



FAST Act's Section 6020

A new opportunity for state DOTs to shape the future of surface transportation

WHITE PAPER | APRIL 2016

FAST Act's Section 6020 is a bold step in the continuum of finding an alternative to the federal gas tax, and it places the responsibility squarely in the hands of state departments of transportation, designating them as the only recipients of more than \$95 million in federal matching funds.

In this white paper:

- Why Section 6020 is considered a “breakthrough”
- The objectives every pilot program must meet
- How interested DOTs can begin laying the groundwork now

FAST Act's "breakthrough" funding measure

Signed by President Obama in December 2015, Fixing America's Surface Transportation Act is the first federal law in more than 10 years to provide long-term funding certainty for surface transportation. One of the most compelling programs in FAST Act is *Section 6020: Surface Transportation System Funding Alternatives*, which directs the U.S. Department of Transportation to award federal matching grants to states that deploy user-based alternative revenue pilot programs.

The legislation is meaningful for three reasons:

1. **It officially recognizes the need to replace the federal gas tax.** By authorizing Section 6020, Congress officially recognizes the need to replace the federal gas tax and is seeking to identify some form or forms of user-based alternative revenues to maintain the long-term solvency of the Highway Trust Fund. The outcome could define the future of U.S. surface transportation in the next 20 years.
2. **It has the potential to change America's mindset about transportation.** User-based alternative revenue treats the U.S. surface transportation system as a utility or service – motorists would pay a fee to use it much like they pay a fee to use their smartphones, watch their favorite cable TV channels or power their homes. Fees could be based on miles driven, time of day, potentially even the facility (bridge, tunnel or roadway) they choose.

Not only could these alternatives generate sustainable revenue tied to use, but they have the power to change motorists' behavior. If motorists pay a fee according to the time of day they drive, some might begin to question whether the higher fee to drive during rush hour is really worth it. To save money, they might choose to delay their trip by an hour or select an alternate route. If charged by the mile, a motorist might choose to walk to nearby destinations instead of driving.

The first strategy could relieve congestion during peak travel times while the second strategy takes a vehicle off the road entirely. This puts the consumer in control of the decision to save costs toward transportation.

3. **It only funds state DOT pilot programs.** By restricting other organizations, Congress recognizes state DOTs as laboratories of innovation. Section 6020 gives them an opportunity to partner early with the federal government and pioneer innovative mechanisms.

Key allocations:

- \$95 million in 50/50 federal matching funds over the next five years
- \$15 million for fiscal year 2016
- \$20 million annually for fiscal years 2017-2020

Establishes program objectives

Of course, all of this depends on whether a state DOT accepts the U.S. DOT's offer. Federal grants come with restrictions and expectations, all of which are not yet known. However, Section 6020's list of objectives does offer DOTs an early indication of scope.

Each pilot program must:

- Test the design, acceptance and implementation of two or more user-based alternative revenue technologies and/or methodologies
- Improve each mechanisms' functionality
- Increase public awareness of the need for such mechanisms
- Provide adoption and implementation recommendations
- Minimize the potential mechanisms' administrative costs

According to the legislation, pilot programs also must address interoperability, the protection of privacy, the use of third-party vendors to collect fees and operate the mechanisms, equity issues, congestion, the burdens on rural and urban drivers, ease of compliance and the reliability and security of technology used to implement the user-based alternative revenue mechanism.

Requires DOTs prepare now

There are six pre-implementation steps interested DOTs can take now to lay the groundwork and prepare for a pilot program:

1. **Seek legal authority.** This may include securing enabling legislation to collect revenue, set or increase fee rates or issue bonds against the alternative revenue stream.

2. **Appoint a project champion within the DOT.**
3. **Gain political support** for a pilot program.
4. **Determine what a user-based alternative revenue pilot program might look like.** Section 6020's language is broad, giving state DOTs the flexibility to work alone or in groups and to choose the types of field tests they implement.

Pilot programs could range from basic paper-based annual odometer readings to more complex strategies, such as a mileage-based user fee (also known as road-user charging or vehicle miles traveled) with a time-of-day component or potentially tolling existing sections of interstate in lieu of a gas tax.

5. **Apply for a FAST Act Section 6020 grant.** The deadline to submit grant applications is May 20, 2016 at 5:00 p.m. Eastern Time.
6. **Conduct a grassroots education campaign.** Some Americans do not understand how transportation is funded or the economics working against the timely repair and improvement of surface transportation.

That's why education is a vital component of any pilot program. Campaigns should include regional and metropolitan planning organizations, the news media and the general public.

Effective campaigns present the specific transportation needs and their funding options—whether it's raising the gas tax, increasing the statewide sales tax, if applicable, or charging a mileage-based user fee in lieu of a gas tax. Then they show the math for each option.

Seeing the actual numbers often is a “lightbulb moment” for some constituents. It's when they realize there is a problem and something needs to be done about it.

Indicates what the future may hold

The ultimate revenue solution may not be this exact measure, but it will, at a minimum, contribute to the evolution of revenue alternatives. User-based alternative revenue mechanisms, along with other industry advances, such as autonomous and connected vehicles and the evolution of smartphones, will be major forces in shaping surface transportation's future. With Section 6020, state DOTs have an opportunity to be at the forefront of this movement.

Additional resources

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