

BILL ANALYSIS

C.S.H.B. 3418
By: Canales
Transportation
Committee Report (Substituted)

BACKGROUND AND PURPOSE

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. C.S.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 to conduct a vehicle mileage user fee pilot program and establishing a task force to assist in developing the program.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Department of Transportation in SECTION 1 of this bill.

ANALYSIS

C.S.H.B. 3418 amends the Transportation Code to require the Texas Department of Transportation (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. The bill 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.

The bill 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.

C.S.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.

C.S.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.

C.S.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.

C.S.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.

C.S.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.

The bill 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.

EFFECTIVE DATE

September 1, 2023.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 3418 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute omits the provision establishing the legislative purpose of the bill's provisions, which was present in the introduced.

The substitute includes a specification absent from the introduced that the three members of the vehicle mileage user fee task force appointed by the governor are representatives of the trucking industry.

The substitute omits a specification from the introduced that the motor vehicles of which the owners are subject to assessment of a user fee under the program are commercial motor vehicles.

The substitute raises the cap on the motor vehicles that must be included in the pilot program from 300 vehicles, as in the introduced, to 800 vehicles.

Whereas the introduced required the operators of motor vehicles to have on-board vehicle-mileage-counting equipment added to their vehicles, the substitute requires the mileage of the motor vehicles to be measured by a variety of vehicle-mileage-counting strategies, including odometer readings.

The substitute includes a provision absent from the introduced requiring the pilot program to evaluate the enforceability of, opportunities to evade or manipulate, and the impact on equity of the user fee. The substitute includes a requirement absent from the introduced for TxDOT to ensure that participants in the pilot program are included only on a voluntary basis and represent a variety of motor vehicle operators. The substitute omits the requirement from the introduced for the pilot program to analyze and evaluate the ability of different technologies and methods to vary pricing based on proximity to transit, vehicle fuel efficiency, participation in car-sharing or pooling, or the income of the operator.