

## ANALYSIS

### Item 49: Department of Transportation Road Usage Charge

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**Analyst:** Ben Ruef

**Request:** Approve, retroactively, the submission of a federal grant application to the Federal Highway Administration, Strategic Innovation for Revenue Collection grant program, in the amount of \$2,800,000 for improvements to the state's OReGO road usage charge program.

**Analysis:** The purpose of the Strategic Innovation for Revenue Collection (SIRC) grant program is to provide federal funding to develop feasibility research, tests, evaluations, or deployment of a road usage fee and other user-based alternative revenue mechanisms to help maintain the long-term solvency of the Highway Trust Fund.

If awarded, the Oregon Department of Transportation (ODOT) will allocate grant funds to improve the state's OReGO road usage charge program. OReGO, authorized by SB 810 (2013) and launched in July 2015, charges participants by the miles driven on the state's roads instead of by the gallons of gasoline purchased. ODOT plans to improve the customer experience by streamlining the interaction between vehicle dealerships' Point of Sale (POS) systems and the Department of Motor Vehicles (DMV). By enhancing integration between dealership POS systems and DMV, as well as with Commercial Account Managers handling customer accounts for ODOT, the process will become easier for dealerships and customers. This streamlined process is expected to encourage dealerships to support program registration. For customers, this means smoother enrollment and fee collection during registration renewal, leading to a better service experience and less confusion. Additionally, this integration will allow for better use of driver account information, leading to improved fee collection methods, and will utilize vehicle miles per gallon data for more accurate registration fee calculations.

ODOT provided notice of intent to apply on April 29, 2024, and the grant application was due on May 27, 2024. If funding is awarded, ODOT will request an increase in expenditure limitation, as needed. No additional positions will be required. Grant match will come from in-kind contributions, primarily comprising staff time from the DMV and the Office of Innovative Funding (OIF), totaling \$900,000. The remaining portion of the match (\$300,000) will be sourced from the OReGO Program budget managed by OIF.

**Recommendation:** The Legislative Fiscal Office recommends that the Emergency Board approve the request.

**Request:** Retroactive authorization to apply for a grant totaling \$2.8 million from the Federal Highway Administration (FHWA) for the OReGO road usage charge (RUC) program.

**Recommendation:** Approve the request.

**Discussion:** The Oregon Department of Transportation (ODOT) identified the Strategic Innovation for Revenue Collection (SIRC) grant program through the FHWA, which could provide federal funding to improve the state's OReGO RUC program. The federal grant offers funding to support a variety of activities including but not limited to feasibility research, public education and outreach, testing system designs, acceptance testing, and equity and implementation of a revenue collecting mechanism. OReGO is a voluntary pay-per-mile system created by Senate Bill 810 (2013) that charges participants based on mileage rather than fuel consumption. If awarded, the SIRC grant would allow ODOT to make system improvements to OReGO that could help generate sustainable revenue for Oregon's transportation needs as vehicles become more fuel efficient and less dependent on fossil fuels.

ODOT would seek to establish a point-of-sale, vehicle dealership system that would integrate directly with the DMV system. ODOT would contract with a third-party vendor to manage customer accounts on their behalf, making it easier for dealerships to support program registration.

The federal notification for this grant was posted on March 27, 2024, with an application submission date of May 27, 2024. Grant award notification is anticipated to be in the fall of 2024. The grant requires a 30 percent state match, \$1.2 million, which may include in-kind staff contributions.

The total project cost is \$4.0 million. ODOT is proposing \$900,000 to come from in-kind staff time from the Driver and Motor Vehicle Services (DMV) and the Office of Innovation Funding (OIF). The remaining \$300,000 in match would come from the RUC program budget.

ODOT submitted a 10-day request notice to apply on April 29, 2024. ODOT may need to return in the future to request additional expenditure limitation if the funding is awarded.



# Oregon

Tina Kotek, Governor

Department of Transportation

Director's Office

355 Capitol St. NE, MS 11

Salem, OR 97301

April 29, 2024

Senator Rob Wagner, Co-Chair  
Representative Julie Fahey, Co-Chair  
State Emergency Board  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97301

Dear Co-Chairs:

## **NATURE OF THE REQUEST**

The Oregon Department of Transportation's (ODOT) Office of Innovative Funding (OIF) requests retroactive permission to apply for \$2,800,000 in funding from the Federal Highway Administration's (FHWA) Strategic Innovation for Revenue Collection (SIRC) grant program.

## **AGENCY ACTION**

The SIRC Program provides funding to develop feasibility research, tests, evaluations, or deployment of a road usage fee and other user-based alternative revenue mechanisms to help maintain the long-term solvency of the Highway Trust Fund. Funds can be used to:

- Conduct public education and outreach to increase awareness of alternative revenue mechanisms
- Evaluate the ease of compliance and enforcement for different users of the system
- Drive innovative projects
- Test a variety of solutions for the collection of data and fees from users, ensuring reliability, privacy, and security
- Quantify and minimize administrative costs
- Test the design, acceptance, equity, and implementation of revenue mechanisms

The Notice of Funding Opportunity (NOFO) was posted March 27, 2024, and the application was due May 27, 2024. SIRC program awards are anticipated by fall 2024. As ODOT has been awarded a grant under a previous program iteration (Surface Transportation System Funding Alternatives), the non-federal match required is 30 percent, which can include in-kind contributions of staff time.

ODOT has identified needed improvements to the state's OReGO road usage charge (RUC) program as an excellent candidate for this grant opportunity. Created by the Legislature in 2013 (SB 810), OReGO charges participants by the miles driven on the state's roads instead of by the gallons of gasoline purchased. OReGO's RUC program can generate more sustainable revenue for Oregon's transportation needs as vehicles become more fuel efficient and the nation shifts away from fossil fuels.

In alignment with the SIRC Program objectives, ODOT seeks to enhance system integration and business process with Point of Sale (POS) Vehicle Dealership Systems and DMV to improve customer experience, allowing for increased enrollment in the RUC program and increased revenue collection success. Enhancements with dealership POS integrations to DMV and Commercial Account Managers who manage customer accounts on behalf of ODOT will create ease of use at the dealership, encouraging dealers to support program registration. For customers, supporting enrollment and revenue collection at the time of registration renewal is a proposed capability that provides an elevated service experience and reduces confusion. Further, this proposed integration allows for the leveraging of driver account information to improve collection methods and makes use of vehicle miles per gallon data when calculating registration fees.

These enhancements serve to further ODOT's mission and values with a modernized system presenting an efficient interface to the public. As ODOT looks to expand the RUC program in alignment with the ODOT Strategic Action Plan's call for Sufficient and Reliable Funding, it is imperative that ODOT develop systems and processes to enhance the user experience at all points in the customer lifecycle.

Grant Request:	\$2,800,000
Matching Funds:	<u>\$1,200,000</u>
Total Project Cost:	\$4,000,000

In-kind contributions of DMV and OIF staff time will account for \$900,000 of the match, with the remainder coming from the RUC Program budget held within the Office of Innovative Funding. The funding allows enhancements to the program that allows ODOT to achieve strategic goals on an accelerated timeline. The NOFO stipulates an estimated period of performance for SIRC awards of five years. ODOT may need to return for Federal Funds expenditure limitation if the grant is awarded. No additional positions will be required.

#### **ACTION REQUESTED**

ODOT requests retroactive approval to apply for a Strategic Innovation for Revenue Collection grant from the Federal Highway Administration for \$2,800,000.

#### **LEGISLATION AFFECTED**

None.

Sincerely,



Kristopher W. Strickler  
Director