

## Guiding Principles of Minnesota's

### Road Usage Charge Demonstration

2022

In developing Minnesota's Road Usage Charge (RUC) Demonstration we will pilot a transferable and scalable model that is sustainable and fair. This model represents a migration to RUCs and not a transformation. The model will have low implementation, operations and enforcement costs, and assumes retention of the motor fuel tax for most fossil fueled vehicles. In step with sound economic and tax policy, road usage charges should be simple and yet robust and assumes that all vehicles should be charged an appropriate and proportionate share for their use of the roads. Minnesota RUC demonstration is guided by the following principles:

#### RUC policies should cause no harm

- Do not risk collecting less revenues under a road usage charge structure than we now collect under the motor fuel tax (MFT). Avoid a fee collection system that increases risk, instability or evasion.
- The MFT, the "workhorse" of highway funding is likely to be a major source of highway funding for years to come. The MFT must be maintained and adjusted appropriately for it to function effectively. Likewise, RUCs should be structured to reduce the erosive effects of inflation.
- Attempting to replace the MFT on all fossil fueled vehicles with a sweeping change is certain to hit many road blocks, including privacy concerns and the administrative burden. Retrofitting a fleet of many vehicle types and ages is untenable.
- RUC fees should be assessed on vehicles appropriately equipped with embedded technology to efficiently and effectively transmit data for billing purposes. If RUC are placed on fossil fueled vehicles with embedded technology an appropriate MFT/RUC reconciliation procedure must be applied.
- The cost of administering RUC fees should be low.

#### Vehicles are becoming personal communications devices

- New vehicles are coming factory equipped to communicate with the cloud and thus enable efficient RUC collections. Personal communications capacity built into vehicles is likely to be the standard in the near future.
- The shared mobility platform already has the capacity to seamlessly collect and transmit data.
- The shared mobility platform (car sharing in the case of Minnesota's demonstration) is a reasonable place to test RUC fee collection.
- Lessons learned from Minnesota's RUC demonstration will be transferable to wider segments of the nation's fleet.

#### Electric, hybrid, alternative fueled and other highly efficient vehicles should be charged a proportionate share for use of the roads

- Flat fees for electric and other special vehicles that are added to registration fees are a blunt instrument that is not closely tied to road use. Flat fees raise significant equity issues that ought to be addressed.
- Appropriate and fair "rate setting" is a big challenge that has many dimensions and policy considerations such as vehicle size and type, time-of-day, and jurisdiction, among others. Inadequate attention to rate setting may result in skewed public expectations and diminished support.