Five states and two multi-state collaboratives will be the first recipients of federal grants under a $95 million program that could go a long way toward determining the future of transportation funding in the United States, it was announced this week.

The Federal Highway Administration (FHWA) announced that eight projects to pilot alternative revenue approaches to support the Highway Trust Fund will split $14.2 million in grants available for this fiscal year under a program authorized by 2015’s Fixing America’s Surface Transportation (FAST) Act.

The Surface Transportation System Funding Alternatives grant program, according to an FHWA press release, “will fund projects to test the design, implementation and acceptance of user-based alternative revenue mechanisms.”

In particular, as I’ve noted previously, the program is intended to authorize pilot projects to test mileage-based user fees, which are also referred to as road user fees or vehicle miles traveled fees. With Congress unwilling to raise the federal gas tax as some have argued for and dwindling revenues expected to become a bigger problem in the years ahead as fuel efficiency and the prevalence of electric vehicles increase, many believe it will be important to test potential new revenue mechanisms to ensure there can be well-funded, long-term transportation bills in the future.

The FAST Act authorized up to an additional $20 million annually for the grant program over the next four years. But with a successor to the FAST Act due in 2020, it could be important for these initial pilots to show progress quickly. So which projects seem likely to have the most promise? Here’s a look at those that will receive funding this year:

- The California Department of Transportation will receive $750,000 to test a road user charge using a pay-at-the-pump/pay-at-the-charging-station model. According to a press release, the grant affords Caltrans the opportunity to expand upon the ongoing efforts to engage the public on transportation funding and alternative methods of future revenue generation, while continuing to formulate and strengthen a streamlined system of administration, oversight and compliance for a road charge program. The release goes on to say that work on the state’s already underway road user charge pilot has demonstrated a need for an improved organizational structure, expanded education and outreach, and exploration of alternative mileage reporting and recording options.

- Delaware’s Department of Transportation (DelDOT) is collaborating with other members of the I-95 Corridor Coalition, including Connecticut, New Hampshire and Pennsylvania, to test user fees based on on-board mileage counters. The project will receive $1,490,000. According to a press release, the project will include strategies to address challenges associated with a user-based approach to revenue generation, including privacy concerns, equity questions, administrative costs and out-of-state usage. DelDOT Secretary Jennifer Cohan, who also serves as chair of the I-95 Corridor Coalition, said “Our coalition of state DOTs has a demonstrated ability to push innovation and take on challenges that reach beyond state borders. Finding sustainable revenue to replace
stagnant fuel tax receipts is clearly a sensitive topic with the public. That makes this project a fantastic opportunity to foster dialogue about how our transportation system is funded, the need for a reliable revenue source and how citizens benefit from the mobility our region provides.” An editorial in Tuesday’s issue of The News Journal [7] notes that one of the reasons the pilot could be important is that the I-95 Corridor Coalition estimates that East Coast states will need to double their road construction spending to $71 billion by 2040. But not everybody in the Northeast is onboard with mileage-based user fees. Connecticut Senate Majority Leader Bob Duff, a Democrat, has said on numerous occasions (see here [8] and here [9]) that despite the state DOT’s involvement with the mileage tax study, the concept would be a non-starter in the state legislature. The Hartford Courant editorial board [10] also weighed in negatively on the issue this month. And in neighboring Massachusetts, Republican Gov. Charlie Baker this month vetoed a provision [11] in a road and bridge funding bill that would have directed his administration to apply for federal funds to conduct a mileage fee test of its own.

- Hawaii’s Department of Transportation will receive the largest grant at $3,998,000 to test user fee collection based on manual and automated odometer readings at inspection stations.
- The Minnesota Department of Transportation gets $300,000 to test the use of mobility-as-a-service providers as the mechanism for revenue collection. Mobility as a service [12] is the idea that today’s traveler may rely on a variety of different transportation options including car sharing, ridesharing and traditional transit and taxi services to get around.
- Missouri’s Department of Transportation will receive $250,000 to implement a new registration fee schedule based on estimated miles per gallon.
- Oregon’s Department of Transportation (ODOT), which has been at the forefront of testing the mileage-based user fee concept for 15 years, is involved in two projects that received funding. The state DOT will receive $2,100,000 to make improvements to its existing road usage charge program, known as OReGO, which began operation last year. “Our vision is to transition this functional program into a viable program that could realistically help bridge the growing gap between fuels tax collection and transportation infrastructure needs,” said ODOT Assistant Director Travis Brouwer in a press release [13]. “We’ve learned how to run a road usage charge system using private sector partners, which no other state has done before. Leveraging the private sector makes the per-mile charge concept viable by injecting choice and innovation into the system.” OReGO has signed up 1,263 vehicles out of a possible 5,000 since coming online July 1, 2015. Officials say the grant will allow them to certify new business models and devices to allow more people to participate in the program, develop a manual mileage reporting option that isn’t technology-dependent, collaborate with local governments and others to streamline road charge-related services, develop and improve compliance mechanisms and work with other states to identify and overcome barriers to interoperability between states.
- ODOT will also share in the $1,500,000 awarded to a project that would “establish the consistency, compatibility and interoperability in road user charging for a regional system.” ODOT will work in collaboration with other members of the Western Road Usage Charge Consortium, which also includes Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, Texas, Utah and Washington.
- The Washington State Department of Transportation (WSDOT) will receive $3,847,000 to test critical elements of interoperable, multi-jurisdictional alternative user-based revenue collection systems. It will be used to pilot methods of road usage reporting with Washington State drivers.

Transportation for America’s Capital Ideas II
Lessons from road usage pilot studies—California’s in particular—will be just one of the many topics discussed during Capital Ideas II [14], a two-day conference the organization Transportation for America [15] will host in Sacramento November 16-17. CSG is pleased to be a promotional partner for the event, which will offer attendees a highly interactive curriculum of model state legislation, campaign tactics, innovative policies and peer-to-peer collaboration designed to help them advance successful state transportation policy and funding proposals. Just in time to get a jump on the 2017 state legislative sessions, Capital Ideas II (no affiliation with CSG’s magazine Capitol Ideas) will also examine the new technologies bringing rapid change to communities all over America and what policymakers can do to prepare for autonomous vehicles and other innovations. The latest tentative agenda [16] for the conference is available on the T4America website. Registration is available here [17]. For an idea of what the first Capital Ideas was like in 2014, you can read my coverage of the event here [18], here [19] and here [20].

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