

4.2 INSTITUTIONAL ARRANGEMENTS

Two alternative multi-state institutional alternatives were originally identified, and were used to help analyze how the administrative functions could be performed. A first option was termed “state-centered” and a second option was termed “service-bureau centered”. As further analysis and evaluation proceeded, it was determined that there was really only one overall institutional option, because the states would certainly maintain their administrative responsibilities for revenues within their borders, but would have choices as to how much assistance on VMT fee administration they would contract out to third parties, either to private contractors or to non-profit organizations. The sole alternative with this sliding scale of decisions on contracting is a state centered institutional arrangement. However, the sliding scale of assistance and contracting will be based upon how best to engage the needed skills and achieve efficiency and effectiveness. A great deal of contracting or a small amount of contracting could be chosen.

Today, states follow this model for apportioned registration fees and fuel taxes for heavy duty vehicles, which is the most relevant current model for cooperation that would involve VMT fees for all vehicle types. The states collect fees due to them, but utilize cooperative arrangements under the International Registration Plan (IRP) and under the International Fuel Tax agreement (IFTA) to deal with collections due them from vehicles based in other states. Toll agencies utilize similar cooperative arrangements under IAG. In each case, the states and the toll agencies maintain their basic autonomy and enforce their own laws. Also, in each case, it is really a matter of seeking skills and efficiencies which has lead states and toll agencies to contract out to non-profit or for-profit entities for services in order to perform all functions in a cost-effective and efficient manner.

Therefore, we have concluded that the states and the toll authorities will continue to assure that their needs are met, and will utilize the private sector and cooperative multi-state agreements when that is the best way to proceed. For example, private contractors may be utilized for some or all of the administrative functions related to monitoring and collecting VMT-based fees, while existing cooperative mechanisms such as AAMVA and IRP could be the most logical place to perform the revenue reconciliation and revenue clearinghouse functions among the states (and perhaps the toll authorities), as they do now with apportioned heavy vehicle registration fees and E-ZPass toll revenues. In addition, more use could be made of NMVITS to assure that states share effectively with each other in determining where vehicles have registered or re-registered, which must become more timely with VMT fees, because current collections of VMT fees should be made from actual vehicle owners.

It has also been assumed that congestion-based fees which are related to specific facilities or to specific regions of a state could be administered by separate regional agencies or by toll agencies or by public-private partnerships in coordination with the agencies which have the responsibility for the overall VMT-based fees. While there would be savings in costs if regional or toll systems use the same technologies and administrative systems as the state systems, it is not required today that general user fees and specific tolls be collected together, nor would it be necessary if VMT-based fees replace or augment state fuel taxes.

However, while it is possible to operate tolling systems and VMT-based systems separately, it is highly desirable to operate the systems with one set of technologies and business rules. The potential for economies of scale and operating efficiencies with a joint system, as well as the greater potential for public acceptance with one road charging system rather than multiple payment systems, should overcome any concerns that the toll authorities may have about independence of their systems and revenue streams. The issues that toll agencies will have with common technologies and systems can and should be addressed through the supporting financial, operating and reciprocity agreements.

STATE-CENTERED FUNCTIONS - Functions to be Performed By a State Agency or by Contractors to Administer VMT Based Fees for All Vehicles in the State

A state agency or agencies will be responsible for the administrative and legal functions necessary to monitor and administer VMT-based fees, including reconciliation and coordination with other states. The administrative functions might either be performed in house or contracted out. Given the scale of the data handling and administrative functions, it is likely that contracting approaches would be used, and most certainly contracting approaches are implicit in procedures with "open systems" in which the users could select from among competing system technology contractors. The Netherlands selected a process whereby contracting with a vendor would cover virtually all aspects of VMT fees, with all rules and parameters defined by the government but with private entities responsible for all functions under the contract. Implementation is currently on hold in the Netherlands.

In the case of toll facilities, VMT-based fees could be assessed independent of tolls. Although this may be considered double-charging, it is no different than today's operating environment where fuel taxes also apply to fuel consumed while driving on toll roads. It is assumed that fees for toll agencies will continue to be collected by those agencies except if the single state entity has the full capability to monitor travel on each facility, such as with a GPS system which can carefully track toll facility use versus use of other roads, and where the toll authority wishes to "opt-in".

MULTI-STATE COORDINATION FUNCTIONS - Procedures for coordination among the states could be modeled on the IRP and IFTA, with commonly accepted "base-state" responsibilities for the accounts of those vehicles registered in their jurisdictions. Other states would have to be assured that the base state was auditing and enforcing the collection of VMT-based fees which were due to all other states. Reconciliation among the various states' accounts would be similar to under the IRP and IFTA or would be modeled on the IAG example, with administration performed for each state and with a clearinghouse. The data collection and administrative techniques might include either or each of the other technologies such as fuel-system based, OBD-II/Cellular, or GPS systems.

States might also contract jointly for technologies and other aspects, as is done now by the toll agencies. Toll agencies that join IAG receive favorable rates on transponders, which

IAG has considered to have been the greatest incentive to bringing the toll agencies into IAG. The intent of this cooperation would be to reduce costs by consolidating some purchases or other efforts. The data collection and administrative techniques might include each of the implementation options (fuel-system based, OBD-II/Cellular, or GPS systems).

FEDERAL VMT FEES – If there were a federal VMT fee, the federal government might either utilize the Netherlands type of contracting arrangement or might rely on states, but reliance on states would require that all states be capable of administering VMT fees. A new federal entity of some type may be required to administer the collection of federal VMT-based fees under the direction of the IRS, since it is not known whether the collection of federal taxes could be delegated to state agencies. Current IRS procedures do not include any relationships with the owners and operators of all motor vehicles. However, it is a very important legal issue to determine if and to what extent any responsibilities for the collection of federal VMT-based fees could be delegated outside of the IRS, either to states or to a service bureau. Also, even if legal, the willingness of the federal government to delegate collection of federal taxes to state agencies is not known.

PUBLIC AND PRIVATE ROLES

The functions could be either contracted out or performed in house under the direction of responsible state agencies (DMVs or other agencies.) DMVs and AAMVA were asked about public or private arrangements for administering VMT-based fees. Their responses included:

A private sector institutional option would get mixed reviews from DMVs.

AAMVA noted that states would react “differently” to the use of a private contractor as part of an institutional arrangement for VMT administrative functions. They noted that one of the determining factors or criteria would be the protection/use of personal data. They noted that cost drivers, such as collection costs and customer support, would also be factors in selecting the most economical institutional arrangement. It was noted that states would be very concerned about using a private vendor because they would not want to lose “control” of their information and data and DMVs have not, in the past, wanted state data and personal information on federal government databases. There remains a critical concern surrounding data confidentiality and data use and a mindset of “our data, our control” in the states – understandably. They noted past instances where any exchange or use (or hosting of data) had to be surrounded by strong data confidentiality parameters.

A “service bureau” or “vendor direct” type of contract is a more likely institutional option.

AAMVA noted that a VMT-based fee program most likely would need to be outsourced and that such an outsourcing would provide opportunity for a “cottage industry.” Either non-profit or for profit agencies could provide the services under contract. They pointed out that it is important for any service bureau option to include consistent processes, adequate oversight, strong data protection, high customer service level expectations and clearly spelled out service level agreements.

It is clear that resources (funds or personnel) do not exist to allow for new program initiatives in

many states, and that they have increasingly turned to using a vendor direct model. The Florida DMV used this model to implement their temporary registration system. They did not have the funds to build, implement or maintain the system, nor could they provide help desk support or IT resources for the project. The “vendor direct” approach gave the vendor all the program implementation and support responsibility (under state IT, temporary registration process and information usage guidance) and allowed the vendor to recoup costs based on a per transaction charge. The DMV noted that they expect this model to be more and more prevalent based on continuing state budget issues and reduced staffing. This is not unlike what is happening in other states. A VMT model likely needs to be designed, implemented and built using a per transaction-based payment system that includes implementation and maintenance costs.

AAMVA noted that the IRP and E-ZPass are both good models when considering a multi-state VMT-based fee system. They noted that from a funds transfer perspective, IRP (and its Clearinghouse) works well already and is an accepted and supported model.