

License Plate Toll (LPT) Guidance

Background

In 2009 the Colorado General Assembly enacted Senate Bill 2009-108, commonly referred to as the “FASTER” bill. A key element of that bill was the creation of the High Performance Transportation Enterprise (HPTE) as a Division of the Colorado Department of Transportation (CDOT) but with its own board of directors and a separate Director. The pertinent sections of the Colorado Statutes are CRS 43-4-806 through 810. Most notably the HPTE is charged with seeking innovative financing solutions to accelerate the completion of much needed surface transportation projects. To accomplish this charge, within certain parameters set forth in the statute, the HPTE is authorized to impose and collect tolls, to issue revenue bonds or other forms of debt, and to enter into public private partnerships. Although the HPTE, not CDOT has the authority to toll, any project the HPTE may deliver requires close collaboration and coordination with CDOT.

The establishment of a toll facility and the collection of toll revenues is the primary source for discharging the debt incurred for the acceleration and completion of transportation projects. In operating a toll facility 23 U.S.C. 166 states that the State Agency shall develop, manage and maintain a system that automatically collects the tolls. In May 2015 HPTE entered into a Tolling Service Agreement with the E-470 Public Highway Authority (Authority) to utilize the Authority’s automated toll collection system to collect tolls, process payments, provide a customer call service center as well numerous other services that are part in parcel with operating a toll facility.

Over the past decade on the I-25 central HOT lane facility CDOT has operated a partially controlled tolling system whereby the driver was on the honor system to either declare themselves as an HOV customer and travel for free or self-declared themselves an SOV vehicle and charged themselves a toll. The toll revenue lane operated with revenue controls the HOV lane operated without controls. The Authority operates a closed toll collection system whereby every vehicle passes through a toll point and is categorized as one of two types of customers either a transponder customer or a LPT customer. The transponder customer has an active account and the toll transaction is readily identified by the Authority’s back office processing software. Toll collection for a LPT customer is more problematic and requires special processing that identifies the owner of the vehicle, mails invoices, revenue collection, etc. The net impact is that the raw back office collection cost for a LPT customer is much higher than the back office collection cost for a transponder customer.

Furthermore, determining the vehicle owner of an LPT customer is more problematic. Temporary license plates are issued by most states and the size, material and manner by which the temporary plate is affixed varies greatly. Permanent license plates that are affixed as required by the vehicle manufacturer may not be readable or obscured by weather conditions, snow, etc. There are also those who deliberately obscure the license plate to travel for free. As a result there is a significant reduction in the collection rate of LPT over the collection rate of a transponder toll. Leakage is the industry term for non-collectable toll transactions. The leakage is significantly higher for a LPT transaction than a transponder transaction, generally 30%-40% for an LPT versus 4% - 6% for a transponder.

As a result of higher processing costs and reduced collectability there is cause to charge a premium (surcharge) over and above the transponder toll rate to the LPT user. A surcharge that is equivalent to the cost of back office processing and leakage calculations is the break-even calculation to processing a LPT. There is also a need to educate LPT and other customers about the use of the Toll Facility as well as to educate them on how to become a transponder customer. The conversion to a transponder customer reduces the overall back office cost structure, substantially increases the collectability and reduces the actual toll fee to the toll customer. This third surcharge component to educate LPT and other customers is often a component in calculating a surcharge.

Example	Transponder Toll Rate \$1.00 – 100 transactions	LPT Toll Rate \$1.00 – 100 transactions	LPT Toll Rate \$1.75 – 100 transactions (75 cent surcharge)
Gross Toll Revenue	\$100	\$100	\$175
Less Processing	(\$20)	(\$60)	(\$60)
Less Leakage	(\$5)	(\$40)	(\$40)
Net Toll Revenue	\$75	\$0	\$75

Having an LPT is essential to a closed tolling system and maintaining the revenue controls mandated by Generally Accepted Accounting Principles. In addition this is the only mechanism available to capture a LPT customer and convert that customer to a transponder Customer.

Benefits of utilizing LPT in a closed tolling system:

- Establishes revenue controls mandated by Generally Accepted Accounting Principles.
- The only mechanism available to capture a LPT customer and convert that customer to a transponder Customer.

Factors to Consider in Setting LPT Surcharge Rates:

- Increased Back Office processing costs are incurred through a 3rd party and should be a direct pass through to the LPT customer and therefore a key component of determining the LPT surcharge.
- Increased Leakage is a quantifiable cost and a cost that should be assessed to those customers that prefer the use of the Toll Facility as an LPT customer.
 - With regard to Leakage each Toll Facility may have different operating characteristics that may increase or decrease the Leakage calculation therefore the Leakage factor may be determined on a toll facility by toll facility basis.
 - As future toll facilities become operational and the overall network increases, calculations for Leakage may be calculated on a network weighted average.
- Administrative calculations over and above the calculated break-even cost are important to support efforts to educate LPT customers and others about the use of the Toll Facility and to encourage securing a transponder.
- The LPT shall be set in a manner, where appropriate, that help establishes consistency across the Toll Facility System thereby helping to establish a common understanding and set clear expectations from LPT customers.
- Incentivizing a switch from LPT to transponders, over and above the calculated break-even cost of processing an LPT customer, is not used in determining the surcharge calculation.