

# Finding a Sustainable Source for Transportation Funding

I-35W Corridor Coalition

Lee Munnich

January 9, 2014

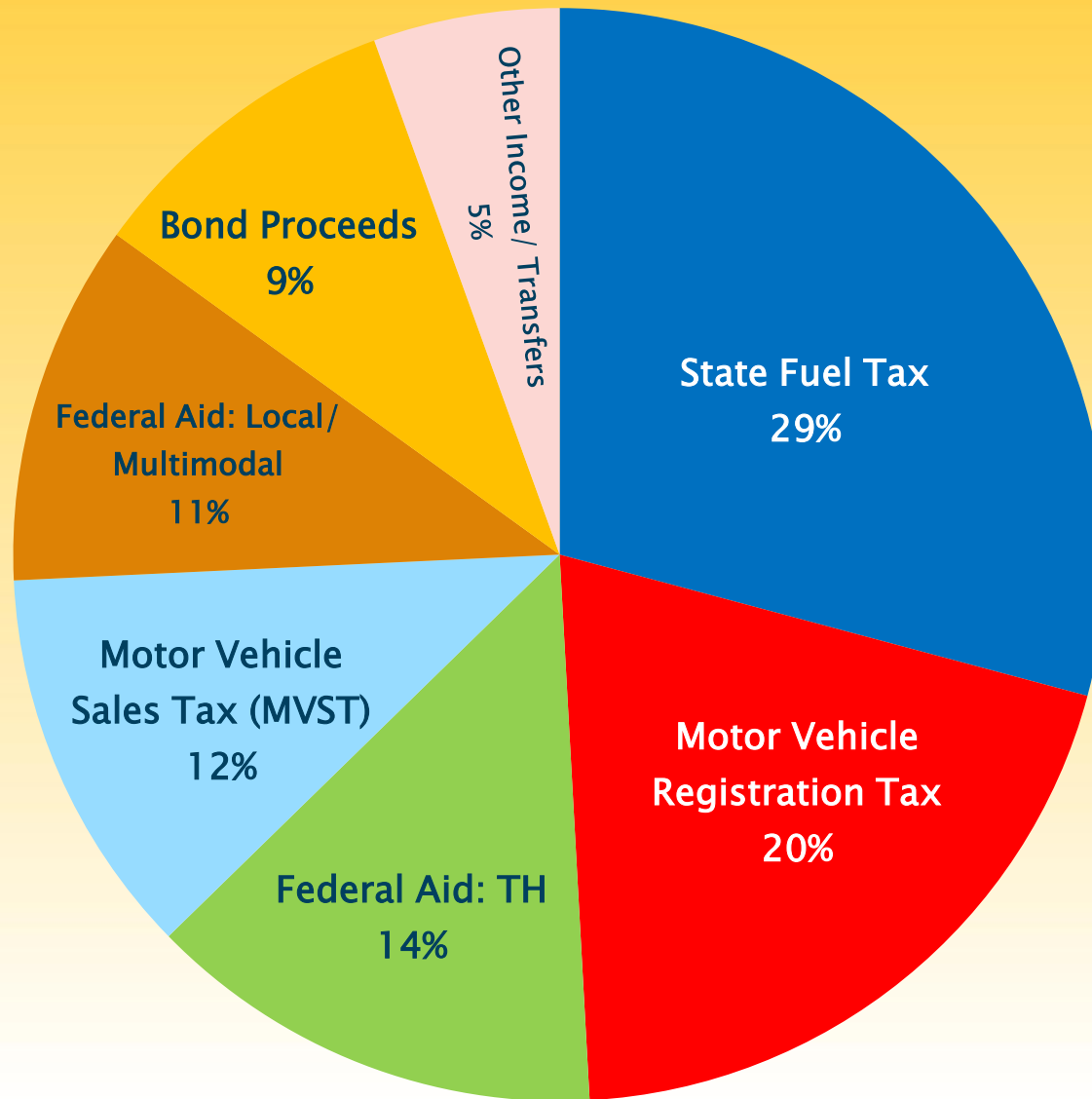
HUMPHREY SCHOOL  
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UNIVERSITY OF MINNESOTA

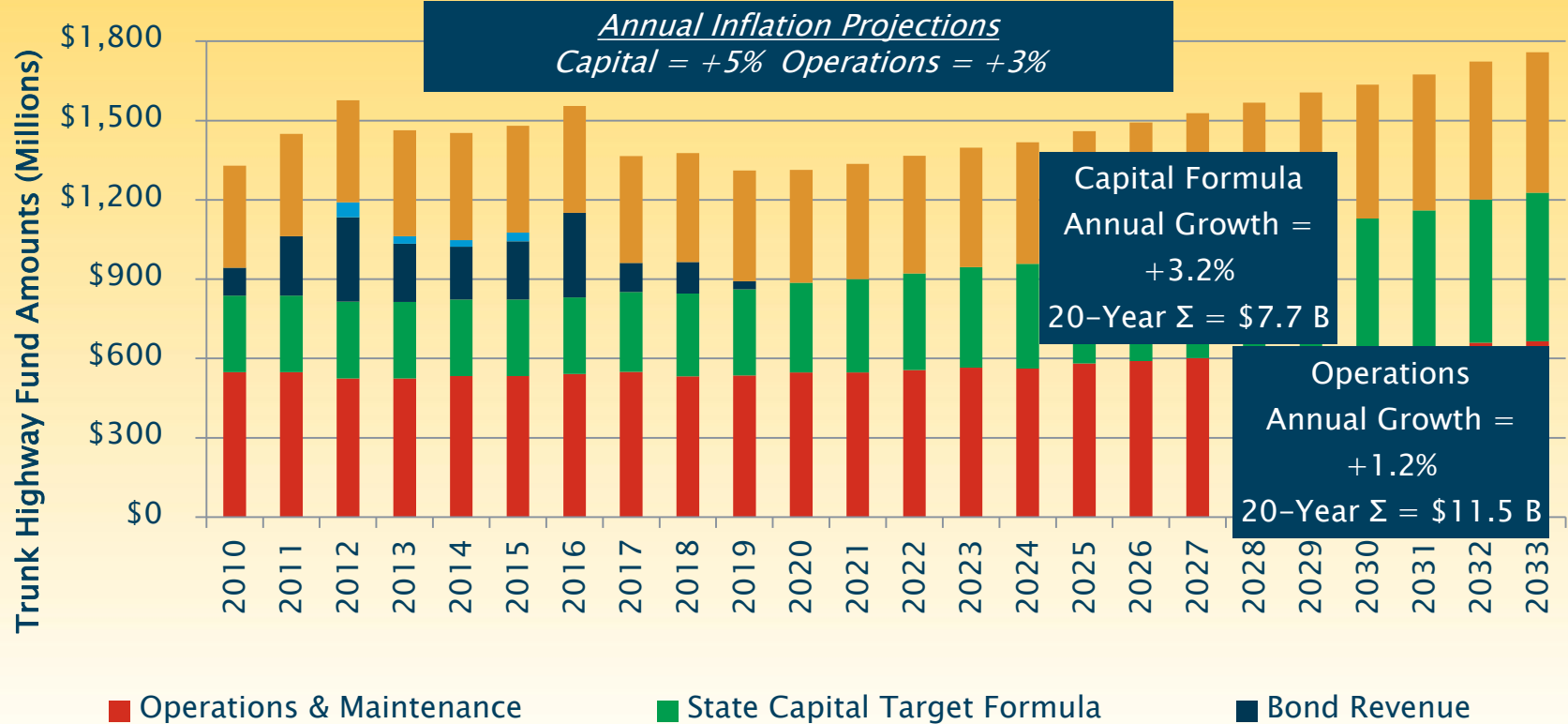
**Driven to Discover<sup>SM</sup>**

# FY2012 State Transportation Funding Sources : \$2.90 billion

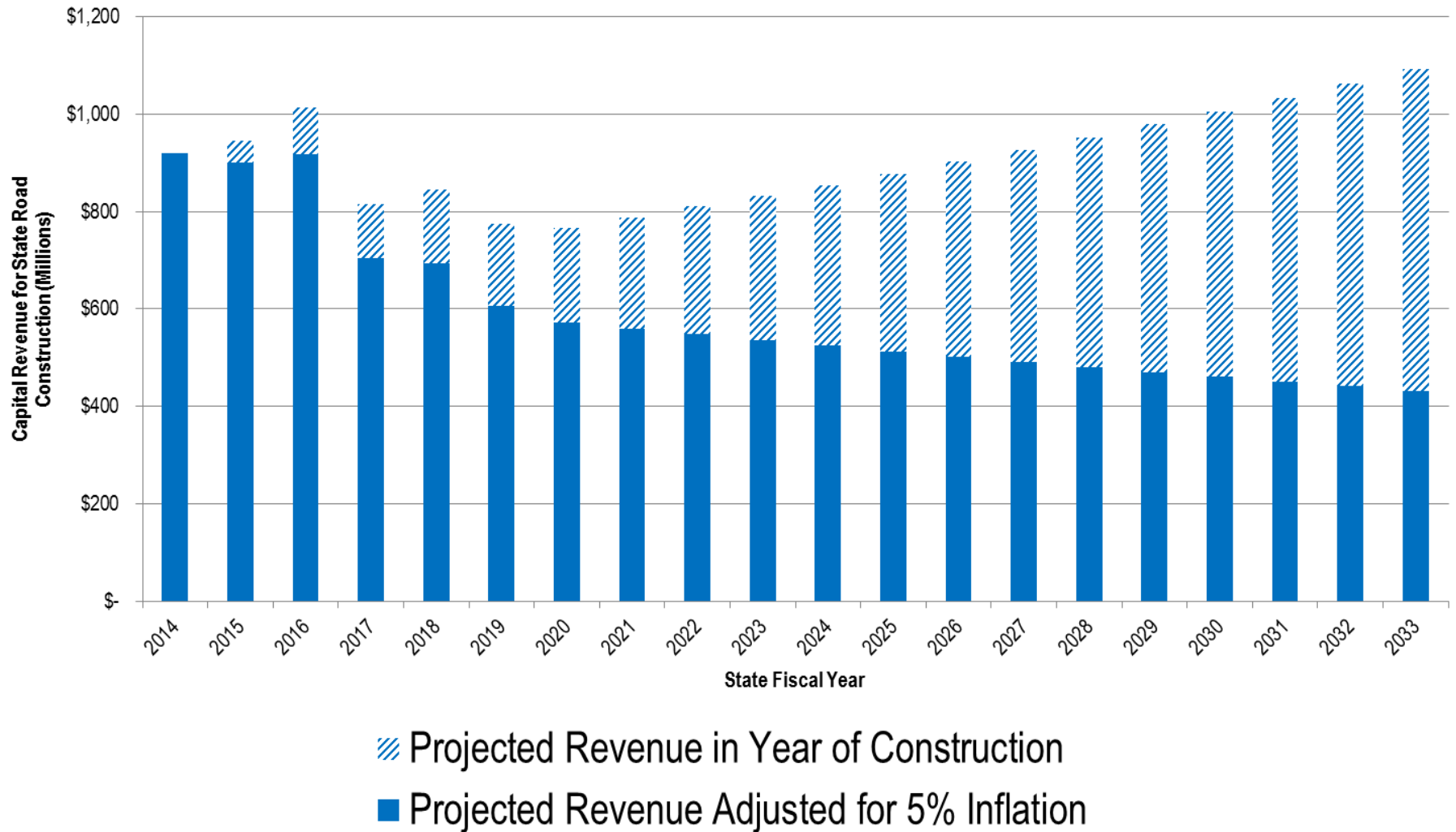


# Trunk Highway Fund Components & Budgeted Uses

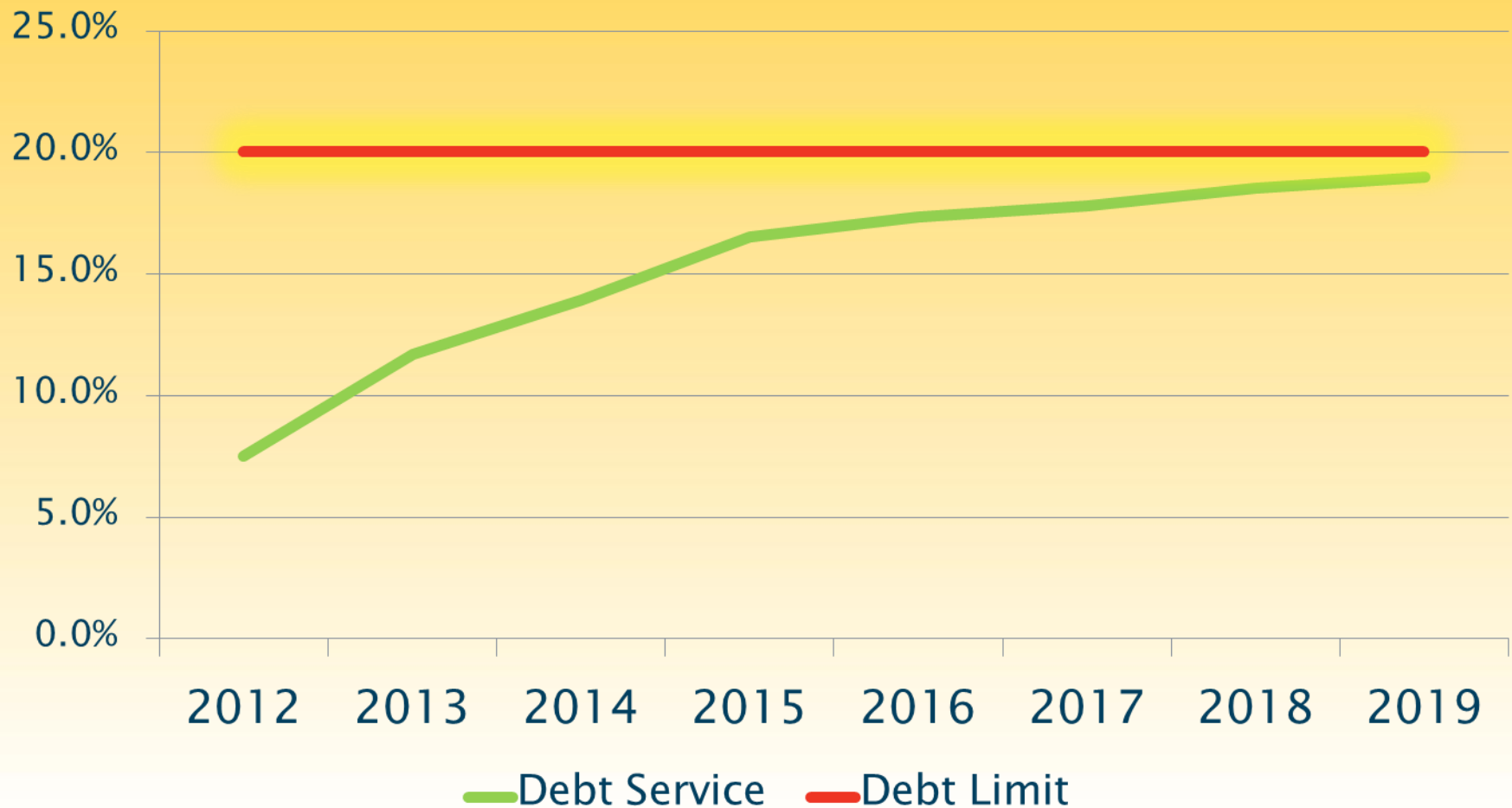
Scenario C: Trunk Highway Fund Accounting for Scenario:  
equal projected purchasing power deficits



## Anticipated Construction Revenue by Year Including Adjustments for Inflation



# Trunk Highway Fund Debt Service Forecast - compared to MnDOT Policy End of Session FY2013



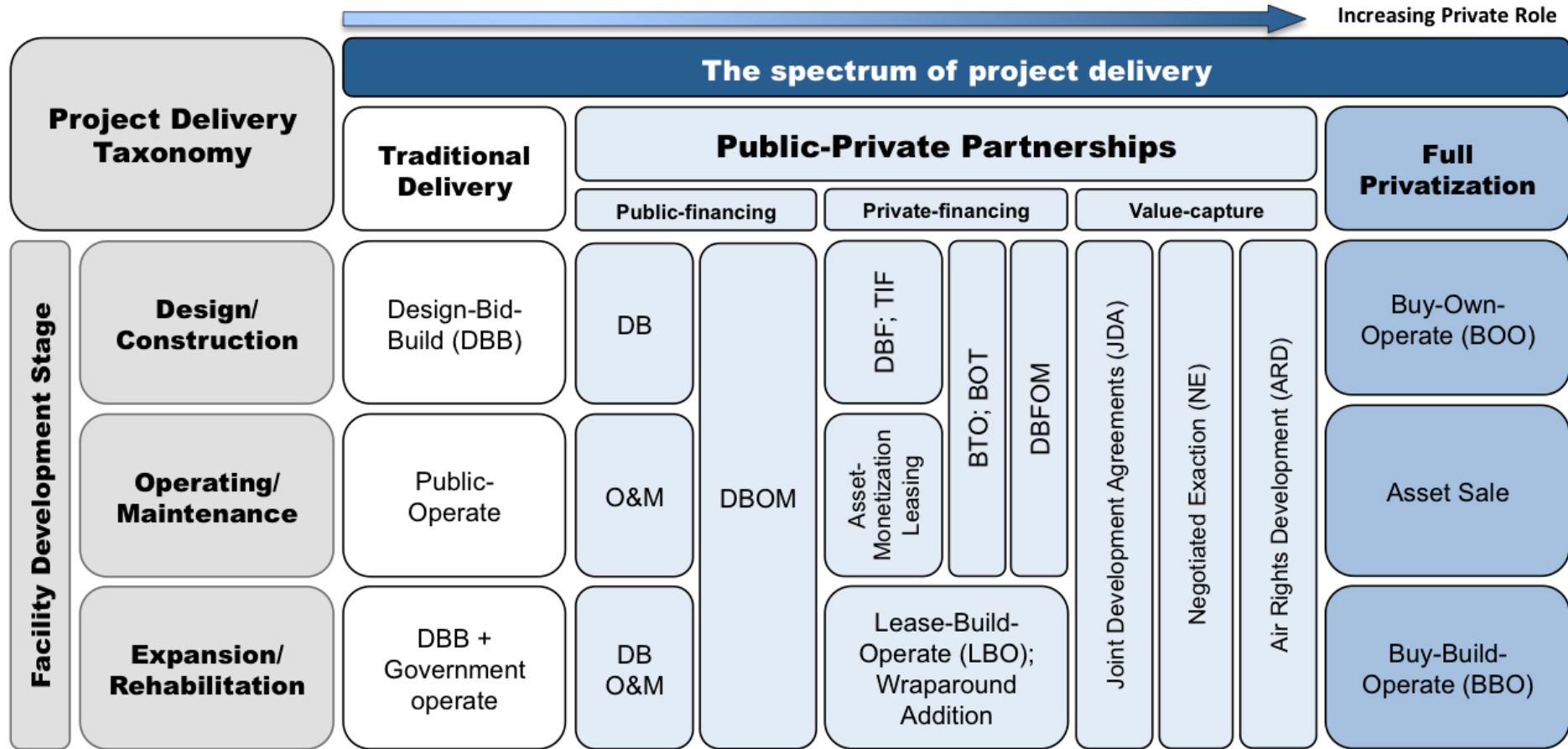
# Value Capture

Funding Mechanism	Beneficiaries	Measurement of Benefit	Finance Instrument
General Revenue	General public	General tax base growth	General fund allocation; property tax; transportation sales tax

Value Capture	Restricted non-user beneficiaries	Landowners	Land value growth	Land value taxes
			Property tax growth	Tax increment financing
			Assessed special benefits	Special assessments
			Transportation utility	Transportation utility fees
		Developers	Off-site development opportunities	Development impact fees
			Off-site access benefits	Negotiated exactions
			Development privileges	Joint development
			On-site development opportunities	Air rights

User Fees	Users of transportation facilities	Vehicle operators	Gas consumption	Gas taxes
			Mileage	Mileage-based charges
			Vehicle units/types	Vehicle sales tax; license tab fee; wheelage charges
			General access rights	Tolling
			Demand-controlled access rights	Congestion pricing
			Rights to incur environmental impacts	Transportation environmental taxes/fees
		Passengers	Ridership	Fare or permits

# Public-Private Partnerships



# Mileage-Based User Fees

- Two national commissions have encouraged the development of a mileage-based charging system as a future alternative to the fuel tax.
- GAO report in December 2012 recommends a federal pilot program to evaluate mileage fee options.
- German Toll Collect System for trucks operating since 2005.
- The State of Oregon has taken the lead in testing and passing legislation toward application of mileage-based user fees.
- Several other states have initiated demonstrations, surveys and policy studies.



# GAO report recommends mileage-based user fee pilot program

- “Mileage-based user fee initiatives in the United States and abroad show that such fees can lead to more equitable and efficient use of roadways by charging drivers based on their actual road use and by providing pricing incentives to reduce road use.”
- “Without a federal pilot program to evaluate (1) options to more accurately charge commercial trucks and electric vehicles for their road use and (2) the costs and benefits of such systems, Congress lacks critical information to assess whether mileage fees for these vehicles could be a viable and cost-effective tool to help address the nation’s surface transportation funding challenges.”

Source: United States Government Accountability Office. *HIGHWAY TRUST FUND: Pilot Program Could Help Determine the Viability of Mileage Fees for Certain Vehicles*. GAO-13-77, a report to Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, Committee on Appropriations, House of Representatives, December 2012.

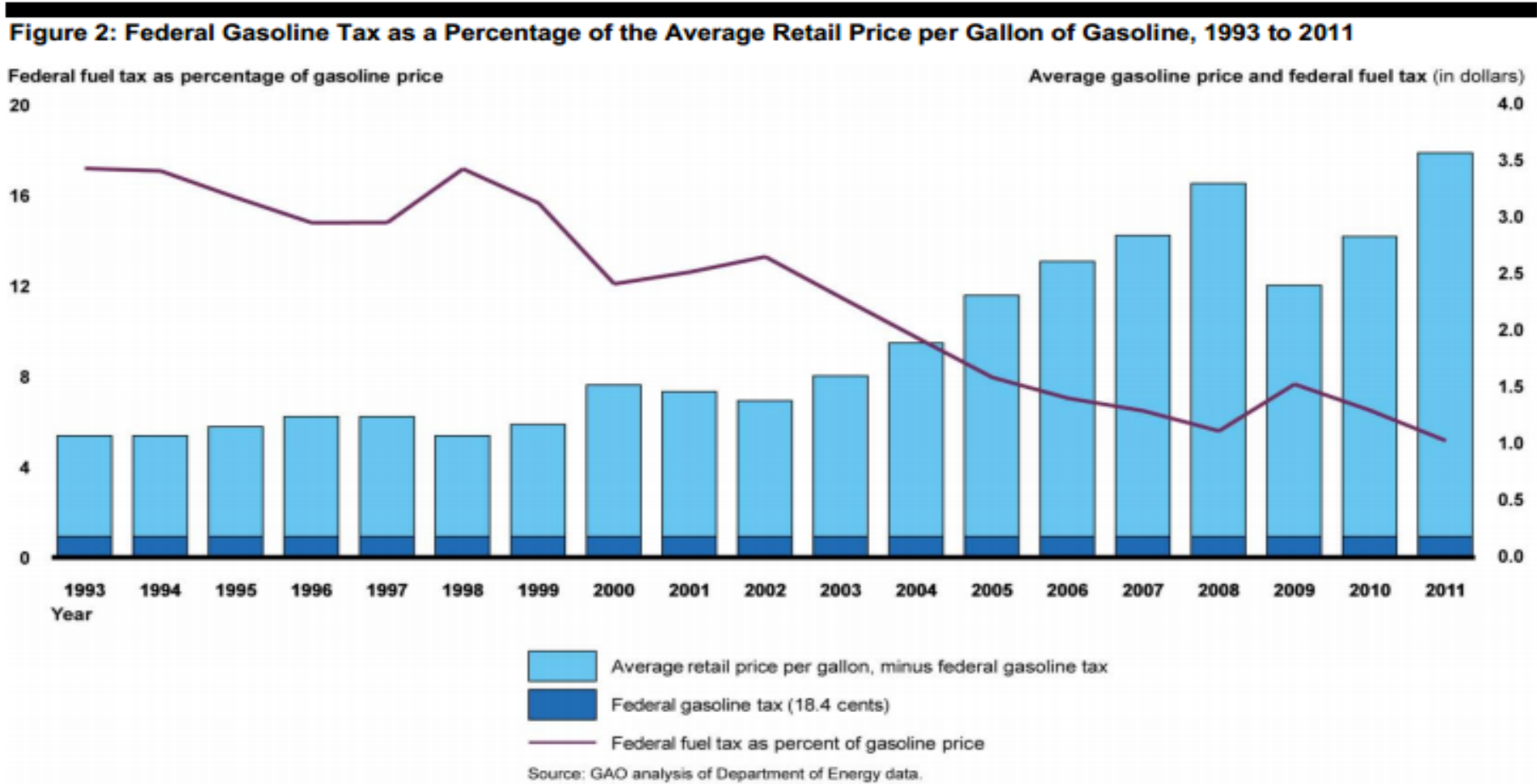
# Mileage-Based User Fees

*“It’s inevitable”*

Charles Zelle

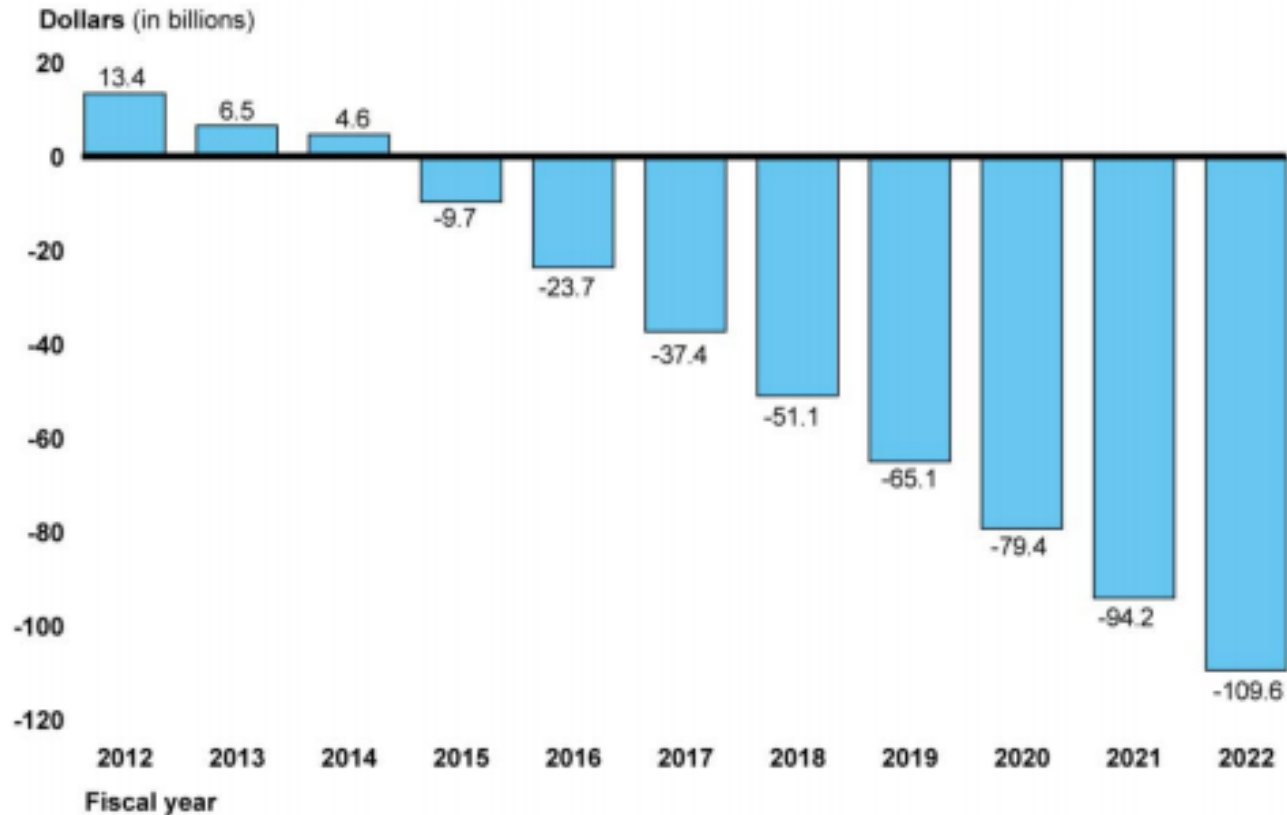
MnDOT Commissioner

Federal tax relative to the average retail price of gasoline decreased from 17 percent in 1993 to 5 percent in 2011.



# Surface transportation programs face increasing shortfalls in year-to-year revenues over the next decade.

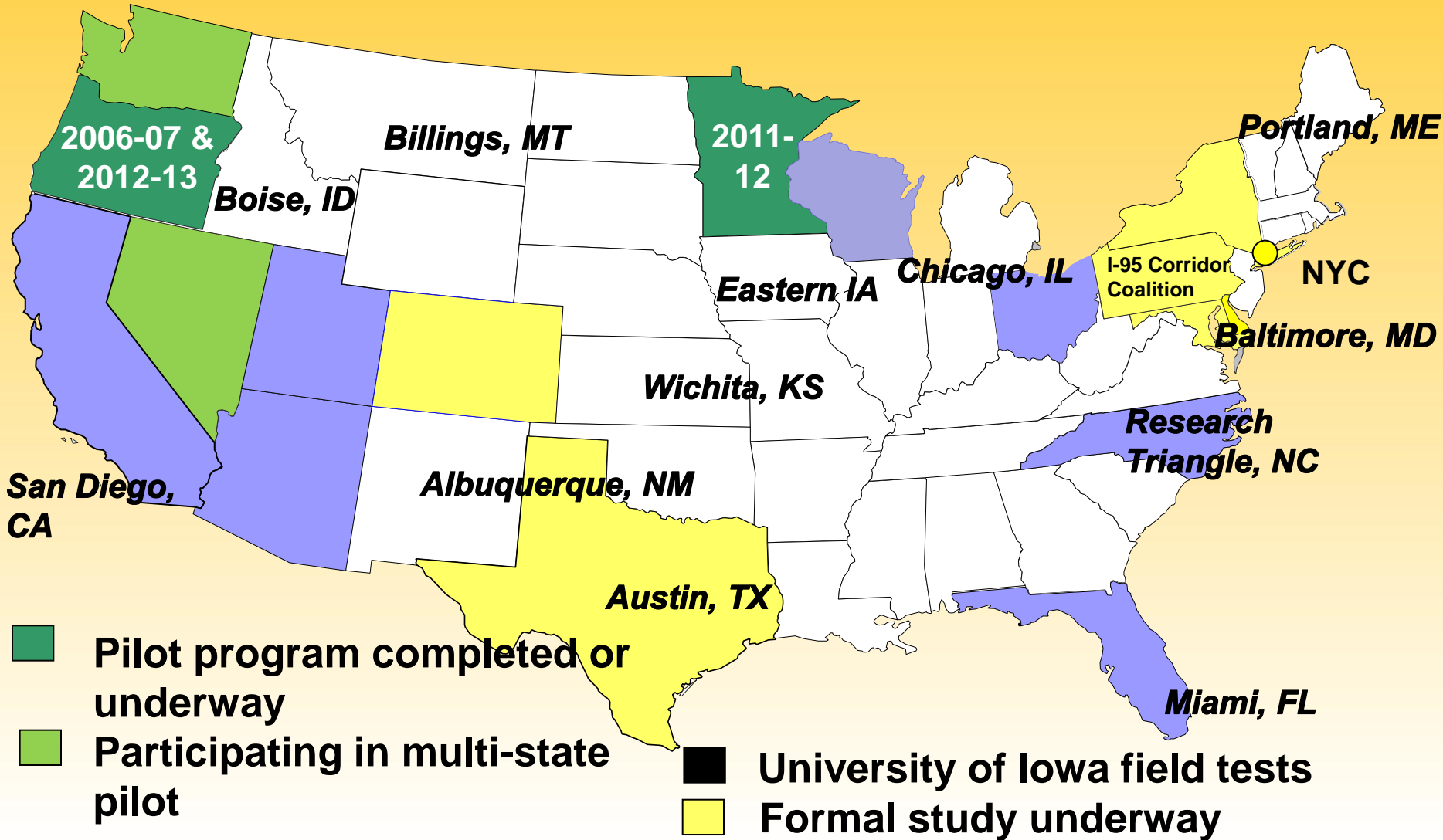
**Figure 3: Projected Highway Trust Fund Balance, 2012 to 2022**



Source: GAO analysis of CBO data.

Note: This projection assumes no further appropriations after 2014 from general revenues to the Highway Trust Fund.

# US Mileage Charge Pilots & Studies



# Minnesota Statutory Direction



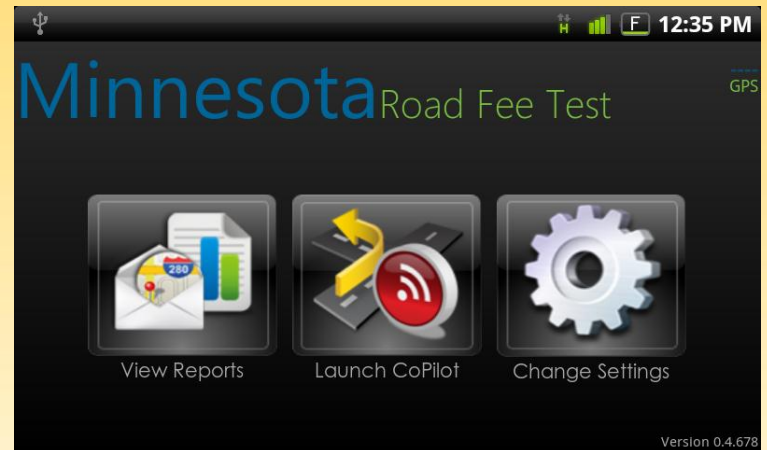
# Two-Part Effort

## 1. Technology Demonstration

- 500 vehicles in Hennepin and Wright County
- Three Waves
- Demonstration complete in December 2012

## 2. Policy Study

- Engage key stakeholders to identify and evaluate MBUF issues





# Technology Installation





# Policy 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:** Barb Thoman, Roy Terwilliger, Bob DeBoer, State Representative Mike Beard, John Mock

**Back row:** Bob Krogman, John Hausladen, Donald Jensen.

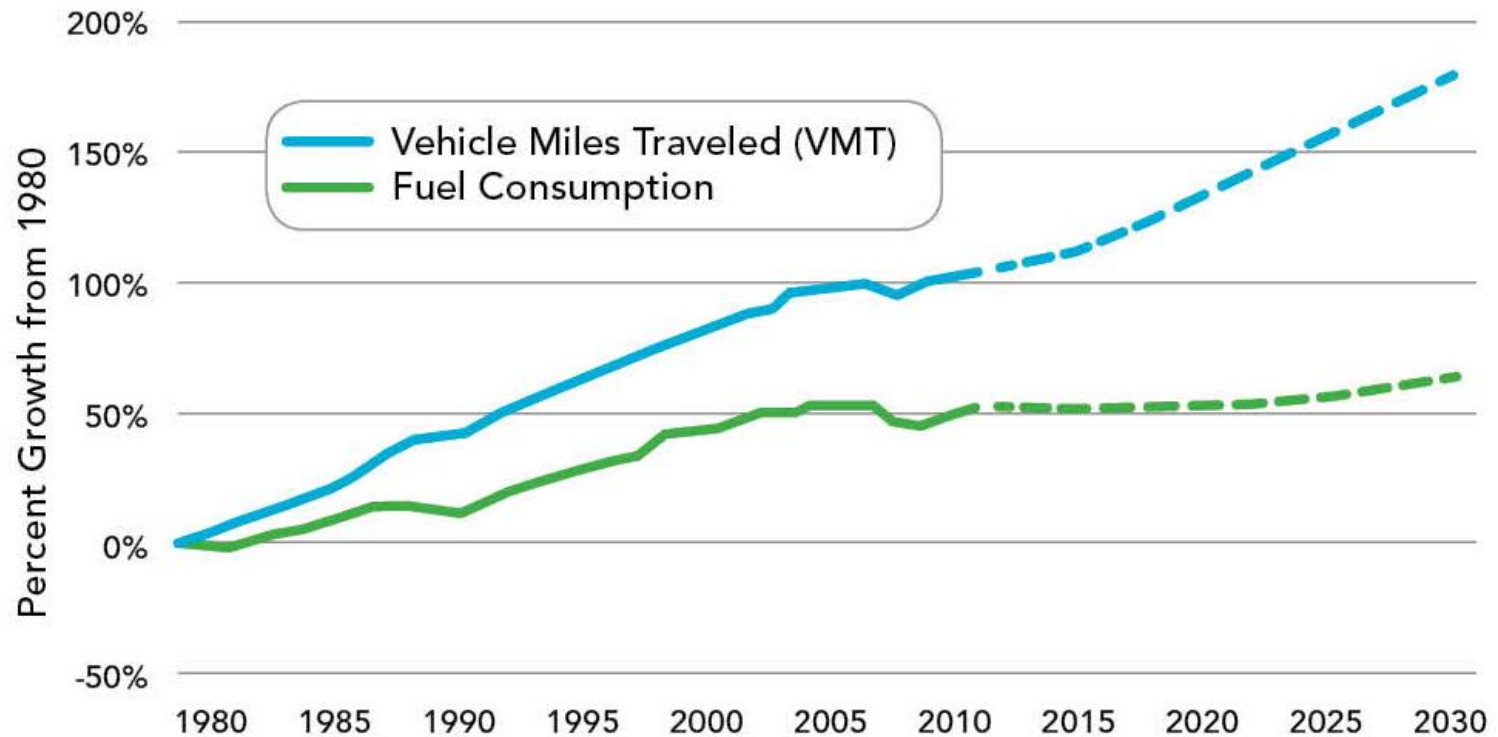
# Problem Statement

“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.”

# 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
Equivalent cents/mile	1.40	0.92	0.93	0.61	0.70	0.46	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.

# Task Force Policy Objectives

## Primary

- Promote Equity
- Generate Transportation Funds

## Ancillary Long Term

- Protect the Environment
- Improve Transportation System Performance

# Recommendations

- #1:** All drivers pay their fair share
- #2:** Include all vehicles using roadway system
- #3:** State policy makers continue to discuss MBUF
- #4:** Conduct larger multi-state trials
- #5:** MnDOT conduct further technical analysis
- #6:** MnDOT provide policy makers with demo results and technical approach for future MBUF systems





## ***Senate Bill 810***

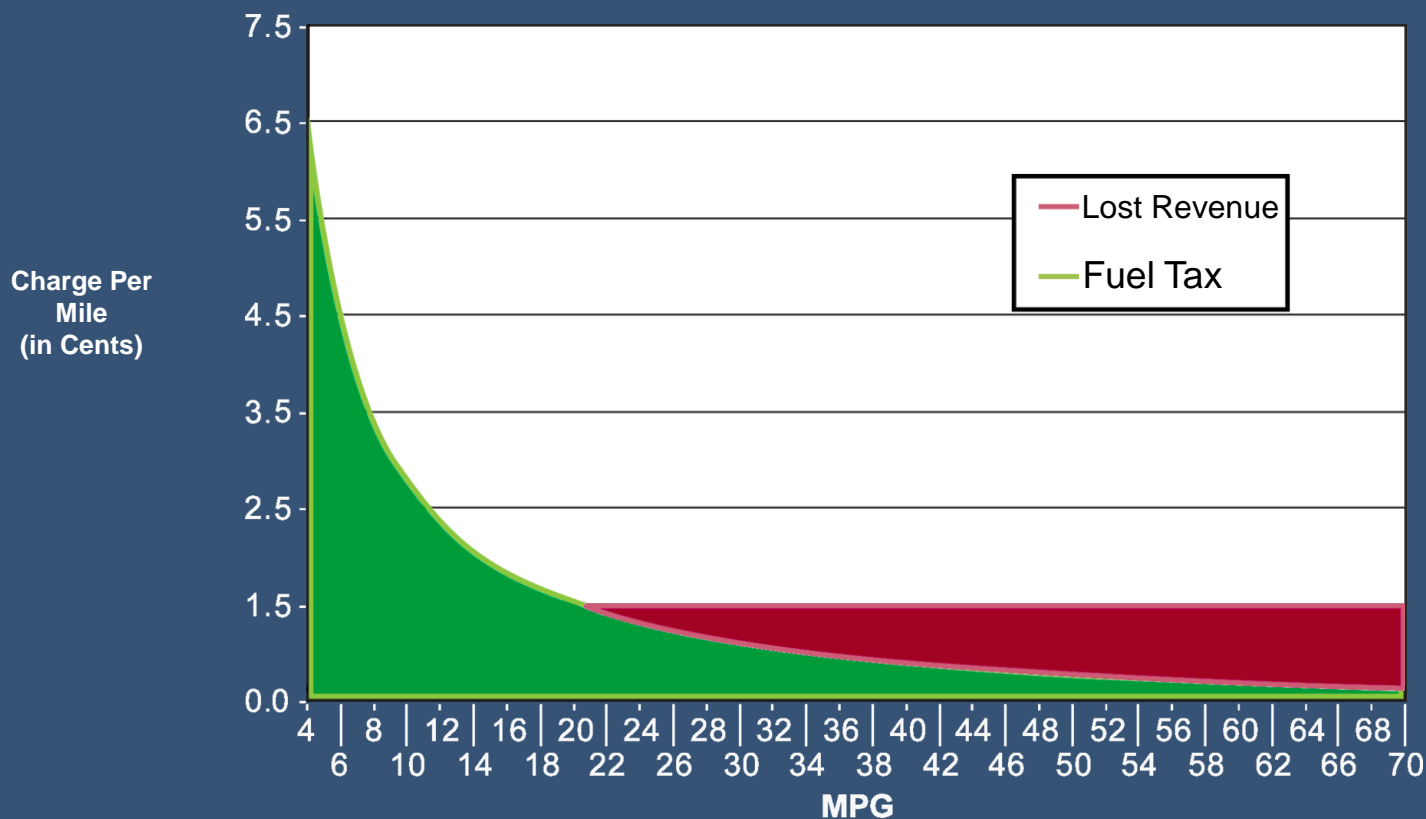
# ***Oregon Road Usage Charge Legislation***

- 5,000 volunteer light vehicles
- Rate of 1.5 cents per mile
- Rebate of fuel tax paid
- ODOT develops methods of reporting
- Mandates choices for motorists
- At least one reporting choice must not use GPS
- Open market for reporting technologies
- Private sector administration option
- Penalties for false statements, non-payment and tampering with vehicle metering system
- Protection of personally identifiable information





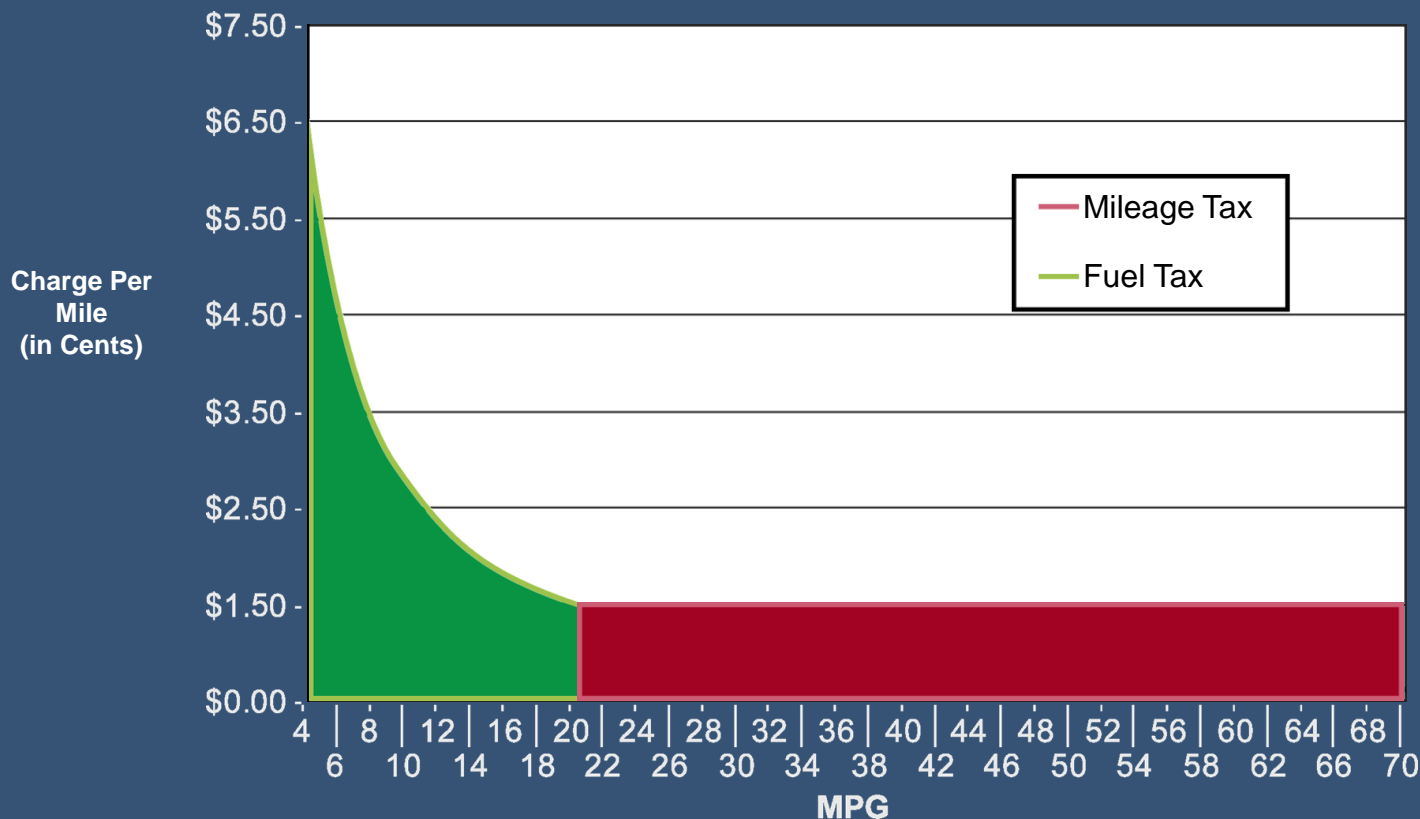
# Fuel Tax Revenues and Lost Revenues





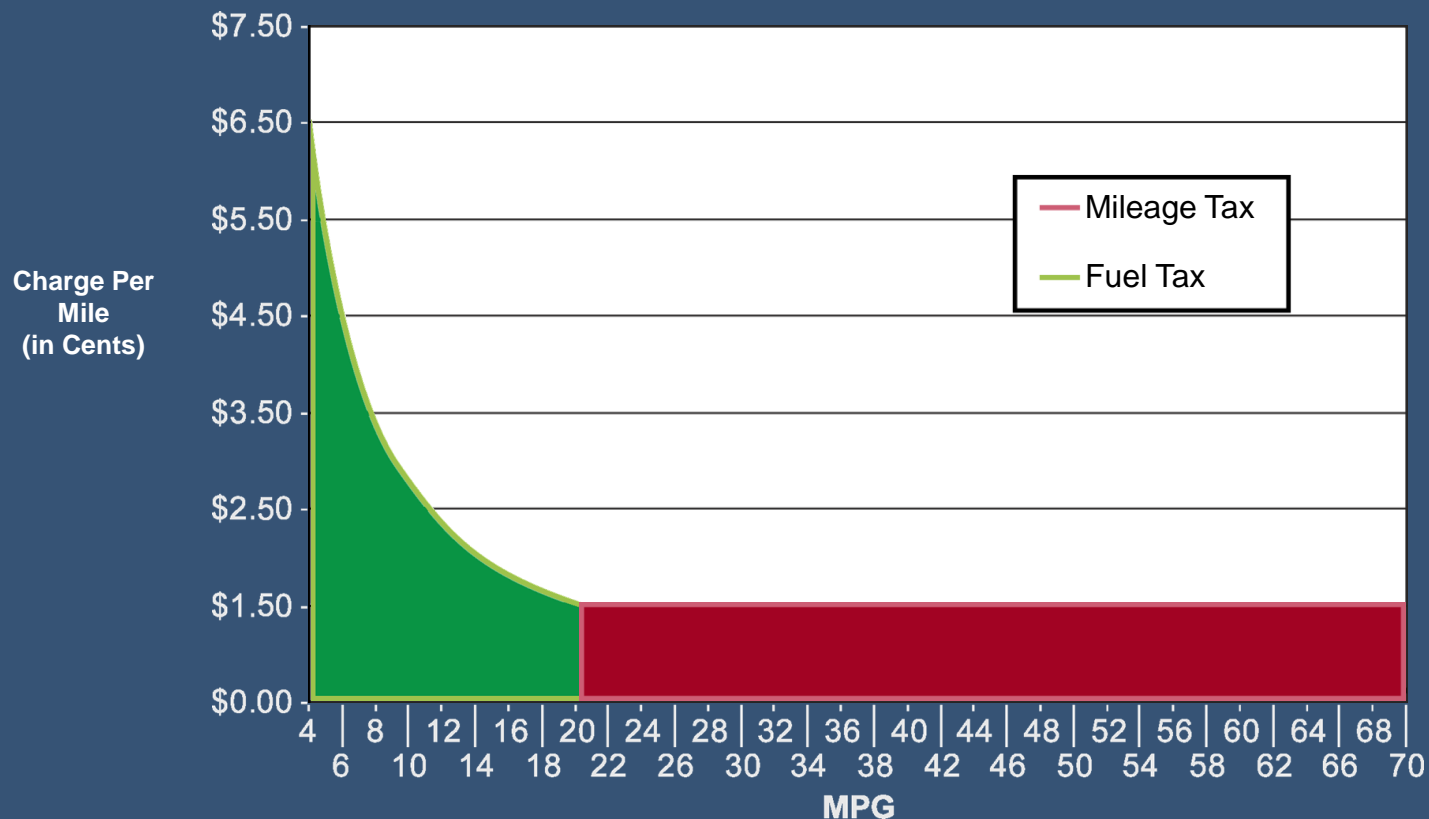


# End Game for the Road Usage Charge?



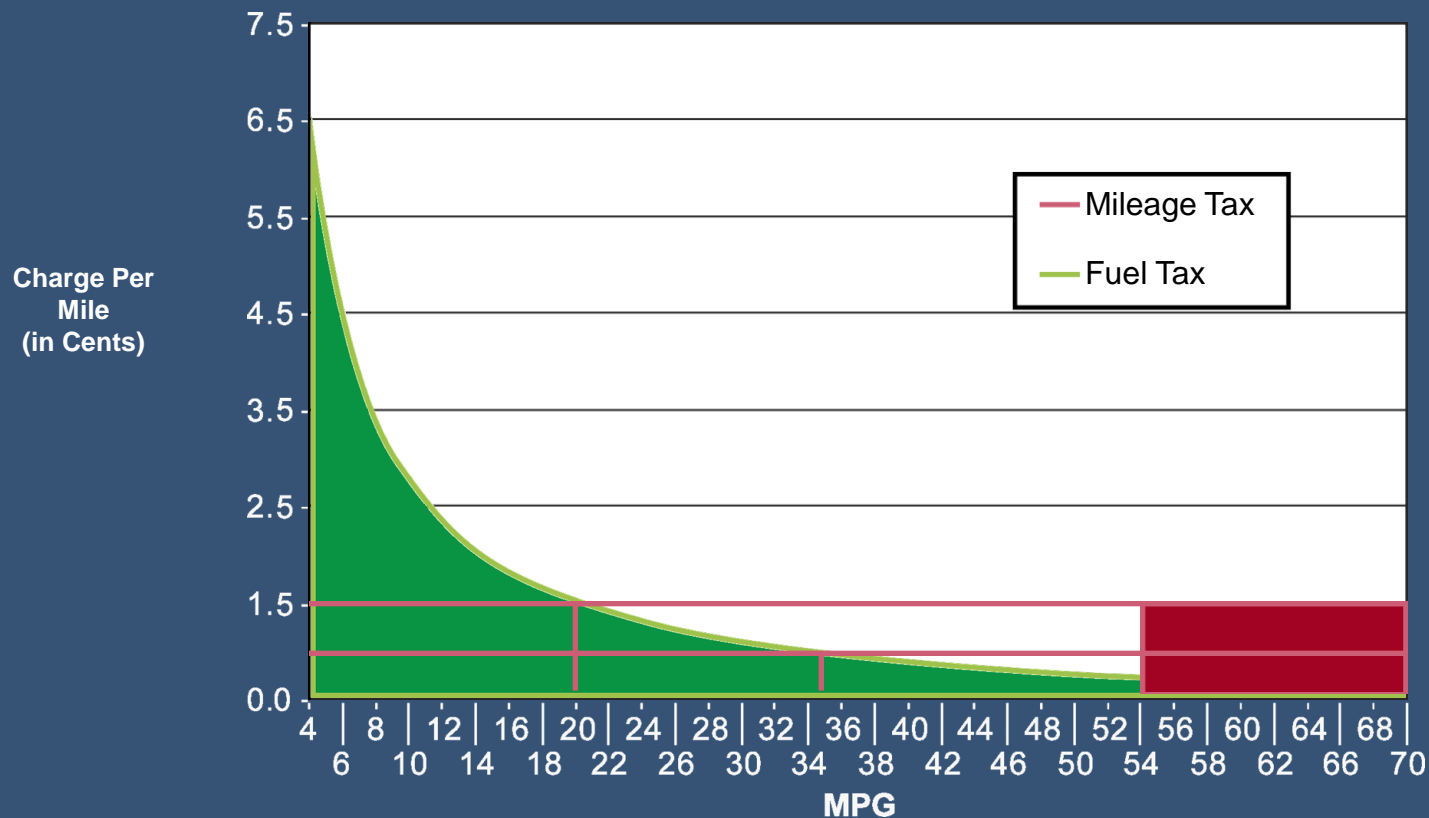


# Stepping Into the Road Usage Charge





# Start of the Road Usage Charge



# Questions?