

# Commission Briefing Paper 5B-02

## Assessment of Potential Challenges in Phasing in of New Financing Mechanisms for Highways and Transit

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Date: January 10, 2007

### Introduction

This paper is part of a series of briefing papers to be prepared for the National Surface Transportation Policy and Revenue Study Commission authorized in Section 1909 of SAFETEA-LU. The papers are intended to synthesize the state-of-the-practice consensus on the issues that are relevant to the Commission's charge outlined in Section 1909, and will serve as background material in developing the analyses to be presented in the final report of the Commission.

This paper presents information and observations on the multiple challenges that may be faced in phasing-in new funding and financing mechanisms for highways and public transportation. Underlying current interest in new funding and financing mechanisms is mounting evidence that continued reliance on fuel tax revenues as the primary long term source of highway and transit funding is an increasingly inadequate strategy as well as poor national policy for a variety of reasons. As a result, interest in, analysis of, and experimentation with a number of new financing mechanisms is taking place on a limited scale in the U.S. and abroad, generally with three underlying objectives in mind: 1) to prepare for eventually replacing the fuel tax as the primary financial base for highway and transit programs; (2) to mitigate the impacts of steadily increasing congestion on the efficiency of our current systems; and 3) where the revenue streams are considered inadequate, to capitalize on potential revenues that may be available from new mechanisms.

### Background and Key Findings

Recent analyses have indicated that fuel taxes will remain a viable base for funding in the short term. However, there has been recent interest in exploring options that would better track with inflation and also more closely track with the use of specific highway facilities. Two recent reports, the National Chamber Foundation report, *Future Highway and Public Transportation Financing*, 2005, and NCHRP Report 20-24(49), *Future Financing Options to Meet Highway and Transit Needs*, 2006) discuss the option of indexing fuel taxes to some indicator of cost changes. While it is conceptually straightforward to adjust existing fee mechanisms, there are challenges to expanding indexing beyond the seven states that have already taken this step.

In addition to indexing motor fuel tax rates, there has been significant discussion about the potential for greater use of tolling and pricing mechanisms to both finance facility improvements as well as to manage demand on existing facilities. Several states are aggressively examining new tolling schemes for either passengers or freight (CA, CO, FL, IL, MN, NJ, NY, OH, TX). Tolls currently represent only about 5 percent of total revenues for highway purposes. Even if

there were substantial increases in the use of tolls, their share of total revenues for highways in most States can be expected to remain modest in the next 10 years. Nevertheless States that have been most aggressive in the construction of toll roads are finding that they can provide needed increases in capacity without having to raise general tax rates. In States without a tolling tradition there often is strong political and popular resistance to increased tolling and to the introduction of additional pricing mechanisms. (Federal Highway Administration, *International Urban Road Pricing*, 2006, AECOM Consult). Until that resistance is overcome those States will have to rely on more traditional highway and transit revenues, but resistance to increasing fuel taxes is also strong in most States.

In the long term, new financing mechanisms will be important in view of the anticipated shift away from petroleum-based fuels. Recent studies suggest that such new revenue mechanisms will not be needed for many years, but there are many technological and institutional issues to be resolved before totally new taxes could be implemented to replace the fuel tax. Because many of these issues are complex and may require new institutional arrangements, many believe that planning for such new systems should begin immediately. In fact this process has already begun in Oregon where a tax on vehicle miles of travel currently is being tested. Furthermore Section 1919 of SAFETEA-LU calls for a demonstration of mileage-based taxes. That demonstration is just getting underway.

## **Staff Comments**

This paper discusses general issues related to phasing in new revenue sources in the short term and long term. It does not go into detail on specific challenges associated with particular new revenue mechanisms. The paper provides a framework, however, for a more detailed discussion of specific steps that may need to be taken to phase-in new revenue sources the Commission may wish to recommend.

## **Introduction**

Phasing in new revenue mechanisms in both the short term and long term is likely to involve complex challenges due to: a) the varied characteristics of each mechanism; b) synchronizing roles and actions of states, where much of the responsibility for implementation will lie, and the federal government; c) the varied legal frameworks and priorities among different levels of government and client agencies; d) the need to reconcile the varied interests of local stakeholders in each mechanism and, d) the level of effort and associated timeframes over which phase-in activities may occur.

The most significant of these challenges are listed below and described in somewhat more detail in the remainder of this paper along with possible strategies for addressing them in the short term:

- Development of a sound policy rationale for each mechanism proposed ;
- Conduct of credible and comprehensive technical analysis of alternatives;
- Recruitment of sustained leadership to guide implementation;
- Development of a broad political consensus in support of proposed mechanisms;
- Conduct of effective public education and advocacy of proposed measures;

- Development of consensus on institutional roles and responsibilities in implementation;
- Integration of current and new revenue collection as well as allocation mechanisms;
- Development of effective administrative procedures and capability;
- Establishment of the appropriate legal frameworks at all levels;
- Application of required technologies; and
- Commitment of the resources to support and sustain the entire range of phase-in activities.

## **Establishing a Policy Rationale**

A clearly stated, logical and technically supported ‘rationale’ will be needed for efforts to enact new funding and financing mechanisms for the short term or long term. In either case, transportation must be seen as a clear priority in need of renewed attention. There may be several rationales for pursuing new mechanisms in the short term. One may be to tie user financing more closely to the construction, maintenance and operation of specific facilities. Voters have been cool to fuel tax increases in part because they are not certain what their tax money will buy. In recent years, motorists have been more receptive to tolls, sales tax increases, and other mechanisms where the proceeds were linked to specific improvements or programs of improvements. Another rationale for new revenue mechanisms may be to more equitably allocate the costs of improvements to those who will benefit. Examples include the imposition of container fees to fund part of the cost of Alameda Corridor improvements or the establishment of improvement districts where part of the property tax revenues will be used to finance highway or transit improvements. Yet another rationale for new levies may be to reduce congestion and provide new transportation alternatives to highway and transit users. Clearly the policy rationale may differ from area to area and the new revenue mechanism must be consistent with the rationale that is given. Whatever the particular mechanism, the policy rationale must reconfirm and communicate: 1) the scope and urgency of the surface transportation problems and needs; 2) the immediate and long-term consequences of inaction; and 3) the courses of action that are available in the short run.

There is a growing consensus that in the long term Federal and State transportation agencies must shift their tax base for highway and transit improvements from fuel taxes to some other source because it is almost certain shifts in the fuels that will be used in personal and commercial vehicles. Many of these new fuels like electricity and hydrogen may not be amenable to taxation the way that gasoline, diesel, and ethanol are. Thus there is a clear policy rationale for examining long term alternatives to the fuel tax.

Absent broad agreement on the rationale for action and the impact of inaction, it will be difficult to promote implementation of new funding and financing sources requiring multiple governmental institutions each to respond. Possible strategies to meet the ‘policy rationale’ challenge may include:

- An aggressive, inclusive effort to confirm the advantages and urgency of shifting more rapidly to alternative financing mechanisms
- An effort to bring major business, industry and political leaders together to assess and confirm the merits of various strategies and mechanisms, the scope of needed changes, and the implications of a failure to respond.

## **Providing Sound Technical Analysis**

The policy rationale and eventual implementation must be supported with clear, credible and technically sound evaluation of alternative mechanisms for both the short term and long term, across the dimensions described above. Critical to the analyses will be findings regarding economic impacts and efficiencies, yield, administrative capacity, equity and adaptability to changing socio-economic conditions.

Possible strategies to meet the challenge of continued technical analysis include:

- Pivoting off the considerable work that has been carried out or is already in an advanced stage on the advantages and disadvantages of alternative mechanisms in different situations and case studies of the successful implementation of various financing mechanisms in other states and abroad.
- Development of model legislation and other technical materials to assist state and local agencies that want to implement different financing mechanisms.
- Better distinguishing how financing options vary across states and regions as a way to better focus and define popular and political interest in various mechanisms.
- Continued use of the Transportation Research Board's (TRB) highway and transit Cooperative Research Programs (NCHRP and TCRP) and the U.S. DOT's University Transportation Centers (UTCs) programs..

## **Assuring Sustained Leadership**

Sustained leadership is essential in both the short term and long term. In efforts to make fundamental changes such as the introduction of new revenue sources, 'champions' must be found among key elected officials at both levels through involvement and advocacy of industry leaders and other leaders of key constituencies.

Phasing in new mechanisms over the long term is likely to extend through several Federal, state and local election and budget cycles, and should proceed ideally with limited partisan influence or disruption. Pursuit of the long term agenda may require more formal organization.

Possible strategies to meet the challenge of sustained leadership and direction include:

- Reliance on traditional advisory mechanisms to pursue recommendations and agendas aimed at implementation of new financing mechanisms.
- Recruiting a broader, multi-faceted leadership group to actively advocate and support implementation of new revenue sources.
- An official body might be created to act independently for a specified time period for the same purpose, perhaps modeled on the Postal Regulatory Commission or the Federal Reserve Board.

## **Establishing Political Consensus**

Building a broad political consensus for the phase-in of new funding and financing mechanisms represents a parallel challenge to building sustained leadership. Like most successful initiatives

at the state and local level to enact new transportation revenues, a ‘campaign’ type structure and organization may be required to create a broad consensus among community leaders and elected officials across party lines and levels of government. Inclusion of and outreach to state and local elected officials, Members of Congress and the Administration as well as community leaders will be necessary. This challenge is further complicated since the mechanisms under discussion are likely to impact regions of the nation, states and localities in significantly different ways, leading to widely varied paces of implementation

Possible strategies in building and sustaining a political consensus include:

- Formation of a group or organization that can support and manage the search for political consensus, that may focus on:
  - Launching a formal national dialogue on needs for and alternatives for a new system of mechanisms to fund and finance highways and transit in the future; and
  - Engagement of elected officials at all levels and their respective research and policy-related institutions in the formal dialogue over alternatives under consideration and the rationales for pursuing them.

## **Educating and Informing the Public**

Success in bringing new funding sources to bear will depend to a considerable degree on understanding and acceptance by the public, including the myriad stakeholder groups that have a legitimate interest in how transportation problems are defined and addressed, and the media which will evaluate and interpret reactions to what is being proposed. Ultimately, popular interests are the source of authority where implementation of new funding and financing mechanisms is governed by popular referenda, and even ‘super-majorities’ at the state or local levels.

Possible strategies to meet the public education and communications challenge include:

- Stakeholders, including the general public, must be defined, engaged and kept informed on a sustained and strategic basis as part of the larger communications strategy, including state-of-the-art web-based mechanisms as well as more traditional strategies and activities such as public opinion polling, focus groups and media-oriented initiatives.
- Conduct and support of these types of activities likely lies outside the sphere of public responsibility and/or propriety. National stakeholder organizations, along with state and local affiliates, might serve as the conduit for public education and information activities with substance and themes developed or framed at the national level.

## **Reconciling Institutional Roles, Responsibilities and Relationships**

Planning, funding, implementing and operating agencies responsible for highway and transit systems and improvements have developed detailed, often complicated and varied, arrangements to guide decision-making on how resources are to be used and services/ projects delivered. These varied intergovernmental arrangements are the product of: a) long-standing Federal program structures where Federal highway funds are allocated to state DOTs while federal transit funding is apportioned directly to local and regional operating agencies; b) evolving

Federal regulations and varied program-level budget protocols; c) the increasing role that states and localities are playing in transportation funding and finance; and d) the larger role of the private sector in financing and delivering public projects and services

Short term adjustments to existing revenue sources will do little to disrupt current institutional roles, responsibilities and relationships. The larger challenge lies in the primary roles that the Federal state and local governments now play and how they might shift in implementation of new mechanisms under discussion, given the widely varied mix of legal, regulatory, policy and administrative mechanisms in place.

Implementation of new revenue-raising mechanisms at the state and/or local level, presents a challenge, i.e. to not let past practice and procedure limit the effectiveness of new sources, and an opportunity, i.e. to remake roles, responsibilities, processes and procedures to better serve policies that already have been embraced, e.g. greater local and regional decision-making authority, increased flexibility in the use of funds, enhanced support for multimodal decision-making and system integration, and support for broader shared community goals - economic, social and environmental.

Possible strategies to meet the institutional challenges might involve:

- Maintaining a focus throughout the evaluation, enactment and implementation process on identifying: a) what contradictions with existing practice may arise in the flow of new sources of funds; b) what actions may be needed to minimize these; c) what new or altered authority and mechanics might need to be enacted at state and local levels to make the most effective use of added resources; and d) what timetables these actions require for completion.
- Directing resources from new funding and financing mechanisms to flow through other than the traditional processes and under a separate set of procedures, perhaps even to new recipient agencies.

## **Reconciling Administrative Responsibilities and Procedures**

The basic administrative functions are already in place for collection and administration of current highway and transit funding and financing, although they are not uniform across all states and localities. With the introduction of new funding and financing mechanisms not in the current mix there may be significant short-comings in managerial and administrative authority, capacity, know-how and support systems, including: actual tax collection systems; accounting/financial management/risk management; economic and investment expertise; real estate and development expertise; and, technical (hardware and software) expertise, among others.

Possible strategies for meeting the administrative challenges of transitioning to new funding and financing sources for highways and transit include:

- Examination of each potential new source of funding or financing to describe and assess: a) the system-related, administrative and management requirements inherent in its use; b) where those capabilities currently reside and where they are lacking among potential

partners; and c) what models and steps might be undertaken and over what timetable to assure that full and credible capacity exists to manage the flow of funds from new sources.

- Independent examination through the TRB Cooperative Research Programs, of the requirements, state-of-the-practice and opinions of experts in the respective fields to guide recommendations and enhancements to essential administrative and management systems and approaches.

## **Establishing the Legal Framework**

Legal frameworks are already in place for current highway and transit funding and financing, although they too are not uniform across all states and localities. Indexing current motor fuel taxes to inflation is a simple legislative act conceptually, assuming that popular and political support exists. Significant variations exist with regard to what jurisdictions have authority to raise revenues from what sources. Some 30 states limit the use of revenues from motor fuel taxes and vehicle fees to highway investment through statutory or constitutional restrictions. Some states provide enormous amounts of funding to transit while local governments provide little; some states provide little funding to transit, but empower local or regional entities to enact taxes to support public transportation based on popular approval. Many of the types of new mechanisms currently under discussion also raise issues that have not been relevant before in transportation funding and revenue raising, the most significant of which are privacy, security and enforcement, where the prospects for prolonged litigation may be significant.

Actions taken at the Federal level to implement, authorize or encourage new funding and financing mechanisms may impinge upon what are traditionally considered states' prerogatives (if not literal states' 'rights') in revenue-raising, or at least potentially cause disruptions in their tax administration apparatus at either or both the state and local levels.

Possible strategies for addressing the legal challenge might include:

- Defining for each new mechanism under consideration, the necessary legal under-pinning and possible conflicts that may exist in state constitutions or statutes.
- Establishing clear definitions, existing legal frameworks and outline the basic mechanics for revenue collection from potential new sources.
- Examining the extent to which existing revenue collection, distribution and oversight mechanisms can be used to minimize the time and resources required to institute wholly new responsibilities, systems and procedures.
- Reliance on the TRB or the UTCs to perform these tasks; or
- Assignment of these tasks to state interests (NGA, NCSL) and legal and related finance experts since states have the critical, constitutionally-based role in revenue-raising among partnering levels of government.

## **Combining Management of Current and Emerging Revenue Sources**

At some point, the flow of revenues from current sources, adjusted for inflation or not, and revenues from new mechanisms introduced over the long term will have to be managed

concurrently if not fully integrated by some combination of agencies. Complexity in management of current and new sources is likely to arise at several levels. First, implementation of new mechanisms is likely to be staged not only in time but geographically with implementation likely initiated and focused in particular regions. Secondly, not all new mechanisms are likely to be applied meaningfully at the Federal level or even at a statewide level. Third, some new mechanisms may be better applied in support of broad-based, continuing programs while others may be better suited to support specific projects or facilities.

The challenge is to anticipate how revenues from new, long term user fee-type mechanisms might be channeled to and through various agencies and under what set of procedures, conditions and systems so that all available revenues can be integrated, leveraged and overseen effectively across a multimodal network.

Possible strategies for combining management of current funding flows with the flow of revenues from new sources might include:

- Inviting discussion, generally or in a more focused way on actions that could enhance the flow of existing revenues to highway and transit investment to meet key objectives.
- Including in the rationales developed for each mechanism clear statements about the geographical options for collection and use, options for where spending authority might reside, and the differential nature of programs or projects that various mechanisms might support.
- Engaging the public interest groups representing major funding partners to examine the issues and find consensus on how they should be resolved. Likely representation might come from groups that have traditionally created model frameworks, legislation and standards, including AASHTO, APTA and AMPO along with representatives from local governments (municipalities and counties) and state government (NGA and NCSL).

## **Introducing Necessary Technologies**

Many of the new financing mechanisms generally under discussion for the long term cannot be implemented effectively without the wholesale application of state-of-the-art information technologies, including hardware and software. Even in the cases of revenue sources already in place, enhanced technologies will likely be available over time.

New mechanisms with the broadest potential applications, e.g. VMT fees, require hardware and software to be installed on individual vehicles and as part of regional networks, wired or wireless. A consortium including vehicle manufacturers, AASHTO, ten State Departments of Transportation, and the US DOT are jointly investigating the application of new information technologies for a variety of purposes through a Vehicle Infrastructure Integration (VII) initiative. These efforts bring a new set of partners into the picture, i.e. vehicle manufacturers and component suppliers, and potentially require a new set of skills and capabilities among traditional state and local implementing agencies, i.e. installation, maintenance, testing and regular enhancement of state-of-the-art electronics and/or the ability to effectively manage private providers under service contracts.

An additional challenge lies in areas that are being successfully addressed in the world of Intelligent Transportation Systems (ITS), i.e. system architecture, interoperability, standards and the broader issue of who or what agency or institution might own or manage such a regional network and under what policies, rules and regulations.

Possible strategies for addressing the technology challenge might include:

- Pivot off research and demonstrations already in progress to extend knowledge of vehicle-based hardware and software systems and applications.
- Expanding the number and scope of current demonstrations, e.g. Oregon's VMT fee application, the demonstration of mileage-based taxes being conducted pursuant to Section 1919 of SAFETEA-LU, and European examples for variants of technology applications suited to the types of mechanisms being considered.
- Reliance on current actors and organizations to address or (re)define a way forward technologically, with a specific focus on the evolution of a national strategy, system architecture, standards and phased implementation.
- Increased investment in and more rapid deployment of necessary technologies, perhaps with increased private sector participation.

### **Investing in the Phase-in**

Resolving the challenges outlined above will require a new, sustained commitment of resources, both financial and human, to guide analysis, deliberation, promotion, testing and troubleshooting over a significant period of time. .

Possible strategies for directing and managing the investment needed to support phase-in might include:

- Reliance on existing institutions and processes including the TRB, in collaboration with key stakeholder organizations many of whom are already at work addressing one or more of these challenges;
- Defining an independent, high-level, national coordinating function for planning, management and integration activities, including management of a work program, assurance of both short and long-term sustained flow of resources, and to assess and report progress.
- Assessing the need for a new institution or organization to guide and advance consideration and implementation of new funding and financing mechanisms for highways and transit (See *Sustained Leadership*).
- Budgeting adequate resources over a sufficient period of time to design, launch, and sustain the agenda, strategies and tasks endorsed by the Commission.

### **Conclusion**

The combination of actions and partners involved is, in a sense, part of an emerging 'new paradigm' in public investment, as noted in the U.S. DOT "*National Strategy to Reduce*

*Congestion on America's Transportation Network.*” In recent years, models, strategies and approaches have emerged in parallel that have successfully met some of the challenges noted above. These have included successful approaches to involving, supporting and coordinating decision-making among agencies, organizations and institutions, public and private, that have identified a common need and goal but have had little or no prior need to join forces in its pursuit. Examples include:

- The Intelligent Transportation Systems initiatives and organizations noted above;
- The EZ Pass, multi-state implementation of a technology-focused revenue-raising mechanism;
- Past and emerging experiences from established tolling authorities;
- Airline alliances featuring technology-enabled integration of service delivery, revenue-sharing and customer service functions; and
- A variety of European Union initiatives that have attempted to address a common set of problems, transport and otherwise, across international as well as state boundaries, governance systems and traditions.

Examination, early on of these types of experiences might also help inform the choices for organizing and managing the phase-in of new funding and financing mechanisms and might facilitate solutions to the challenges outline above.

For the short term, the focus might be on:

- Actions at the state and Federal level to provide needed revenues in the most efficient manner possible; and
- Launching processes and activities that will justify and build support for future actions to broaden and/or shift the highway and transit revenue base to realize the underlying objectives of increased efficiency over the existing system and increased capacity where most needed.

## **CONSOLIDATED COMMENTS FROM MEMBERS OF THE BLUE RIBBON PANEL OF TRANSPORTATION EXPERTS - PAPER 5B-02**

One reviewer commented as follows:

This reviewer believes that change will not occur because a great new system has been developed. Change will come about because of the collapse of the existing system (fuel tax-based structure). This change is likely to occur in a crisis atmosphere. This circumstance directly influences the specific steps that will need to be taken in the future.

It is critically important to determine the policy basis for any new revenue sources for purposes of identifying transition issues necessary to resolve for implementation. The policy basis may range from congestion relief to replacement funding (e.g. transitioning from the gas tax) to new revenue generation. Depending upon the particular policy basis, intriguing transition issues

develop. For example, replacing the gas tax with a VMT fee raises the issue of how motorists should receive credit for gas tax paid or otherwise not pay the gas tax when they become VMT fee payers. This becomes an issue critical to issues of design of the collection mechanism and administration for VMT fee.

An analysis of substantive issues for any transition to a new revenue system should address the following,

1. Phasing transition for a new revenue source may become a compelling issue. If new technology is going to be employed in vehicles or elsewhere, an assessment of the cost and difficulty of this transition must be assessed. Whether older vehicles can easily accept retrofitted technology must be determined, not to mention the large challenge of gaining public acceptance for technology added to a vehicle after ownership has been assumed. If new technology is employed only for newly manufactured vehicles, the necessity of managing two collection mechanisms running concurrently must receive attentive focus.
2. For any new revenue collection mechanism, the issue of redundancy must be addressed, especially for systems depending heavily on application of a new technological foundation. A back-up collection system must be part of the administrative design.
3. Ease of use by the motoring taxpayer is a critical issue for any new revenue mechanism because it has a direct bearing on public acceptance of the new system.
4. Ease of use by the government and private sector must be assessed as it will reduce transition resistance.
5. Revenue yield must be a critical consideration for transitioning to a new revenue system. Among the factors to be considered are,
  - a. Size of taxpayer base [Note: if the new revenue system does not accommodate cash payers, then the credit or debit payers, as a group, will have to experience an increase in the total amount (and, indeed rate) paid to make up for the loss of cash payers from the system];
  - b. Enforceability: the ability to control tax evasion, including degree of leakage;
  - c. Degree of tax avoidance, including externalities;
  - d. Revenue erosion: inflation, vehicles and systems that may allow moving off the new revenue source;
  - e. Seamlessness of transition: piggybacking an existing revenue collection system and/or maintaining dual collection systems;
  - f. Rate structuring: direct user charge and/or peak period charging versus external objectives such as encouraging energy efficiency in vehicles.
6. Several efficiency and related privacy issues must be examined. For example,

- a. Technology: feasibility, accuracy, reliability, security, capacity, compatibility and interoperability (i.e. with current systems and future technology upgrades), maintenance, privacy and retrofitting must all be addressed for an effective system. It should be noted that the ability of the technology employed to ensure “audit-ability” by the taxpayer and/or government tends to be inversely proportional to the ability of that same technology to protect privacy. In essence, the more technology is designed to provide detailed information necessary to audit, the less it will protect privacy, and vice versa.
  - b. System: complexity, practicability (i.e. able to be implemented), integrity, transparency, adaptability, phasing, integration with existing revenue collection systems, updatability, redundancy, interstate standardization, interstate revenue allocations, central administration must all be addressed.
  - c. Implementation. Timing and schedule (i.e. ability for a phased implementation versus desirability for full immediate build out).
7. Acceptability of new costs will be critical to the ability of moving to a new revenue system. Controlling capital costs for the government, private sector and taxpayers will be necessary to obtain acceptance.
8. The costs of administration of any new system, including overhead, must not require an unacceptable hike in the level of the fee/tax/charge rate corresponding to existing revenue mechanisms. The interplay of the ability to effectively administer the new revenue source must be compared with operating cost. A new revenue mechanism with the public policy basis of revenue generation or congestion management may be able to support a whole new administrative structure, including significant costs, but a new revenue mechanism that seeks to replace an older revenue mechanism may have to demonstrate the new administrative structure is not more expensive than the system to be replaced. Otherwise, the new structure may prove significantly more expensive than the older one, thus, mandating a large increase in the associated charged rate -- and rejected for that reason.
9. Externalities related to any new systems must be identified and analyzed for acceptability. These should include, at a minimum, socio-economic, environmental, energy efficiency and foreign policy.
10. The ability of any new revenue system to accommodate association with other policy bases should also be considered. For example, if the policy basis for a new revenue system is replacement of another revenue source, then the new system must be examined for ability to accommodate added features with other policy bases such as new revenue generation and/or congestion pricing.

[Note: Greater development of these substantive issues can be found in chapter 3 of *Oregon’s Mileage Fee Concept and Road User Fee Pilot Program Report to the 72<sup>nd</sup> Oregon Legislative Assembly On the Proposed Alternatives to the Current System of Taxing Highway Use through Motor Vehicle Fuel Taxes*, Whitty & Imholt, 2005; and in pages 28-36 of *Road User Fee Task Force Report to the 72<sup>nd</sup> Oregon*

*Legislative Assembly On the Proposed Alternatives to the Current System of Taxing Highway Use through Motor Vehicle Fuel Taxes, Whitty, 2003. Both reports can be found at [http://www.oregon.gov/ODOT/HWY/RUFPP/ruftf\\_reports.shtml](http://www.oregon.gov/ODOT/HWY/RUFPP/ruftf_reports.shtml).]*

The non-substantive issue of general public understanding of the reasons why there is a need for a paradigm change in transportation funding must be assessed. Any attempt to change the revenue system before the general public understands why the change is needed is doomed to great resistance and likely failure, no matter the valid policy rationale. This transition issue must be addressed first.”

Another reviewer commented as follows:

On page 2 – There often is “strong political and popular resistance to increased tolling and to the introduction of additional pricing mechanisms” in states with a tolling tradition as well – Texas, for example. This reviewer believes design of the system, alternatives, whether existing lanes are being tolled and development of public understanding and consensus (or lack thereof) are probably much more important in the current environment than the existence of toll roads in a state.