

## PAY PER MILE FEES

### **Pay Per Mile Fees:**

Pay per mile (PPM) fees are a funding source in which drivers pay based on miles traveled on all roads. An assumption is that revenue raised can be used flexibly for transportation needs.<sup>1</sup>

### **Collections Processes:**

Implementation of PPM fees can vary in complexity and technology applied. There are four major payment options for reporting and collecting PPM fees, based on studies by the Washington State Transportation Commission and a similar process active in Oregon.

- *Annual permit* – flat charge for unlimited use of roads (Washington State Transportation Commission study, not currently used in Oregon)
- *Odometer reporting*- report annual mileage when renewing annual registration, at vehicle inspections, or periodically as specified by the program (Washington State Transportation Commission Study, not currently used in Oregon.)
- *Automated Distance Charge* – mileage recorded and transmitted by in-vehicle technology (Washington State Transportation Study and available in Oregon under two options.)
  - ODOT in-vehicle technology provided through a contracted vendor where an in-car recording device tracks all miles driven, but no other data, and the participant pays for the miles driven on a quarterly basis.
  - ODOT “certified vendor” provides in-car recording technology with “value added services” that records miles driven through GPS technology and any out-of-state miles driven are subtracted from charges. The vendor collects fees and remits required minimum data and fees to ODOT. Currently, one certified vendor is open to all program participants and one certified vendor is for program participants with membership in an insurance “pay per mile” program.
- *Smartphone apps* – a smartphone app is used for mileage reporting (Washington Study and not yet available in Oregon.)

The level of fee sophistication increases significantly at higher levels of collection technology. For instance, an odometer reading allows a flat rate charge for miles driven, but cannot distinguish when or where travel took place. Out of state travel, peak period travel, and congested zone travel are treated the same. In-vehicle technology and smart phone apps, which are GPS enabled, allow sophisticated PPM program structures, including credits for miles driven outside of the fee region, higher fees during peak periods, zonal charges for entering severely congested areas, and higher fees for “express toll lanes” and/or toll charges, such as tolled bridges.

### **Implementation timing of Pay per Mile**

PPM can be implemented gradually over time to allow development of the PPM program structure and collection methods (the transition might last a decade or more), and fees would increase gradually based on inflation and complement falling gasoline and diesel fuel tax revenues. As petroleum use declines, PPM fees could completely replace revenue from motor fuel taxes. Alternatively, PPM might be implemented first for certain classes of vehicles, such as trucks or battery electric cars before other vehicle types.

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<sup>1</sup> Pay Per Mile (PPM) fees are also known as Road Usage Charges (RUC), Mileage Based User Fees (MBUF), and Vehicle Miles of Travel Fees (VMT Fee).

### **Current PPM Projects:**

Oregon has an active PPM program (termed Road User Fee and MYOReGO) on a volunteer basis and California is conducting a pay per mile pilot program. While each is unique some common themes are emerging:

- All assume PPM fees will eventually replace the state fuel tax rather than supplement it.
- Subtle and complex possibilities exist for implementing public policies that depend on levying fees that differ by time of day, by geographic area, or by energy efficiency.
- Most initial structures involve a single statewide flat per mile fee for all drivers on all roads at all times. More complex variations may be introduced later.
- States are opting to encourage “open systems” reporting and payment options so drivers can choose among multiple options, technologies, and vendors.

### **Public Acceptance: Issues of Concern**

Three critical challenges have emerged whenever PPM fees are proposed.

- *Privacy and security*  
There is fear the government will be tracking and recording the driver's movement. It is critical to guarantee there will be mechanisms to record miles traveled and collect mileage fees that are fair and that data bases will be secure.
- *Cost of administration*  
Fuel taxes, collected from a small number of wholesalers, are relatively cheap to administer and typically cost less than 1 percent of revenue. PPM fees involve collecting data from millions of drivers and/or multiple vendors which will cause collection cost to be higher and require that rates be set at a level to ensure these costs are covered and the PPM fees provide the required level of revenue. System costs vary based on technology choices, collection methods, and the number of vehicles subject to mileage fees.
- *Perception of Fairness*  
Any new program is seen as unfair by some observers. Some see mileage based fees as unfair to the poor, while others observe that they are no more harmful to low income populations than gasoline taxes. What is fair is inherently a subjective judgment.

### **Policy Considerations for Discussion by the Task Force:**

- Other states, including Oregon, have implemented a volunteer PPM program or are conducting trials of these fees. Is a trial program necessary for public acceptance in Washington/Puget Sound, or should there be consideration of partnering with a state like Oregon that has many years of experience and has implemented a PPM fee structure?
- Complexity of the system will affect timing and ease of implementation.
- Should PPM fees be phased in for particular groups of vehicles like trucks, rental cars, corporate fleets, or electric vehicles, and slowly expanded to all vehicles or should a system be developed for the entire vehicle fleet?
- Should PPM fees phase out motor fuel taxes or should the two types of charges both exist?
- Who should be subject to the fees, should the rates be higher for trucks with more than two axles, similar to tolling today, and should there any exemptions or subsidies be allowed?

### **Further Reading**

Washington State Transportation Commission, Road Usage Charge Study

<https://waroadusagecharge.wordpress.com/>

<https://waroadusagecharge.files.wordpress.com/2014/05/just-the-facts-on-ruc-dec-2014.pdf>

Oregon Road User Charge Program,

<http://www.myorego.org/>

California State Transportation Agency, Recommendations to the Secretary of Transportation: California Transportation Infrastructure Priorities Workgroup Whitepaper: Exploring a Road Usage Charge as an Alternative to the Gasoline Tax, January 2015, [http://www.calsta.ca.gov/res/docs/pdfs/2015/Agency/CTIP\\_RUCWhitepaper01122015.pdf](http://www.calsta.ca.gov/res/docs/pdfs/2015/Agency/CTIP_RUCWhitepaper01122015.pdf)

Mileage Based User Fee Alliance, About Mileage Based User Fees. <http://mbufa.org/about.html>

P. Sorensen, L. Ecola, and M. Wachs. Mileage Based User Fees for Transportation Funding: A Primer for State and Local Decision Makers. RAND Corporation, December 2012, 36 pages.  
[http://www.rand.org/content/dam/rand/pubs/tools/TL100/TL104/RAND\\_TL104.pdf](http://www.rand.org/content/dam/rand/pubs/tools/TL100/TL104/RAND_TL104.pdf)