



## **I-95 Corridor Coalition**

***Multi-State VMT-Based Fee Initiative  
Member Advisory Committee***

***May 12, 2010***

**Note to Webcast Participants:**

*The webcast will begin at 1:00 p.m. Please do not put your telephone on "Hold" (especially if it's a music hold!); muting the phone is appreciated.*

**Telephone connection:**

*1-888-413-5786 and enter 133253# at the prompt.*

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## ***Agenda***

- Opening Remarks & Introductions
- DMV Interview Summaries
- Cost Estimation and Issues
- Legal Survey Responses
- Field Trial Issues
- Wrap-up, Next Steps, Next Meeting

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## ***DMV Interview Summaries***

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## ***Outreach Interviews***

- Background and Approach
- Interview Findings and Results
  - American Association of Motor Vehicle Administrators (AAMVA)
  - International Registration Plan (IRP)
  - Departments of Motor Vehicles Senior Managers (DMVs)
- Key Observations/Conclusions

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## ***Background and Approach***

- Interviewed AAMVA, IRP and eight DMVs
- Purpose: To better understand current DMV processes and get “on the ground” perspectives on administrative and institutional aspects of VMT
- Interview questions centered around current state registration processes, IRP and VMT administrative requirements

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## ***AAMVA Interview***

### ***American Association of Motor Vehicle Administrators***

- DMVs may be best positioned to administer VMT, but lack the current and short-term capacity to serve as the institution.
- As the operator of the National Motor Vehicle Title and Information System (NMVTIS), AAMVA recognizes it as a possible technical state-to-state VMT infrastructure, but a key issue is adding any personal data.
- Vehicle ownership changes pose significant challenges in many states.
- Based on registration evasion issues in states, a VMT system has to be “bullet-proof” to deter fraud.

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## ***AAMVA Interview***

- Face-to-face transactions no longer the DMV model.
- VMT administrative system needs to be easy and electronic.
- Public acceptance, especially regarding data privacy, is viewed as a critical issue.
- Best models are IRP and EZ Pass.
- Governance works best when states are all involved, like IRP.
- Some DMV systems are antiquated.

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## ***AAMVA Interview***

- Private sector institutional option will get mixed reviews from DMVs. A “service bureau” concept is possible.
- Credit card transaction costs are a concern.
- Payment frequency is a potential issue.
- Technology needs to be self-reliant, avoiding any “checks” from DMVs causing additional administrative burdens.

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## ***AAMVA Interview***

- Key DMV issues surrounding VMT:
  1. costs (who will pay)
  2. public acceptance, and
  3. additional work load
- More clarity needed to consider any role for AAMVA

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## ***IRP Interview*** ***International Registration Plan***

- IRP success based on trust and confidence in the system and standardization of the Plan, procedures (everybody uses same play book).
- The Clearinghouse acts as an effective “netting system” for all states. Last month distributed \$114 million.
- Standard audit and peer reviews are key components.
- Some issues of states not remitting funds as required.
- Processes still very paper-based.
- IRP governance is a strong model, and IRP believes some aspects of the program and governance could be transferred to VMT.

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## ***DMV Interviews*** ***Departments of Motor Vehicles***

### **DMVs validated interview findings with AAMVA and IRP**

- Current state registration processes are highly automated. Adding VMT is a concern unless it is also highly automated and could easily be integrated into existing processes.
- Registration processes moving to more electronic and less paper-based. VMT would need to follow same path.
- States use various transaction channels and moving to expanded web services. VMT would need to accommodate this direction.
- VMT information “vacuums” will exist with temporary registrations and dealer vehicle holds.
- Significant systems issues in many DMVs would need to be addressed for any VMT administrative functions.

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## ***DMV Interviews***

- DMVs are not the only players in state registration processes. VMT needs to interface with strong county structures in some states.
- Local and private registration providers add another layer of VMT complexity and are key stakeholders.
- DMVs understand they are viewed as the “most likely” VMT institution but not the “best suited.” They are not sure who is.
- State DMVs see a role for the private sector in VMT administration with caveats.
- Registration evasion is difficult to quantify, a result of other underlying evasions. VMT could add to the issue.

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## ***DMV Interviews***

- DMVs are using the National Motor Vehicle Title and Information System (NMVTIS) to varying degrees.
- DMVs understand the need for state-to-state interconnectivity but don't believe that NMVTIS is the near-term framework for VMT.
- DMVs are accustomed to collecting additional fees at time of registration (even those not germane) but see concerns with collecting variable VMT fees.
- DMVs that currently collect fuel tax do so at "low" costs.

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## ***DMV Interviews***

- The IRP system works very well for jurisdictions.
- Clearinghouse and audits provide level of state-to-state trust.
- Federal framework is part of IRP's underlying success.
- IRP is a mature model and has been refined over many years. A good VMT model and a "too far fetched" model.
- IRP works well because there is a finite number of vehicles and rates that can be easily applied.
- Some state concerns with ensuring they are getting their "fair share" of revenue.

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## ***DMV Interviews***

- State DMVs have a basic understanding of the VMT concept, but still are unclear on practical operation.
- No DMV, in the near term, has the capacity to handle VMT administrative functions.
- Significant resources would be required for any DMV to handle VMT administrative functions, including significant system upgrades.
- States familiar with the ease of fuel tax collection wondered if VMT was a viable direction.

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## ***Conclusions and Observations***

- Lack of knowledge and understanding breeds skepticism which can be addressed with more information and future decisions.
- New initiatives have saturated many DMV's core businesses – is VMT “another initiative?” Not an unexpected response.
- Privacy and data confidentiality issues are paramount, but are being addressed with partnerships between DMVs and toll authorities, and could also be addressed in VMT scenarios.
- NMVTIS is not robust or mature enough at this time to be considered the state-to-state conduit, but may have applications in the long term.
- IRP is not a model directly applicable to VMT, but it does provide a good framework with the Clearinghouse concept, audits, standardized procedures and governance.

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## ***Cost Estimation & Issues***

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## ***Administrative Requirements and the Preliminary Estimates of Costs***

- Enrolling users
- Accumulating mileages and charges
- Billing/collecting
- User interface, auditing, enforcement
- Reconciling agency fees and clearing revenues

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## ***Administrative Cost Drivers***

- Numbers of users and of agencies
- Required level of detail of vmt data – by geographic area, by time of day, by facility
- Whether existing procedures such as state registrations are built upon or duplicated
- Frequency and accuracy of updates – of vehicle ownership, of mileages by state and agency, of billings and payments

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## ***Administrative Cost Drivers***

- Level of service for customer response and communications
- Level of monitoring, including identifying unregistered or newly registered vehicles and identifying delinquent accounts, and level of enforcement and auditing to minimize evasion
- Level of building upon IRP, IAG, etc.

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## ***Caveat on the Costs of VMT Fees: Actual Experience Is Nonexistent***

- There are no general vmt fees: best information is from the Dutch vendor bids
- NCHRP 19-08 shared with us the data they have collected, although their results are not yet published (summer expected)
- NCHRP Project19-08 is addressing all costs of alternative revenue systems: fuel taxes, tolls, and various pricing systems

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## ***Administrative Cost Sources***

- (1) NCHRP 19-08 project's compilation of Netherlands bids to implement VMT fees – the three bids provide a range for each function; however, the three vendors may have allocated their total costs differently among the various administrative functions
- (2) Current costs of administering motor vehicle registration fees, judgmentally adjusted for vmt by the I-95 project team

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## ***Administrative Requirements and Preliminary Estimates of Costs***

- Enrolling users –increment over current registration fee costs of \$3 to \$15 per vehicle per year, based on team estimate of incremental costs for registration and deregistration to include vmt readings
- Netherlands costs that might be comparable were \$13.64 to \$60.12 per vehicle per year (average \$38.59)

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## ***Administrative Requirements and Preliminary Estimates of Costs***

- Accumulating mileages and charges – by state and by agency: increment of \$3.73 to \$20.36 per vehicle per year based on Netherlands vendor bids (average \$12.39)
- Opportunity to reduce cost with a simple per mile fee structure requiring less frequent monitoring: judgmentally, perhaps by as much as half: \$2 to \$10?

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## ***Administrative Requirements and Preliminary Estimates of Costs***

- Calculating and billing and collecting fees, probably using multiple methods: from \$5.89 to \$27.24 per vehicle per year based on Netherlands vendor bids (average of \$15.06)
- Opportunity to reduce costs with less frequent billing: but only a modest cost decrease is possible

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## ***Administrative Requirements and Preliminary Estimate of Costs***

- Maintaining user interface and customer service, auditing, enforcement, and maintaining user data security: from \$1.46 to \$9.51 per vehicle per year, based on Netherlands vendor bids
- This estimate may be low, based on the experience of U.S. toll agencies and the state's desires for high customer service

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## ***Administrative Requirements and Preliminary Estimates of Costs***

- Calculating and reconciling mileages and revenues by state and by toll or other agency: nominal added cost for this requirement
- IRP already accomplishes reconciliation and revenue clearing for heavy trucks

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## ***Administrative Requirements and Preliminary Estimate of Costs***

- Netherlands vendors also estimated one time start up costs of \$222.08 to \$282.57 per vehicle
- Those costs are for technologies and equipment which are not being evaluated in this study

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## ***Administrative Requirements and Preliminary Estimate of Costs***

- Netherlands vendors placed costs into each category differently, so must look at their total yearly administrative costs
- Lowest Netherlands total admin cost per vehicle per year was \$51.33 (Siemens); highest was \$114.66 (T-Systems)
- Our lower range estimate could be \$40 per vehicle per year with perhaps \$2 to \$10 less per vehicle for a simpler VMT system

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## ***Administrative Requirements and Preliminary Estimate of Costs***

- Both the Netherlands bids and our low estimates based on those bids are slightly lower than or similar to previous planning estimates (e.g., Puget Sound, FHWA)
- Need to review all cost estimates and to provide ranges for final report
- Will cite any other sources which are published at the time of the report

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## *Legal Issues Survey Interim Findings*

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### *The Survey*

- Chief legal officer supporting state DOTs
- Represents professional opinions/not state positions
- 22 questions with sub-parts
- 6/13 responses to date
- Considerable state-specific variation/caveats

**Need more responses for resolution**

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## *Legal Characterization of VMT Fees*

- Flexibility in characterization exists
- But: Tax, fee or toll definition has practical implications.
- Fee characterization provides greatest flexibility
- Some states, legislature may empower state agency to set and vary the rate without legislation
- Revenues restricted to transportation in many states
- Taxes under closest legislative control (and unpopular)
- Must be process for challenging fee assessments
- Some equal protection limits (varying fees by income)
- **Any approach: legislation advisable**

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## *Interstate Interoperability*

- Authority for compacts varies: Could require specific agreement or interstate compact
- Specific technology and restraint of trade
- Issues: interstate commerce and right to travel

**Effective Cooperation may need compact, legislation and/or congressional consent**

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## *Delegation of Responsibility to Private Sector*

- Problem if designated as tax
- If fee, generally feasible if immunity issues resolved
- Some states have prohibition

**May be issue if back room outsourced**

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## *Enforcement*

- Civil more appropriate
- Interstate enforcement requires reciprocity agreement

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## *Data sharing and privacy*

- Specific limits on data use currently exist
- Data could probably be shared for fee assessment and enforcement
- Data could probably not be released for commercial purposes without specific authorization

**Existing state privacy laws not adequate**

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## *Other*

- All respondents noted:
  - unpopularity of “taxes
  - potential for legal challenge and value of specific legislation
  - interstate issues could be complex
  - complexity of transition and simultaneous systems
  - issue of dedicated use
  - basic legal issues of rational nexus, equal protection, etc in rate setting and privacy

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## ***Possible Objectives/Issues to be Addressed by a Multi-State Trial***

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## ***Some Trial Balloons***

# of participating states	3 or 4 (ideally) contiguous states
# of vehicles	Must travel across state borders Univ. of Iowa - \$5,600 per participant
Duration	One-year operation & evaluation period
Real or simulated fee collection?	Simulated
Other requirements	Participation of toll agencies/facilities Incorporation of time/location based pricing

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## ***Possible Objectives/Issues***

- Determine if required cooperation across multiple states and agencies can be attained
  - Standardized processes and procedures
  - Data quality to ensure accurate distribution of funds
- Assess whether system could cost effectively satisfy requirements of various functionalities (e.g., time and location based charges)
- Evaluate performance of different technical solutions and whether system could successfully and efficiently accommodate different technologies
- Demonstrate how fee could be applied to a vehicle registered in one state but traveling in a different one
  - Use of interconnected state (DMV) registration files to provide and exchange vehicle ownership identity information
  - Handling of ownership changes and temporary registrations

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## ***Possible Objectives/Issues***

- Demonstrate/evaluate methods for allocating funds to appropriate states and agencies and impacts of doing so
  - Examine accuracy issues (e.g., toll facilities/HOT lanes)
- Demonstrate/assess an institutional arrangement for providing a revenue clearinghouse to administer the system
  - Collection, distribution, audit process
  - Error monitoring and handling (e.g., non-functioning vehicles)
  - Billing methods
    - ◆ Frequency, transparency, detail (complex charges, e.g., variable priced tolls)
  - Implementing different agency business rules
  - Governance procedures

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## ***Possible Objectives/Issues***

- Demonstrate how Federal VMT-based fees could be collected
- Provide basis for developing better cost estimates for different aspects of the system

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## ***Wrap-up, Next Steps, Next Meeting***

- Comments on discussion and materials – submit by May 26
- Next Steps:
  - Further refinement of cost estimates
  - Preparation of memo on institutional arrangement
  - Further analysis of legal survey responses, identification of critical issues and development of strategy to address them
  - Further definition of field trial objectives
  - Discussion with Executive Board and NASTO presentation
  - Preparation of draft final report
- Next Meeting – to discuss draft final report – mid-July

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***Send Comments or Questions to:***

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