

# MICHIGAN OVERVIEW OF MILEAGE BASED USER FEES

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Michigan Association of Counties 2024 Policy Summit

June 25<sup>th</sup>, 2024



# Presentation Summary



- Why an Alternative Revenue Source is Needed
- Other Highway Funding Options
- MBUF Concerns
- State Pilot
- Michigan's Existing MBUF Knowledge
- How to Conduct a State Pilot





# Fuel Tax

- Fuel tax has been the largest funding mechanism for Michigan's highways
- Fuel tax has been effective for 100 years
- Fuel tax is no longer a reliable funding mechanism because increase in electric vehicles, hybrid vehicles, and improving fuel efficiency of conventional vehicles
  - Conventional vehicles are the biggest problem
  - Fuel tax is like a rockstar on his farewell tour
- Fuel tax has lost 50% of its purchasing power over the last 30 years
- New long-term funding source is needed



# Different Funding Options



- What are the funding options?
  - General fund
    - Not reliable, not dedicated, must compete against other priorities, current source of some current transportation funding
  - Sales tax
    - Must fight with other policy areas (education), transportation may not win, not reliable (economic downturns), not consistent
  - Property tax
    - Would have to be extremely high to pay for roads
    - Must compete with other policy areas (education)
  - Other options
    - Tire tax, weight distance fee, have Ohio pay for it
  - Tolling
    - Good option for limited access highways (Interstates and other freeways)
    - Should be used where fiscally feasible/federal law allows
    - Not realistic on some arterials, collectors and local streets





# MBUFs: Promising Option

- One promising funding option is mileage based user fees (MBUFs)
- MBUFs are also known as road usage charge, road charge, vehicle miles traveled fee
  - All acronyms have positives and negatives
- MBUFs are for all vehicles not just electric- or hybrid-vehicles
- MBUFs charge per mile driven
- State rate is typically 2.0 cents to 2.5 cents per mile (does not include federal funding)
- Heavy-duty trucks (tractor-trailers) would pay a higher rate (probably four times higher) since they wear out the highways more than automobiles
  - Four times is average rate for state tollroads and turnpikes





# Have Other States Studied MBUFs

- Yes!
- Two national commissions (2005, 2010) studied different transportation options, recommended MBUFs
- More than 30 states have conducted pilots
- Two multi-state coalitions (Eastern Transportation Coalition, RUC America) have examined pilots
- Five states have permanent MBUF programs (Hawaii, Oregon, Utah, Vermont, Virginia)





# Other State Pilot Examples

State	Pilot Focus/Timeline	Results
Virginia	Communications, Choice, Regional Cooperation 2019-2020 with Eastern Transportation Coalition	Perm. Program
Oregon	Privacy, Communications, Choice, Urban/Rural, Regional Cooperation 2012-2013 with RUC America	Perm Program
Ohio	Best Education/Outreach Practices	Ongoing
Penn.	Communications, Choice, Regional Cooperation 2013-2022	Paused, Political
Okla.	Communications, Choice, Urban/Rural, Tribal Lands	Complete Eval.
Cali.	Communications, Choice, Urban/Rural, Regional Cooperation 2013-2024, Seven Pilots	Final Pilot
Georgia	Communications, Urban/Rural, Political Leaders	Plans Sec Pilot
Minn.	Communications, Urban/Rural 2007-2012	Leg Disc



# State Permanent Program Details

State	Permanent Program	Details
Virginia	Mileage Choice	Three Options: Odometer, Non-GPS Enabled, GPS Enabled, private account manager Open to add vehicles that get 26 mpg or better, carrot that charges 95% rate of fuel tax Largest program has more than 20,000 vehicles enrolled
Oregon	OREGO	Three options similar to Virginia, private account manager Open to all vehicles Limited enrollment, fewer than 1,000 vehicles Plans to make it mandatory
Utah	Road User Charge	Electric vehicles only due to collection costs
Hawaii	HiRUC	Starts with electric vehicles, expands to all vehicles by 2032, choices will expand
Verm	EV Road Usage Fee	Electric vehicles today, plans to expand to all



# MBUF Common Concerns



- Privacy: MBUFs can be used to monitor my location
  - MBUFs use GPS which is a one-way collection device, GPS by itself cannot track the location of a receiver
- Rural Residents: Rural residents will pay more with MBUFs than with fuel tax because they travel further
  - Rural residents pay less because they have a higher share of trucks and older vehicles than get lower fuel-efficiency
- Equity: Unfair to lower income residents with older vehicles
  - Residents with older vehicles would pay less with MBUFs



# Common Concerns (2)



- Double Taxation
  - MBUFs are a replacement not a supplement to the fuel tax
  - In pilot, fuel tax would be refunded to participants or it would be a simulation
- Cost of Collection
  - Initially higher than the fuel tax, but decreases quickly with scale
  - Important to choose vendors that has decreasing collection costs with scale in contract





# Questions a State Pilot Would Answer

- How would MBUFs work in Michigan
  - Similarities to other states in methods but differences
    - Example) Hawaii and rental cars
- Show drivers how MBUFs work in reality
- Show different MBUF collection mechanisms
- Examine rural/urban shift
- Show how to address privacy concerns
- Show how fuel taxes are refunded
- How to include all vehicles including electric vehicles
- How to address multi-state travel or cross-state travel
- Examine how to transition from pilot to permanent program



# Who Should be Interested in an MBUF State Pilot



- If you think MBUFs are the best thing that you have ever heard of and were thought up by geniuses who are always right you should support a pilot because it will show that MBUFs are a good idea
- If you think MBUFs are the worst thing that you have ever heard of and were thought up by idiots who are always wrong you should support a pilot because it will show that MBUFs are a bad idea





# Michigan's Bus Mobility Wallet Pilot

- State is currently conducting mobility wallet pilot
  - First step is a statistically representative statewide survey testing public RUC knowledge and acceptance
    - Total of 19,000 validated responses (Feb. 19<sup>th</sup>)
    - General survey asks about transportation methods, initial thoughts on MBUFs, provides overview video, then asks follow-up questions on feasibility
    - Home address and travel info
    - Provides good sentiment, will be important to ask question after pilot
  - Second steps of current pilot is mobility as a wallet simulation designed to help transit users in Detroit and Grand Rapids
    - Interesting but not a solution for larger problem of revenue
- Can use some of public opinion survey results to avoid reinventing the wheel





# MDOT Pilot Application

- 2023 Bill required MDOT to conduct a pilot
- When the 2024 Legislative session began, it did not appear that MDOT had started the necessary steps to conducting a pilot
- As a result, the Legislature added budget language requiring a pilot
  - We assisted in that budget language
- Several months ago MDOT announced it was working on its pilot language
- Last month it was submitted to FHWA for funding
- Process of funding can take up to two years, hopefully it will be a matter of months
- Legislature decided to remove the language for another pilot from the budget





# MDOT Pilot Application Part II

- MDOT pilot was standard examining rural/urban, choices, needs, public sentiment
- May have been more competitive for funding if it included more innovative practices such as cost of collection and a partnership with the County Road Association
- Federal funding provides up to 80% but competitive grants are competitive, possible the DOT will receive less and need a supplemental budget request to conduct a good pilot
  - Another option is to scale back the size of the pilot, but that could be problematic





# Ways to Strengthen Existing Pilot

- Add a Legislative Steering Committee
  - States that have these committees have better buy-in and support: 11 members MDOT Director, highway users, privacy rights, rural representative, two members appointed by House, two appointed by Senate (not a complete listing)
- Move up the Timeline
  - Currently the department is waiting to start legislative planning, pilot planning and revenue and design until next year, in anticipation of pilot. The Legislature wants the department to conduct a pilot with or without funding. Those activities can begin later this year
- Increase Public Outreach Campaign
  - Letting drivers know about the pilot, the why, and how to enroll is key
- Privacy and Security Aspects Must be Detailed
  - Both are vague and important to groups across the political spectrum
- Examine Costs of Collection
  - This is the biggest challenge with current permanent program. There are new options such as cell phones that may reduce the costs and are worth examining





# Contact Info and Questions



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