

## **BILL ANALYSIS**

Senate Research Center  
88R21654 JAM-F

H.B. 3418  
By: Canales; Wilson (Nichols)  
Transportation  
5/11/2023  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Currently, diesel and gas taxes are a major source of revenue for the construction and maintenance of Texas roads. There are many promising technologies on the horizon suggesting that the traveling public will see an increase in alternatively fueled vehicles on Texas roads. H.B. 3418 seeks to assess the feasibility of vehicle mileage user fees as an alternative to the motor fuels tax in Texas by requiring the Texas Department of Transportation (TxDOT) to conduct a vehicle mileage user fee pilot program and establishing a task force to assist in developing the program.

H.B. 3418 amends the Transportation Code to require TxDOT, in consultation with the Texas Department of Motor Vehicles and the Texas A&M Transportation Institute, to develop and implement a statewide pilot program to assess a user fee on the owners of motor vehicles based on the number of miles traveled by those vehicles on public highways in Texas. H.B. 3418 requires the pilot program to do the following:

- test the reliability, ease of use, cost, and public acceptance of technology and methods for the following:
  - counting the number of miles traveled by motor vehicles;
  - reporting the number of miles traveled by particular vehicles; and
  - collecting payments from participants in the pilot program;
- analyze and evaluate the ability of different technologies and methods to do the following:
  - protect the integrity of data collected and reported;
  - ensure operators' privacy; and
  - vary pricing based on the time of driving and type of public highway; and
- evaluate the enforceability of the vehicle mileage user fee and opportunities for operators to evade or manipulate the fee and the impact of the vehicle mileage user fee on equity.

H.B. 3418 caps the number of motor vehicles eligible to participate in the program at 800. Participating vehicles will be measured by a variety of vehicle-mileage-counting strategies, including odometer readings, administered in a manner TxDOT considers appropriate. The bill requires TxDOT to ensure that participants in the pilot program are included only on a voluntary basis and represent a variety of motor vehicle operators, including operators of passenger, commercial, and electric vehicles. The pilot program must last for at least one year.

H.B. 3418 requires TxDOT by rule to establish a process to ensure that participants in the pilot program are not required to spend more on fees or taxes associated with road usage than if they had not participated in the program. This process may include a refund of motor fuel taxes paid by the participant or other compensation. The bill makes identifying information about pilot

program participants confidential and excepted from disclosure under state public information law.

H.B. 3418 requires TxDOT, not later than September 1, 2026, to submit to the legislature a report summarizing the results of the pilot program including the following:

- the feasibility of permanently assessing a vehicle mileage user fee;
- an evaluation of the impacts of the fee on the economy, the environment, and traffic congestion;
- a comparison to other alternative approaches or supplements to motor fuel taxes; and
- TxDOT's recommendations together with suggested legislation necessary to implement the recommendations.

H.B. 3418 requires TxDOT to apply to the U.S. Department of Transportation for funding in federal fiscal year 2023 for the federal Surface Transportation System Funding Alternatives Program established in the federal Fixing America's Surface Transportation Act to help fund the pilot program. The bill requires TxDOT to continue to apply in each federal fiscal year in which grants are made available for demonstration projects under this federal program until the application results in full or partial funding for the pilot program.

H.B. 3418 establishes a seven-member vehicle mileage user fee task force to guide the development and evaluation of a vehicle mileage user fee pilot program to assess the potential for mileage-based revenue as an alternative to the current system of taxing highway use through motor fuel taxes. The task force consists of three members that represent the trucking industry appointed by the governor and one member appointed by each of the following:

- the lieutenant governor;
- the speaker of the house; and
- the chair of each standing committee of the house and senate having primary jurisdiction over transportation.

H.B. 3418 requires the vehicle mileage user fee task force to do the following:

- conduct at least three public hearings to gather public comment on issues and concerns related to the vehicle mileage user fee pilot program;
- make recommendations to TxDOT on the design and criteria to be used to evaluate the pilot program and other alternative approaches to motor fuel taxes;
- evaluate the pilot program; and
- in conducting the hearings:
  - provide notice in accordance with state open meetings law and on the TxDOT website; and
  - provide interested persons with an opportunity to submit their opinions orally and in writing.

H.B. 3418 authorizes TxDOT to create and maintain a website to allow members of the public to submit comments electronically. The bill requires TxDOT, on request, to assist the task force in implementing the bill's provisions. The bill's provisions expire November 1, 2026.

H.B. 3418 amends current law relating to the implementation by the Texas Department of Transportation of a vehicle mileage user fee pilot program and a task force to assist in developing and evaluating the program.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Texas Department of Transportation in SECTION 1 (Section 201.2104, Transportation Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 201, Transportation Code, by adding Subchapter Z, as follows:

#### **SUBCHAPTER Z. VEHICLE MILEAGE USER FEE PILOT PROGRAM**

Sec. 201.2101. DEFINITIONS. Defines "motor fuel taxes," "pilot program," and "task force."

Sec. 201.2102. TASK FORCE. (a) Provides that the vehicle mileage user fee task force (task force) is established to guide the development and evaluation of the vehicle mileage user fee pilot program to assess the potential for mileage-based revenue as an alternative to the current system of taxing highway use through motor fuel taxes.

(b) Requires the task force to consist of seven members appointed as follows:

- (1) one member appointed by the lieutenant governor;
- (2) one member appointed by the speaker of the house of representatives;
- (3) one member appointed by the chair of the standing committee of the house of representatives having primary jurisdiction over transportation;
- (4) one member appointed by the chair of the standing committee of the senate having primary jurisdiction over transportation; and
- (5) three members that represent the trucking industry, appointed by the governor.

(c) Requires the task force to:

- (1) conduct at least three public hearings to gather public comment on issues and concerns related to the pilot program;
- (2) make recommendations to the Texas Department of Transportation (TxDOT) on the design and on the criteria to be used to evaluate the pilot program and other alternative approaches to motor fuel taxes; and
- (3) evaluate the pilot program.

(d) Requires the task force, in conducting hearings under Subsection (c)(1), to:

- (1) provide notice:
  - (A) in the manner provided by Chapter 551 (Open Meetings), Government Code; and
  - (B) on TxDOT's Internet website; and
- (2) provide interested persons with an opportunity to submit their opinions orally and in writing.

(e) Authorizes TxDOT to create and maintain an Internet website to allow members of the public to submit comments electronically.

(f) Requires TxDOT, on request, to assist the task force in implementing this subchapter.

Sec. 201.2103. PILOT PROGRAM. (a) Requires TxDOT, in consultation with the Texas Department of Motor Vehicles and the Texas A&M Transportation Institute, to develop and implement a statewide pilot program to assess a user fee on owners of motor vehicles that is based on the number of miles traveled on public highways in this state by those vehicles.

(b) Requires that the pilot program:

(1) include not more than 800 motor vehicles, the mileage of which will be measured by a variety of vehicle-mileage-counting strategies, including odometer readings, administered in a manner TxDOT considers appropriate;

(2) test the reliability, ease of use, cost, and public acceptance of technology and methods for:

(A) counting the number of miles traveled by motor vehicles;

(B) reporting the number of miles traveled by particular vehicles; and

(C) collecting payments from participants in the pilot program;

(3) analyze and evaluate the ability of different technologies and methods to:

(A) protect the integrity of data collected and reported;

(B) ensure operators' privacy; and

(C) vary pricing based on the time of driving and type of public highway; and

(4) evaluate:

(A) the enforceability of the vehicle mileage user fee and opportunities for operators to evade or manipulate the fee; and

(B) the impact of the vehicle mileage user fee on equity.

(c) Requires TxDOT to ensure that participants in the pilot program:

(1) are included only on a voluntary basis; and

(2) represent a variety of motor vehicle operators, including operators of passenger vehicles, commercial motor vehicles, and electric vehicles.

(d) Prohibits the pilot program from lasting less than one year.

Sec. 201.2104. COMPENSATION OF PARTICIPANTS. Requires TxDOT by rule to establish a process to ensure that participants in the pilot program are not required to spend more on fees or taxes associated with road usage than if they had not participated in the program. Authorizes a process adopted under this section to include a refund of motor fuel taxes paid by the participant or other compensation.

Sec. 201.2105. CONFIDENTIALITY OF INFORMATION. Provides that identifying information about participants in the pilot program is confidential and is not subject to disclosure under Chapter 552 (Public Information), Government Code.

Sec. 201.2106. REPORT. Requires TxDOT, not later than September 1, 2026, to submit to the legislature a report summarizing the results of the pilot program, including:

- (1) the feasibility of permanently assessing a vehicle mileage user fee;
- (2) an evaluation of the impacts of a vehicle mileage user fee on the economy, the environment, and traffic congestion;
- (3) a comparison to other alternative approaches or supplements to motor fuel taxes; and
- (4) TxDOT's recommendations together with suggested legislation necessary to implement the recommendations.

Sec. 201.2107. APPLICATION FOR FEDERAL FUNDING. Requires TxDOT to submit an application to the United States Department of Transportation for funding in federal fiscal year 2023 for the Surface Transportation System Funding Alternatives Program established in the Fixing America's Surface Transportation Act (Pub. L. No. 114-94) to help fund the pilot program. Requires TxDOT, if the application is not successful, to apply in each federal fiscal year in which grants are made available for demonstration projects under this federal program or until the application results in full or partial funding for a vehicle mileage user fee pilot program, whichever first occurs.

Sec. 201.2108. EXPIRATION OF SUBCHAPTER. Provides that this subchapter expires November 1, 2026.

SECTION 2. Effective date: September 1, 2023.