interoperability.

The operational OReGO program proves that RUC works: Drivers can accurately pay for their use of the road on a per-mile basis, rather than by gallons of fuel consumed. ODOT continues to further research, refine, and execute this option of transportation financing.

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<sup>1</sup> <https://www.rucwest.org/about/>

# ROAD USER FEE TASK FORCE PROCEEDINGS

The Road User Fee Task Force has convened five times since the last report to the Legislative Assembly in 2017.

- » **November 2017:** The task force received updates on the operational OReGO program and the status of the California-Oregon interoperability pilot. It also discussed the possible path forward for a more robust road usage charging program in Oregon.
- » **February 2018:** The task force received updates on the OReGO Program, were briefed on national momentum for road usage programs and what ODOT is doing to enhance the volunteer experience here in Oregon.

The task force also had a policy discussion about:

- ~ Expanding the OReGO program to allow high efficiency vehicles other than fully electric vehicles to opt into OReGO in lieu of paying enhanced registration fees created in House Bill 2017 [2017],
- ~ Applying a fuel efficiency minimum for vehicle enrollment into the program, and
- ~ Adopting enforcement mechanisms for vehicles that were not paying the enhanced registration due to their enrollment in OReGO.

The task force also received a briefing on automated vehicles and their potential impact on revenue if transportation financing remains tied to fuels tax. Automated vehicles are likely to be deployed in electric fleets and may travel significantly more miles than conventional driver-operated vehicles. This could lead to substantially more wear

and tear on the roads and less revenue. A mandatory RUC for automated vehicles could bridge this funding gap.

- » **June 2018:** The task force received an update on the Oregon-California and Oregon-Washington interoperability pilots as well as an overview of Utah's road usage charge statute. It then discussed possible legislative concepts that would include enforcement options, an efficiency minimum for enrolling in OReGO, and expanding the enhanced registration opt-out provisions for vehicles that had an efficiency of 40 miles per gallon. The task force was also briefed on an open architecture tolling system; a concept which would allow for transportation payment services, like tolling and road usage charging, to be combined on a single billing platform.
- » **September 2018:** The task force received a status update on the operational OReGO program and its projects, and learned about Minnesota's approach to road usage charging. ODOT staff also demonstrated the educational tools that are being developed to inform the public about the need for a more sustainable revenue source. It also approved of provisions for a legislative concept consistent with its previous discussions.
- » **April 2019:** The task force received a status update on the OReGO program and information about the road usage charge pilot taking place in Hawaii. Representative Lively provided an update on the task force legislation, House Bill 2881 [2019] that he is sponsoring in the Legislature. The task force also had a guest presentation from TriMet showcasing its app-based payment system.

# OReGO IMPLEMENTATION UPDATES

The OReGO Program successfully launched on July 1, 2015. Since that time, it has been continually operating and undertaking projects to enhance its functionality and practicality. In 2016 and 2017, ODOT applied for, and received, grants from the Federal Highway Administration. These grants were part of the Fixing America's Surface Transportation Act [FAST Act] Surface Transportation System Funding Alternatives Program. RUC West also applied for and received grants.

The FAST Act established the Surface Transportation System Funding Alternatives Program to provide grants to states, or groups of states, to demonstrate user-based alternative revenue mechanisms that utilize a user fee structure to maintain the long-term solvency of the Highway Trust Fund. The objectives of the STSFA program are to:

- » Test the design, acceptance, and implementation of two or more future user-based alternative mechanisms;
- » Improve the functionality of the user-based alternative revenue mechanisms;
- » Conduct outreach to increase public awareness regarding the need for alternative funding sources for surface transportation programs and to provide information on possible approaches;
- » Provide recommendations regarding adoption and implementation of user-based alternative revenue mechanisms; and
- » Minimize the administrative cost of any potential user-based alternative revenue mechanisms.<sup>2</sup>

## OReGO 2016 STSFA Grant

For the 2016 grant, the OReGO team established four objectives: expand the market, increase public awareness, evaluate compliance mechanisms, and explore interoperability. The following projects were defined to meet these objectives.

- 1. Expand the market**
  - » Expand technology options for reporting mileage. If RUC is expected to mature into a mandatory program, it must move away from the device that plugs into the vehicle and move toward a technology that is less susceptible to tampering.
  - » Manage the open market by better managing account manager entrance and exit into the RUC market and certification of technology.
  - » Develop requirements for a manual mileage reporting option.
  - » Streamline reporting and data sharing with other government entities.
- 2. Increase public awareness.**
- 3. Evaluate program compliance mechanisms for account managers and RUC payers.**
- 4. Explore interoperability by hosting a multi-state RUC Forum [which was held in September 2017].**

Of these projects, all but two are complete and have final reports as of April 2019. The remaining project related to expanding technology options will conclude by

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<sup>2</sup> <https://www.fhwa.dot.gov/fastact/factsheets/surftransfundalts.cfm>

December 2019, and the project related to increasing public awareness will conclude by December 2020.

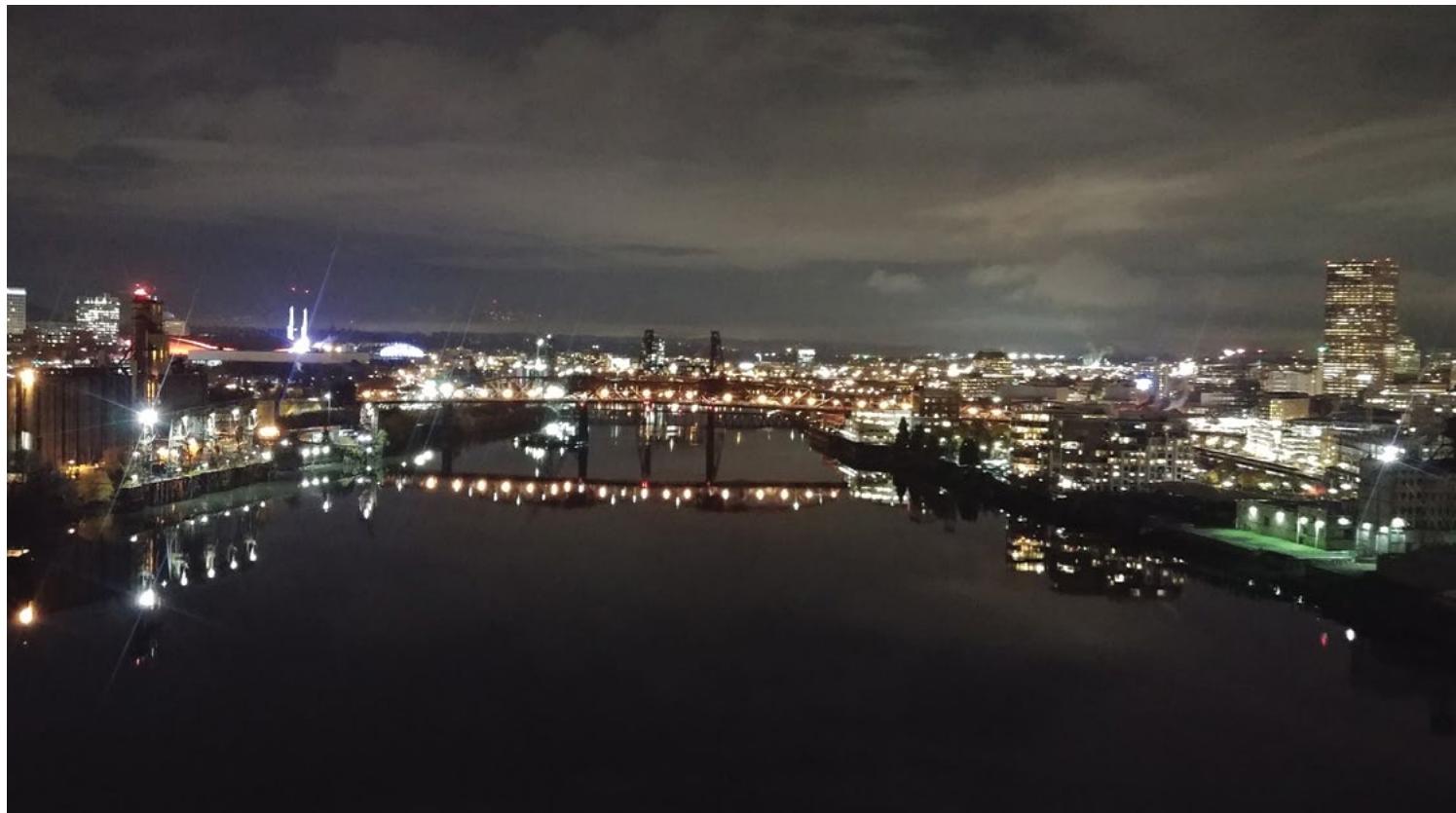
The OReGO Program 2016 FAST Act grant was awarded at \$4.2 million (fifty percent funded through federal grants, and fifty percent funded by OReGO), though due to a re-scoping, incorporating efficiencies into project plans, and relying more on internal resources, ODOT plans to spend only \$2.7 million of that award. A third-party firm was contracted to perform independent Quality Assurance for the overall project, and the Office of the State Chief Information Officer was engaged to provide oversight.

OReGO learned many lessons through these projects. The lessons were shared with the Road User Fee Task Force and are summarized below.

- » On-board telematics in vehicles will be the most reliable and accurate way to report mileage and fuel usage, however, using on-board telematics in OReGO

is limited by vehicle manufacturer constraints on its availability and usage.

- » OReGO refined its requirements, which will make it easier for other business partners to become certified for participation in the program.
- » A manual reporting option process was developed but has not been deployed into the operational program. In part, this is due to potential increase in administrative costs. It will be deployed when the program is mandated or has significantly more vehicles.
- » One account manager became certified with the Oregon Department of Environmental Quality and can now provide remote emissions testing in addition to supporting OReGO. This saves OReGO volunteers a trip to emissions testing sites, with the results of the remote emissions testing being shared directly with DMV, thereby streamlining registration renewal.



- » Account managers asked OReGO volunteers if they would share their anonymized travel data with ODOT's Transportation Development Division [TDD] to see if that data could be used for traffic modeling. The volunteers who did agree to share data received a small incentive from the account manager. TDD found the data useful although there were not a significant number of participants.
- » While researching how to increase public awareness, OReGO learned that most Oregonians do not understand how transportation infrastructure is currently funded. Based on the feedback received during a longitudinal focus group of sixty Oregonians from throughout the state, we were able to develop new communications tools that will be deployed later in 2019.
- » Research was conducted on possible enforcement mechanisms for both account managers as well as RUC payers to help ensure compliance in a mandatory program. This included estimating the costs associated with implementing those mechanisms.
- » The interoperability forum was held in 2017. It included both a technical and a business track. This allowed participants to learn, share ideas, and ask questions. The reviews indicated that participants liked the format and would appreciate having an opportunity to participate in similar events at least every other year.

More than ever, local jurisdictions need options to generate revenue to maintain their roadways as infrastructure ages. Cities and counties with local option fuel tax programs are facing the same pressures on their revenues as ODOT. While OReGO demonstrates that road usage charging works to collect state fees, it remains unproven at the local level, in terms of simultaneously collecting both state and local fees and accurately distributing them to the appropriate jurisdictions. ODOT seeks to demonstrate that RUC will work at the local level to address local option issues, should the Legislature opt to include a local option in a mandatory program.

ODOT partnered with the City of Portland and Metro on the design of the pilots, which are targeting a May 2020 launch. The pilot project total budget is \$3.5 million and, ODOT is in the process of securing a business partner to collect driving data and administer the volunteer accounts. Once a vendor has been selected, the schedule and budget can be finalized.

## HOUSE BILL 2017 IMPLEMENTATION

House Bill 2017 [2017] provided that fully electric vehicles enrolled in OReGO were not subject to the enhanced registration surcharge that was established in the bill. The OReGO Program worked with DMV to ensure that there was a seamless process allowing people registering or renewing their fully electric vehicles to avoid paying the surcharge based on OReGO enrollment.

## OReGO 2017 STSFA Grant – Local Option RUC

This OReGO grant will support three pilots for adapting the state's road usage charge system for localities. ODOT will conduct three local road usage charge area pricing pilots, with up to 100 volunteer participants each. Each pilot will explore the technical feasibility scenarios such as geo-fencing a city, central business district within a city, or county for additional per-mile charges during specific travel times and pricing limited to freeway corridors during certain times of day.



# PARTNERSHIPS WITH OTHER JURISDICTIONS

The bill that created OReGO allowed ODOT to enter into agreements with other state departments of transportation, the federal government and Canadian provinces for the purposes of:

- » Conducting joint research relating to road usage charges and development programs on a multistate basis;
- » Furthering the development and operation of single state or multistate road usage charge pilot programs; and
- » Developing a program for stakeholder outreach and communications related to road usage charges.<sup>3</sup>

Sharing information with other jurisdictions is an invaluable tool. This information sharing takes place in the form of regularly scheduled RUC West meetings, where the fourteen member states share lessons learned and fund research that is of interest to the members. Information sharing occurs through less formal means as well, such as when a university or another country reaches out with questions. OReGO has received inquiries from places such as Israel, Paris, Indiana DOT, and the Chicago Metropolitan Planning Council. The information below is about ODOT's more formal partnerships.

## RUC West 2016 STSFA Grant

The Regional RUC System Definition and Pilot Planning Project set the stage for a regional RUC system in the Western United States. The project accomplished two main objectives:

1. Created a high-level concept of operations that all eleven participating states agreed on, which outlines the basic principles of how a regional RUC system will function for future pilots.
2. Created detailed system and business requirements for the Oregon-California pilot.

The total project cost was \$1.9 million and was completed by July 31, 2018.

The most valuable lesson learned from this project is that a regional, inter-state RUC system is possible. Each state will have its own requirements—including different RUC rates, public funds laws, methods of fuels tax collection and disbursements—but this project demonstrated that a regional system can be built to be agile enough to accommodate each states' needs and function seamlessly for drivers.

## RUC West 2017 STSFA Grant: Oregon and California Interoperability

The RUC West 2017 STSFA Grant will test interoperability of the Oregon and California RUC systems, creating a platform that other states could join. The pilot is targeting an April 2020 launch with a budget of \$4 million.

This pilot will collect data from Oregon, California, and possibly dual-registered vehicles, which are those registered in both California and Nevada. A successful regional pilot will demonstrate that systems can be integrated and standardized to accommodate multiple states' requirements, processes, systems, rates, and laws.

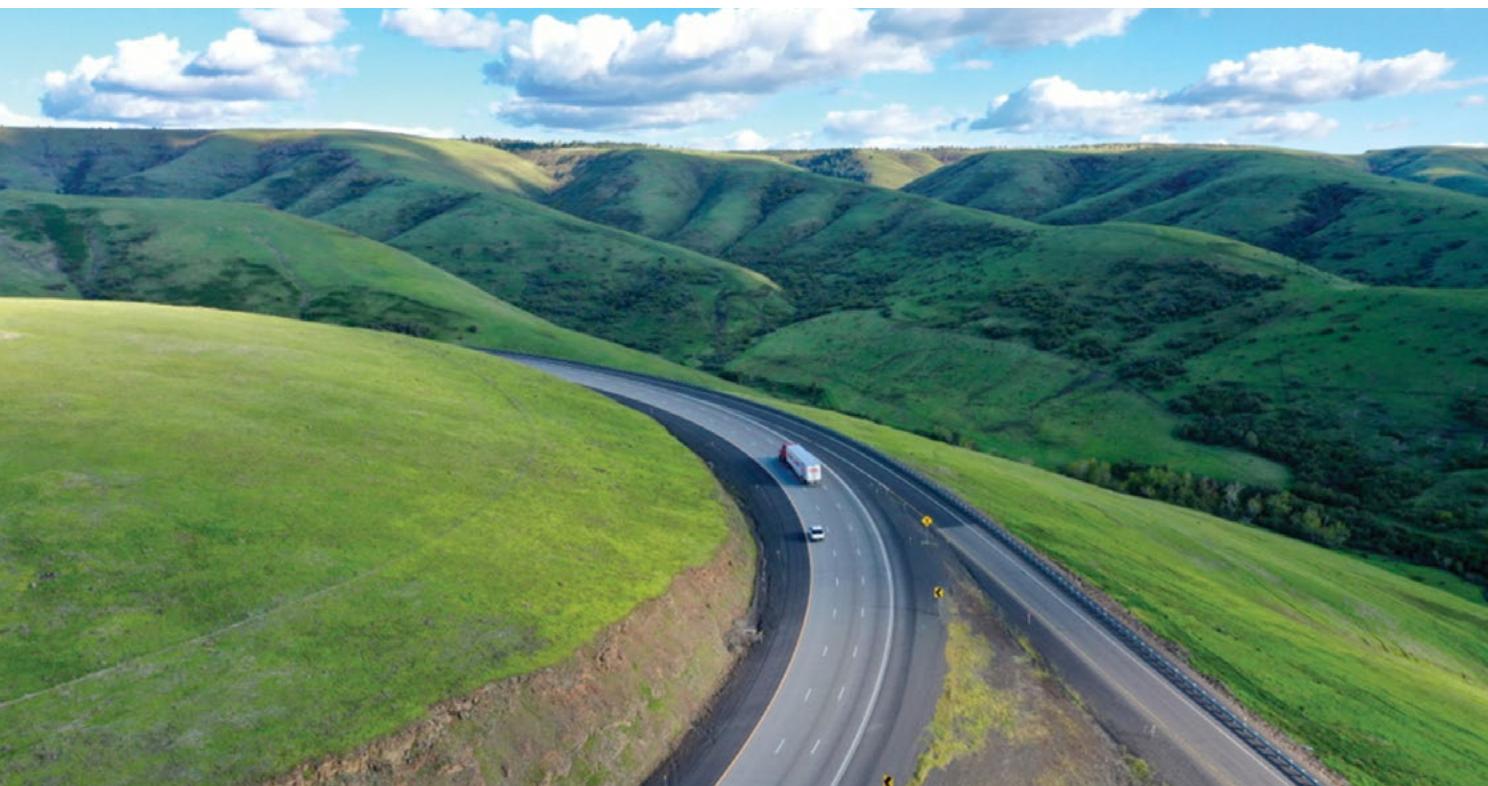
This pilot will also test the clearinghouse requirements that have been developed to ensure that the appropriate data is shared with each jurisdiction.

This needs to be proven to demonstrate that road usage charging can expand to include more states, and eventually be implemented nationwide. Further, the pilot will demonstrate that two funding mechanisms—road usage charging and fuels tax—can operate together.

As with the Local Area RUC pilot, ODOT will secure a business partner to collect driving data and administer the volunteer accounts. Once a partner is selected, ODOT will finalize the schedule and budget.

## Washington and Oregon Interoperability

In 2016, the State of Washington was awarded a FAST Act grant that included exploring the feasibility of an interoperable system. Oregon collaborated with Washington to explore how a RUC system may operate between two states. The pilot launched in March 2018 and ended in January 2019 with over 75 participants enrolled in the OReGO program choosing to participate. This pilot used simulated payments and demonstrated that two states with different RUC rates and fuel use credits could use the same platform to collect data and revenue. The pilot was determined to be successful as it provided information that refined business requirements and identified system modifications needed to operate in a multi-jurisdictional RUC.



# CONCLUSION

The Oregon Department of Transportation continues to successfully operate the only fully functional road usage charge program in the country while conducting research for a potential mandatory program. Federal grants have enabled the OReGO program to enhance its operations and continue to learn about how to best administer this type of revenue model.

The regional interoperability pilot between Oregon and California will be the next monumental step among the states. The pilot allowed states to reach consensus on how a regional road usage charge system could operate by creating a concept of common operations.

The local area road usage charge pilot will be the first of its kind, testing the feasibility of layering different road usage charge rates in cities and counties and varying that rate by time of day. If proven, this will create an important policy tool for localities to consider in the future, should the Legislature allow for a local option road usage charge.

The Road User Fee Task Force, in partnership with ODOT, welcomes the opportunity to share lessons learned from our road usage charge program and provide additional information to the Legislature at any time.



