

HF325 - 0 - "Mileage-based user fee"

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 Committee: **Transportation Policy and Finance**
 Date Completed: **03/23/2015**
 Agency: **Transportation Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	1,787	1,912	1,113	-	-
Total	-	1,787	1,912	1,113	-	-
Biennial Total			3,699			1,113

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2015	FY2016	FY2017	FY2018	FY2019
General Fund	-	1,787	1,912	1,113	-	-
Total	-	1,787	1,912	1,113	-	-
Biennial Total			3,699			1,113
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	1,787	1,912	1,113	-	-
Total	-	1,787	1,912	1,113	-	-
Biennial Total			3,699			1,113
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

House File 325 provides for implementation planning related to mileage-based user fees. Subdivision 1 appropriates an unspecified amount in FY2016 from the general fund to MnDOT for development and implementation of a mileage-based user fee (MBUF) system, available for three years. Subdivision 2 directs MnDOT to develop a plan to implement this type of system. At a minimum, the plan must:

- (1) identify a project implementation timeline, which may include pilot programs, limited initial deployment, multiple fee structure options for road users, and phased implementation;
- (2) identify a fee structure, which must include distance traveled and may include additional factors such as vehicle weight, vehicle impact on roadways, fuel type, and vehicle type;
- (3) include a fiscal analysis that identifies costs, revenue projections, and any associated tax rate changes;
- (4) establish a technological and operational architecture for the system;
- (5) address program and system administration, including but not limited to data privacy, data integrity, and accuracy of information; and
- (6) include specific recommendations for legislative authorization and changes.

MnDOT must provide for stakeholder input from road system users and interested organizations. Subdivisions 3 and 4 identify principles to be followed and require a status report by Feb. 1, 2016. The status report must contain, at a minimum, a review of the implementation plan and a discussion of the finance principles.

Assumptions

It is very difficult to determine the costs of the activities required by the bill language. This is primarily because the topics are difficult, and as more is discovered, more study is required. In addition, the bill language states that MnDOT will identify a fee structure and establish a technological and operational architecture, for instance. These are tasks that would require pilots to finalize. However, the implementation plan may include pilot programs, multiple fee structure options within the implementation phase, which assumes work will continue then. Therefore, MnDOT will not include the cost of pilots in the totals. The assumptions used are based on MnDOT's previous experiences with MBUF studies/pilots, as well

as the costs of work in other states. MnDOT notes that a large-scale pilot is in process in Oregon, and delaying work until the results of that pilot are known in approx. 2 years could result in lower costs for Minnesota. Additionally, Oregon is implementing an open MBUF architecture which will be available to other states.

- 1) Fee structure options based on multiple variables - there are many variables to consider, not the least of which are technology, equity, and collection costs and enforcement. This complex study will involve multiple agencies such as the Department of Revenue and Public Safety. The fiscal analysis will be included in this. Assume \$1 million for a consultant over 24 months, plus staff detailed at 5) below.
- 2) Technological and operational architecture - there are many trade-offs to consider with technology including decisions on a standard, cost of installation and operation, public acceptance, privacy and ease of use among others. Administrative protocol, collections, and enforcement are considerations embedded in the selection of technology and system architecture. Assume \$2 million for a consultant over 24 months, plus 4 FTEs at \$43 per hour plus an additional 50% for overhead including fringe benefits.
- 3) Outreach and stakeholder input: assume will complete amount needed to develop plan. Assume 6 months and \$250,000 for the consultant.
- 4) Time-line for implementation and recommendations for legislative authorization and changes determining the legislative recommendations will take a great deal of effort, and both tasks will build on the other activities noted. Assume 6 months of 3 FTEs with a blended rate of \$47 per hour plus an additional 50% for overhead including fringe benefits.
- 5) To complete the first three activities, MnDOT assumes 4 FTEs for 2.5 years will be needed Engineer Senior Admin, Planning Director Transp., State Program Admin Mgr. Princ. and Planner Principal State at a blended rate of \$43 per hour plus an additional 50% for overhead including fringe benefits.

MnDOT will not include an amount to implement an MBUF system we believe that needs to wait until after implementation plan completion. Interim report costs are included in other tasks above.

Expenditure and/or Revenue Formula

All from General Funds total \$4,812 over 3 years. Annual costs in table below are also in thousands.

	<u>One year Hours</u>	<u>Wage Rate</u>	<u>Wage rate + overhead</u>	<u>Consultants</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>
Fee Structure Options 1.5 yrs.				\$1,000	\$750	250	\$0
Tech. & operational - 2 yrs.				\$2,000	\$500	\$1,000	\$500
Outreach & Stakehd input6 mo.				\$250		\$125	\$125
Time-line & legislative rec, 6 mo., 3 positions blended rate	3,120	\$47	\$64.50				\$220
Staff for 1 st three tasks 2.5 yrs., 4 positions, blended rate	8,320	\$43	\$64.50		\$537	\$537	\$268
Total Costs per Year					\$1,787	\$1,912	\$1,113

Long-Term Fiscal Considerations

None

Local Fiscal Impact

May be involved in the implementation planning process

References/Sources

MnDOT Office of Traffic, Safety and Technology

MnDOT Office of Financial Management

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