

Promises and Pitfalls of Transportation Utility Fees

TRB 5th International Conference on
Surface Transportation Financing

July 11, 2014

Agenda

- What is a TUF?
- Comparison with other funding sources
- Legal challenges
- Future potential

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What is a transportation utility fee?

- Primarily used by local governments to fund the maintenance of local roads
- Paid by property occupants based on land use intensity
- Also known as
 - Street maintenance fee
 - Road use fee
 - Street utility fee
- Distinct from transportation impact fees and mitigation fees
 - Paid by property occupants rather than developers
 - Paid on an ongoing (monthly) basis for maintenance

UTILITY NEWS Bill Cycle 26
 Read Date: Next meter read date will be on or about 10/20/2014.
 Auditors: It's up to you to keep recyclable items out of the landfill. For you know that a plastic water bottle can be recycled into a park bench? Give your garbage another life. Recycle! Learn more at austinfood.com.
 Outstanding utility bill balance? Set up monthly payment arrangements to keep your account in good standing. Call 512-454-9400 and a Customer Service Representative will assist you.
 Get a \$20 AC Check-Up from a registered Home Performance with ENERGY STAR Company. Manage energy use remotely with our Power Partner Thermostat program and receive \$100 cash approved discount on your utility. Act now! 512-454-9400.
 Recycling benefits from a government assistance program? You may qualify for utility bill payment assistance. Call 512-454-9400.
 Don't be a jerk! Speeding through work zones puts drivers, passengers and workers at risk. Please be kind and careful around work zones. New sign on 6. Visit us online at <http://austinfood.com/transportation>.

Summary of Service
 HARRIS, TYLER
 Service Address: 1228 PORTERFIELD DR
 Account Number: 66718 0000
 Invoice Number: 667181915
 Bill Print Date: Jul 2, 2014
 Due Date: Jul 21, 2014
 Previous Activity/Charges
 Total Amount Due at Last Bill: \$493.12
 Payment received - Thank you: -\$493.12
 Previous Balance: \$0.00
 Current Activity/Charges
 Electric Service: \$153.28
 Water Service: \$15.88
 Wastewater Service: \$45.29
 Clean Community Service: \$6.65
 Solid Waste Services: \$19.29
 Drainage Service: \$9.20
 Street Service: + \$7.80
 Current Balance: \$248.39
 If Payment is received after this date, a late fee will be assessed.
Total Amount Due: \$248.39

Contact Information
 View or Pay online: www.austinfo.com
 Customer Service: 512-454-9400
 Toll free: 1-800-340-9400
 TDD: 512-427-3923
 TDD: 512-454-9400
 To report an electrical OUTAGE call 512-322-9100 and enter your PowerLink number. The PowerLink number is displayed with your Electric Service on the bill.

Continued on Next Page

Account: 66718 0000 Total Amount Due: \$248.39
 Date Due: 07/21/14
 Penalty After Due Date: \$10.11
 Total Due After 07/21/14: \$258.50
 CIP Contribution: \$
 Parks & Libraries Fund: \$
 Public School Energy Assn: \$
 Total Paid: \$

CITY OF AUSTIN
 P.O. BOX 2287
 AUSTIN TX 78793-2287

Service Details

ELECTRIC SERVICE PowerLink Number: 667209
 1228 PORTERFIELD DR

Water & Sewer
 Meter # 256263
 Read Date: 06/27/2014 06/29/2014 Consumption: 1441
 Read: 5862 1441
 Reading Difference: 1441
 Total Consumption (KWH): 1441
 CCA - Electric Residential: \$10.00
 Customer Charge: \$10.00
 Cost Assist Program Cost Charge (Discount): \$10.00
 Tier 1 first 500 kWh at \$0.023 per kWh (summer): \$10.50
 Tier 2 next 500 kWh at \$0.09 per kWh (summer): \$45.00
 Tier 3 next 441 kWh at \$0.09 per kWh (summer): \$39.69
 Regulatory Charges: 1.441 kWh at \$0.0074 per kWh: \$1.06
 Community Benefit Charges: \$5.58
 Community Benefit Charge - Cost Assist Prog. Credit: \$2.48
 Power Supply Adjustment: 1.441 kWh at \$0.0020 per kWh: \$0.66
 Cost Assist Program Bill Discount: -\$16.96
 Residential Sales Tax: \$11.16
 City Sales Tax 1%: \$1.52
TOTAL CURRENT CHARGES: \$93.28
 Your electric meter read has been estimated.

SOLID WASTE SERVICES 1228 PORTERFIELD DR

Service Dates: 06/29/2014 06/29/2014
 City of Austin Solid Waste - Residential
 Rate - Customer Charge: \$9.50
 Residential Sales Tax: \$0.50
 Taxable Amount: \$0.10
 Metro Sales Tax 1%: \$0.10
 State Sales Tax 6.25%: \$0.59
TOTAL CURRENT CHARGES: \$10.29
 Check your Call, Check your Bill. Visit austinfo.com to learn more.

DRAINAGE SERVICE 1228 PORTERFIELD DR

Service Dates: 06/29/2014 06/29/2014
 City of Austin Drainage User Fee - Residential
 Comprehensive Drainage Fee - Residential: \$9.20
TOTAL CURRENT CHARGES: \$9.20

STREET SERVICE 1228 PORTERFIELD DR

Service Dates: 06/27/2014 06/25/2014
 City of Austin Transportation User Fee - Residential
 Transportation User Fee - Residential: \$7.80
TOTAL CURRENT CHARGES: \$7.80

provo Energy Services
 Customer: R.S. TURLEY Service #: 1481 W 1170 W Bill Date: 06/17/2014

12486-2819 Previous Balance: \$158.07 Payment Made: \$158.07 Current Charges: \$158.55 Amount Due: \$171.2014

Charge Summary:
 Electric Meter # E34620: \$91.80
 Water Meter # 5264721: \$24.66
 Storm Water: \$9.75
 Solid Waste: \$4.21
 Yard Waste Container: \$4.22
 Transportation: \$3.50
 Total Charges: \$198.95

Residential Electric Details: Schedule 1
 Usage for meter: E34620
 Meter Read: 1900
 End Read: 1990
 Multiplier: 40
 Usage: 910
 Last 30: 1200 41 480
 Residential Electric Sub-total: \$91.80

Residential Water Details:
 Usage for meter: 5264721
 Meter Read: 475
 End Read: 620
 Multiplier: 1
 Usage: 145
 Last 30: 4700 1.6 140
 Residential Water Sub-total: \$24.66

Charges for meter: E34620
 Block 1 000 bath 0.0265 \$41.75
 Block 2 310 bath 0.0705 \$20.07
 Customer Service Charge \$6.25
 Tricount Cost Charge \$5.00
 Municipal Use Tax (State Sales Tax 6.25%) \$1.96
 Residential Electric Sub-total: \$91.80

Charges for meter: 5264721
 Seasonal Water 45 Tpd 0.328 \$41.76
 Base Charge \$9.81
 Water Municipal Use Tax 6.2% \$3.29
 Residential Water Sub-total: \$54.86

Residential Transportation Details:
 Residential A Transportation Fee 1 \$3.50
 Residential Transportation Sub-total: \$3.50

Account Information:
 Service Address: 1481 W 1170 W
 Account Number: 524866-2899
 Payment Due By: 07/07/2014
 Total Amount Due: \$198.95
 Help Contribution: \$
 Amount Enclosed: \$

REMIT TO:
 R. S. TURLEY
 PO BOX 1549
 PROVO, UT 84603-1549

000032498500028990000188954

provo Energy Services

Waste Water Details:
 Waste Water: 3.20 X \$1.344 \$4.30
 Base Charge: \$4.90
 Waste Water Municipal Use Tax 6.2%: 9.20 X \$0.06 \$0.55
 Waste Water Sub-total: \$9.75

Storm Water Details:
 1 ESU - 3000 sq. feet
 Storm Water: 1.000 \$4.63
 Storm Water Municipal Use Tax 6.2%: 4.63 X \$0.06 \$0.28
 Storm Water Sub-total: \$4.91

Solid Waste Details:
 Solid Waste: 1 \$13.00
 South Valley Waste Composting Fee: \$1.00
 Solid Waste Municipal Use Tax 6.2%: 12.00 X \$0.06 \$0.72
 Solid Waste Sub-total: \$14.26

Yard Waste Container Details:
 Yard Waste: 1 \$4.75
 Solid Waste Municipal Use Tax 6.2%: 4.75 X \$0.06 \$0.29
 Yard Waste Container Sub-total: \$5.04

Recycling Details:
 Recycling: 1.000 \$4.75
 Recycle Municipal Use Tax: 4.75 X \$0.06 \$0.29
 Recycling Sub-total: \$5.04

Residential Transportation Details:
 Residential A Transportation Fee: 1 \$3.50
 Residential Transportation Sub-total: \$3.50

The following information is provided for utility customer facing economic challenges.
 • HEAT - The H.E.A.T. program is Utah's version of the federal LIHEAP program (Low Income Home Energy Assistance Program). It is funded 100% by the Federal Government through the U.S. Department of Health and Human Services. It is managed locally by Community Action at 801-373-8200.
 • HELP - The HELP program is a low income program funded by the citizens of Provo and locally managed by Community Action at 801-373-8200.
 • Payment Arrangements - The City of Provo offers payment arrangements on past-due balances. The arrangement requires an evaluation of payment history and valid identification.
 Account information will not be provided to any customer without proper identification.
 851 W Center St., Provo, Utah 84601-8001-8000

PUD STREET SERVICE 1228 PORTERFIELD DR

Service Dates: 05/27/2014 06/25/2014

City of Austin Transportation User Fee - Residential
 Transportation User Fee - Residential \$7.80
TOTAL CURRENT CHARGES \$7.80

Residential Transportation Details:

Residential A Transportation Fee 1 \$3.50
 Residential Transportation Sub-total: \$3.50



What is the basis for the fee?

In theory:

- Charge property owners (or occupants) for their share of transportation costs based on their use of the transportation system
- “Use” is defined as the generation of trip ends

In practice:

- Local utilities do not meter use of the transportation system
- Instead, they estimate trip generation based on land use
- 16 out of 25 TUF ordinances specify the use of ITE rates

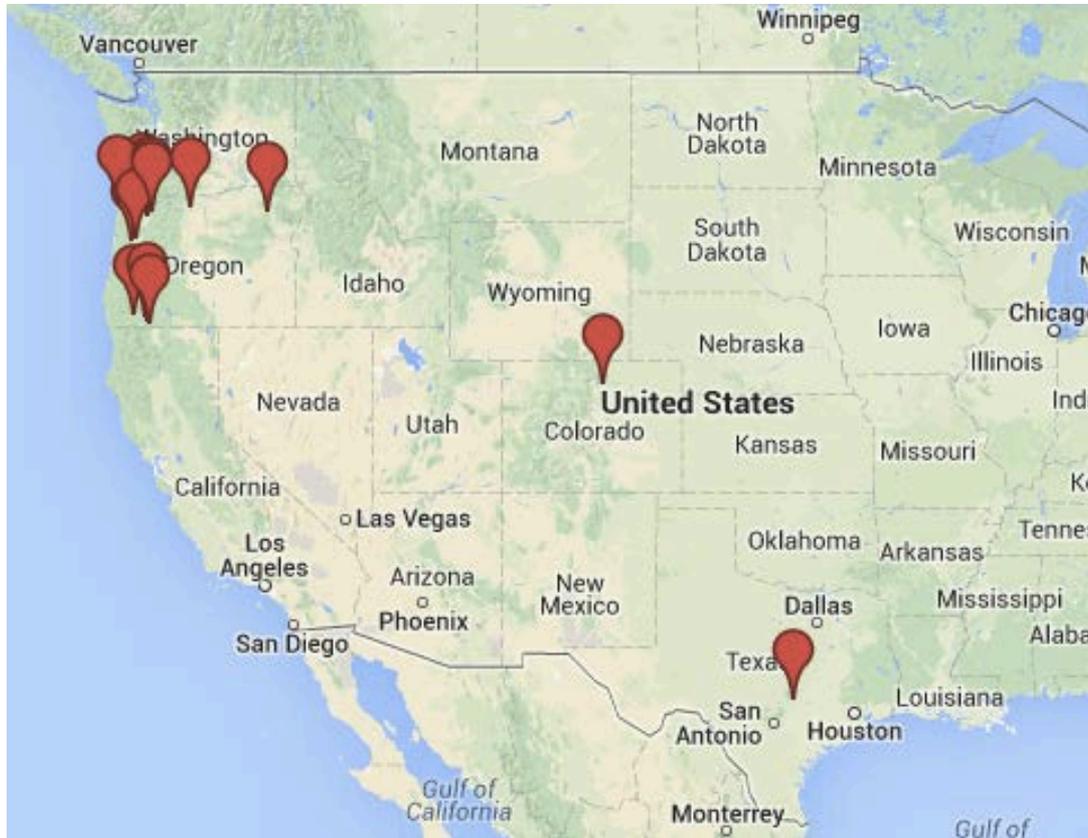
What cities have used TUFs?



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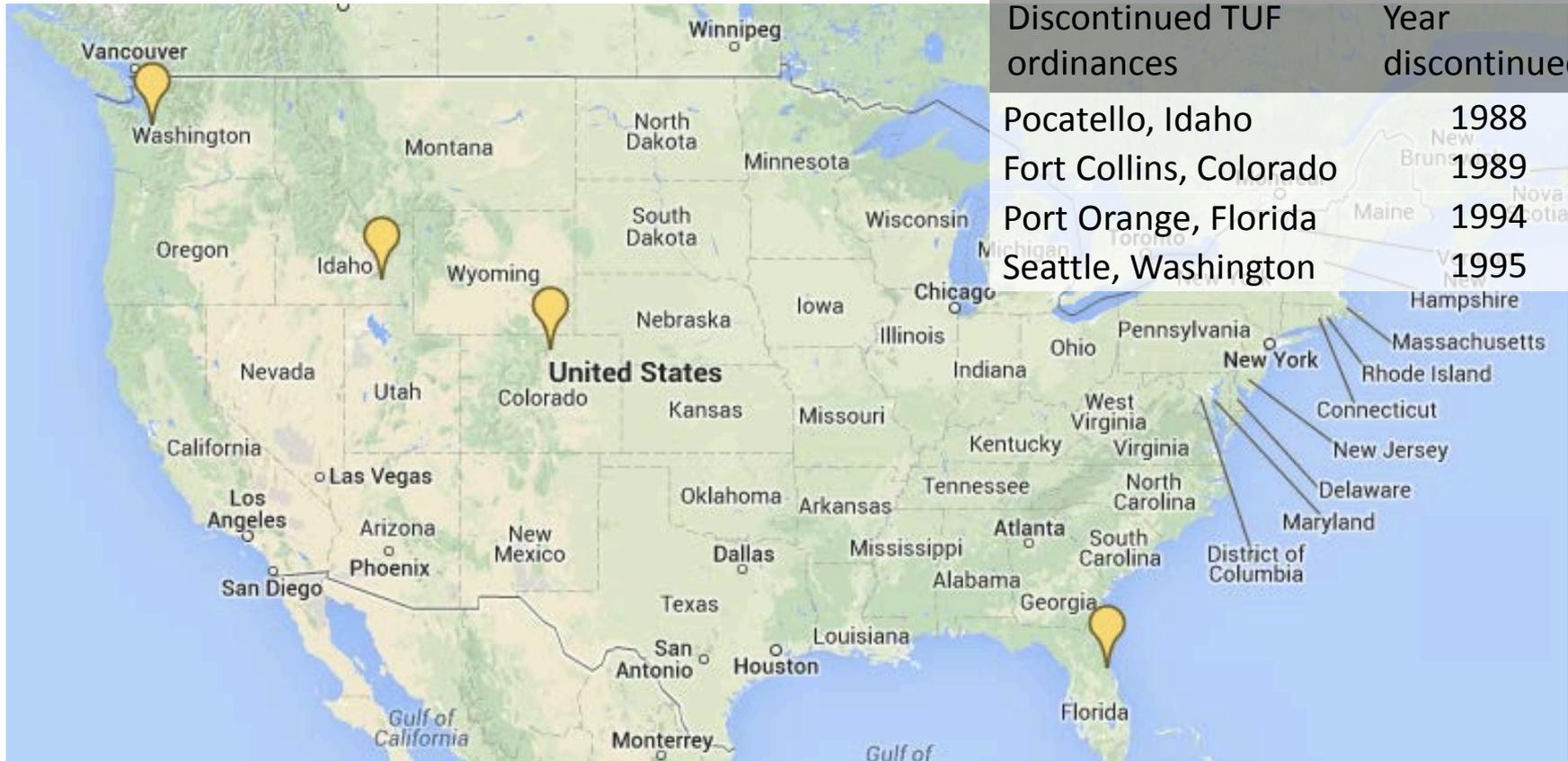


Cities with existing TUF ordinances	Year established
Talent, Oregon	2000
Loveland, Colorado	2000
Dufur, Oregon	2001
Grants Pass, Oregon	2001
Hubbard, Oregon	2001
Lake Oswego, Oregon	2003
North Plains, Oregon	2003
Philomath, Oregon	2003
Tigard, Oregon	2003
Bay City, Oregon	2003
Corvallis, Oregon	2005
Milwaukie, Oregon	2007
West Linn, Oregon	2008
Eagle Point, Oregon	2009

What cities have used TUFs?



What cities have used TUFs?



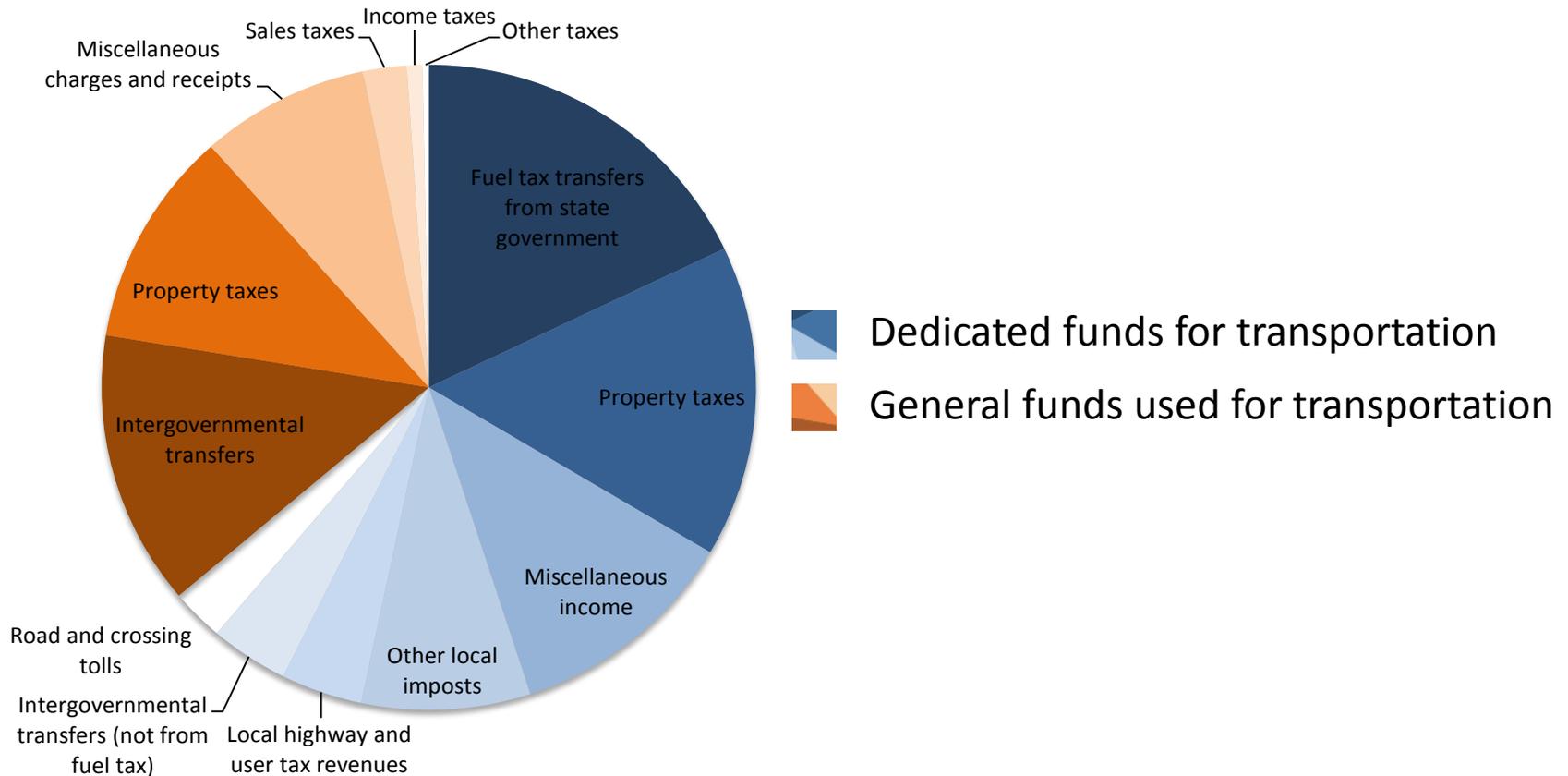
Discontinued TUF ordinances	Year discontinued
Pocatello, Idaho	1988
Fort Collins, Colorado	1989
Port Orange, Florida	1994
Seattle, Washington	1995

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Local Transportation Funding Sources

For ongoing maintenance of the local transportation network



Source: Calculated from FHWA, 2011 and Tax Policy Center, 2010

Comparison with Alternative Revenue Sources

Fuel tax	Property tax	Sales tax	TUF
<p><u>Relationship to use/benefit</u></p> <p>Costs distributed based on volume of fuel consumed</p> <p>Proxy for vehicle miles traveled</p> <p>User fee</p>			<p><u>Limits on potential revenue</u></p> <p>Increasing fuel efficiency (and resulting <i>variability</i> in fuel efficiency)</p> <p>Not indexed to inflation, politically difficult to raise</p>

Comparison with Alternative Revenue Sources

Fuel tax	Property tax	Sales tax	TUF
<u>Relationship to use/benefit</u>		<u>Limits on potential revenue</u>	
Costs distributed based on property value		Competition with other local government services	
Proxy for contribution of transportation access to property value		Legal limits on tax rates (e.g. Proposition 13 in California, Measure 5 in Oregon)	
Value capture			

Comparison with Alternative Revenue Sources

Fuel tax	Property tax	Sales tax	TUF
<u>Relationship to use/benefit</u>		<u>Limits on potential revenue</u>	
Costs distributed based on spending on taxable items		Voter approval required	
No clear relationship to use or benefit from the transportation system		Bias towards capital expenditures over operations and maintenance.	

Comparison with Alternative Revenue Sources

Fuel tax	Property tax	Sales tax	TUF
<u>Relationship to use/benefit</u>		<u>Limits on potential revenue</u>	
Costs distributed based on estimate of trip ends generated by property owners		Cannot exceed transportation spending	
Concept of benefit rather than use		Subject to courts' determination of legality	
Hybrid between user fee and value capture			

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Legal Challenges

Is it a tax or a fee?

The authority granted to cities by their state constitutions may vary, but in general, the power of a city to levy a tax is much more limited than the power to charge a fee

Characteristics of Fees

1. Related to benefit: “[T]hey are charged in exchange for a particular governmental service which benefits the party paying the fee”
2. Voluntary: “[T]he party paying the fee has the option of not utilizing the governmental service and thereby avoiding the charge”
3. Earmarked: “[T]he charges are collected not to raise revenues, but to compensate the governmental entity providing the service for its expenses.”

(Emerson College v. The City of Boston 1984)

Voluntariness

We agree with appellants that municipalities at times provide sewer, water and electrical services to its residents. However, those services, in one way or another, are **based on user's consumption of the particular commodity**, as are fees imposed for public services such as the recording of wills or filing legal actions. In a general sense a fee is a charge for a direct public service rendered to the particular consumer, **while a tax is a forced contribution by the public at large to meet public needs**.

(Brewster v. City of Pocatello 1988 [emphasis added]).

Relation to Benefit

The amount of a special fee must be reasonably related to the overall cost of the service. ... **Mathematical exactitude, however, is not required...** To be sure, the city council could have chosen some other method of raising funds for street maintenance, but the mere existence of alternatives is not a sufficient reason to invalidate the particular method chosen. ... The city council also could have elected to impose the fee on a larger segment of the public—for example, all licensed drivers residing within the city or all adult residents of the city. We, however, do not view the class of persons liable for the fee—*i.e.*, the owners or occupants of developed lots fronting city streets—so limited in relation to the nature of the service as to render the ordinance invalid

(Bloom v. City of Fort Collins 1989 [emphasis added]).

Two Possible Solutions

Change the law
to allow
transportation
utility fees

OR

Meter trip
generation

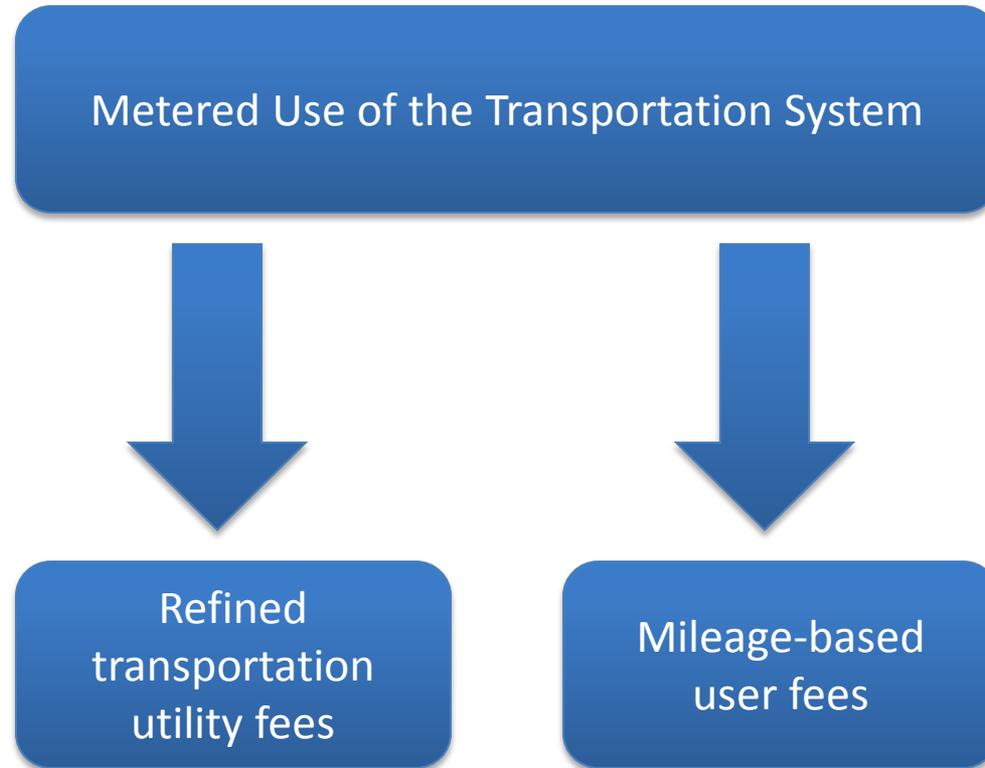
May require
constitutional
amendment

We have the
technology

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Future Potential



Relationship with MBUFs

Gateway:

TUFs have a longer history in more cities than MBUFs. The definition of the transportation network as a public utility may prepare people to accept other, more precise user fees.

Substitute:

TUFs may be simpler and less costly to implement at a local level than MBUFs, especially if the utility does not seek to directly meter use of the transportation network.

Complement:

Not all roads provide the same benefits. It might be appropriate to charge for use of highways and arterials based on mileage while charging for use of local access roads based on trip ends.

THANK YOU

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