

Road Usage Charge (RUC) Advisory Committee Meeting
Thursday, May 3, 2018, 2:30 – 5:00 pm
House Building Room 30, State Capitol

Meeting Minutes

The RUC Advisory Committee Meeting held on Thursday, May 3, 2018 was called to order at 2:34 pm by Carlos Braceras, Advisory Committee Chair. Carlos welcomed everyone in attendance and those attending by phone. He asked that everyone introduce themselves. Those in attendance included:

Barry Conover – Director, Utah Tax Commission
Billy Hesterman – Utah Taxpayers Association
Kevin Emerson – Utah Clean Energy (stood in for Josh Craft)
Sterling Brown – Utah Farm Bureau
Kay Christofferson, Utah House of Representatives
Rick Clasby – Utah Trucking Association
Logan Wilde – Utah House of Representatives
Richie Wilcox – Governor’s Office
Tracey Klausmeier – Utah Insurance Office
Teri Newell, UDOT Deputy Director of Planning and Investment
Roland Stanger, FHWA (stood in for Ivan Marrero)
Nathan Lee, UDOT Director, Technology and Innovation
Elizabeth Weight, UDOT Strategic Communications Director
Carlos Braceras – UDOT Executive Director
Alex Yanek – Utah Legislature Staff
Sophia diCaro – Salt Lake Chamber of Commerce
Wayne Barlow – Commissioner, Transportation Commission
Bob Stevenson – Mayor, Layton City
Stacey Hammond - Deputy Director, Department of Motor Vehicle (stood in for Monte Roberts)
Scott Peterson – Utah Department of Technology Services
Cameron Kergaye – UDOT Engineering Manager
Travis Jensen – UDOT Safety Programs Support (Consultant)
Blaine Leonard – UDOT Technology & Innovation Engineer
Linda Hull - UDOT Director of Policy and Legislative Services
Kevin Nichol - UDOT Engineering Manager
Jason Davis - UDOT Director of Operations
Shane Marshall - UDOT Deputy Director of Engineering and Operations
Becky Bradshaw - UDOT Director of Finance
Randall Thomas Executive Director, Oregon DOT (joined by phone)
Tim Kirby, Oregon DOT (joined by phone)
Andrew Jackson – Executive Director, Mountainland Association of Governments

Carlos announced that Nathan Lee will be the Project Manager for Utah RUC. Two Goals: Demonstration Study and Implementing Voluntary Program by January 2020.

Carlos gave a brief background on SB 136 and the requirements for RUC.

Why consider a road usage charge?

- Preparing for a future where less gasoline is purchased, which means less gas tax is collected.
- Gas tax had previously been a suitable proxy for user pay.
- For equitable, sustainable funding; we need to strike the appropriate balance between direct users and general beneficiaries.
- Focus has been on the transportation user fees – those that use the system should pay for it, but focus also needs to be on those who benefit from the system should help pay.
- What is the right balance of financial support for those who use the system and those who benefit from it?
- Also, should use of a rural road constitute the same financial user cost as driving on a multilane urban freeway?
- All of these points will require future policy considerations.

More questions for consideration:

- What is the appropriate mechanism for determining the rate, taking into consideration possible indexing to inflation (similar to gas tax)?
- What are the policy implications?
- How can we create a structure that incentivizes RUC over paying a fee?
 - Incentive should be mileage based, encouraging drivers to enroll because they drive below average number of vehicle miles per year.

Carlos turned the meeting over to Travis Jensen and Cameron Kergaye

“RUC 101” – The What and Why of RUC

Travis led with outline for RUC:

- History of the Gas Tax and Its Challenges.
- What is RUC and why consider it for Road Taxation?
- Vehicle Efficiency Comparison.
- Important Findings from Previous Studies.
- RUC System Challenges.
- RUC West and Efforts in Other States.

History of the Gas Tax

- “User Pays Principle”
- Instituted first by Oregon in 1919, followed by Utah in 1923 (2.5% /gal)
- Not indexed to inflation or miles driven
- 24.5¢/gal from 1997-2015; 29.4¢/gal from 2016 to present
- Federal rate 18.4¢/gal 1992-present

Gas Tax Challenges:

- increasing disparity in MPG invalidates the use pays principle,
- doesn't keep up with increases in miles driven,
- CAFÉ Standards will slow revenue growth,
- doesn't keep up with construction cost inflation
- Utah-specific projections of revenue and Vehicle-Mile Traveled (VMT)

What is RUC and Why Consider RUC-Based Taxation?

- User fee charged in proportion to miles driven.
- Similar to utilities such as water, natural gas, electricity.
- Being considered as a replacement of existing gas tax, not a new tax.
- Funding Power – as cars become more fuel-efficient, RUC systems preserve revenue while gas based taxation erodes it.
- Fairness – drivers would pay RUC fees based on impact to system, rather than on fuel consumed.
- Efficiency preserved – only 10-15% of gas price is state taxes. Most of the remaining is for the fuel itself; incentives would remain for use of efficient vehicles.

Travis provided a graphic showing the RUC payment vs. the gas tax payment by MPG.

IMPORTANT FINDINGS

- All passenger vehicle types create essentially the same amount of road maintenance and capacity needs.
- Transition to a RUC is not expected to negatively impact low-income populations.
- Privacy concerns are valid, but there are ways to address the; participants can choose mileage reporting option that is right for them.
- Rural drivers tend to drive more miles in less fuel-efficient vehicles.
- Rural users are likely to pay less under RUC than under the gas tax.

RUC System Challenges:

- Public perception and acceptance – lack of understanding of how we currently pay for roads.
- Education is needed.
- Enforcement
- Technology
- Data accuracy – drivers need to see a clear link of how they drive
- Out-of-state driving – crossing state boundaries
- Privacy protection
- Administrative costs

RUC West Consortium - Cameron Kergaye

Cameron presented history on RUC West Consortium using graphics for participant states.

Three Tier Groups:

Implementing (Oregon)

Piloting (California, Colorado, Hawaii, Washington)

Research only (all other states) – interested but aren't fully engaged in piloting or implementing yet.

Reports and final presentations based on the research projects will be made available; background information will be made available and will be drawn upon.

Colorado Pilot – few months long, 100 vehicles involved in the pilot program, several are from CODOT. Utah looked at using the same formula as Colorado. We will need to move quicker.

Oregon – 3rd pilot (2015) small device can be added to car. 1.5 cents per mile, reimburse gas tax that pilot participants pay at the pump to assess the RUC pilot fee.

Washington State has a pilot going on right now, using northern Idaho in their program.

Phase 2 (CA&OR) exchange of money in regional pilot; Phase 3 advertised last month.

We will learn from their pilot and draw upon it. We have resources with the consortium.

Following the presentation, committee members were given the opportunity to share their thoughts, questions, observations, etc.

Barry Conover, Tax Commission:

- Admin Costs - small # of distributors when you take to individual it is a huge change and a lot of expense involved.
- We do about 3M vehicle registrations (on road); where is it going, who is doing the administration of this program; costs to refund/rebate go up to do this frequently; there will be those who will try to get around it. There is a property tax component to the registration collection.
- Large Accounts Receivable Issue - are they looking at the accounts receivable issue and how to account for it?
- Some states have paid for consultant to analyze the data. Third party account managers collect and transmit the data to the States.

Representative Christofferson – Why we are going in this direction is spot on. Express Pass may be a good means to support the road user charge program.

Andrew Jackson – same concerns as Tax Commissioner. There is a yearly charge lag in registration fee payment and payment at the pump, moving towards electronic transfer of payments. How is tax collected with these pilot programs? Oregon collects quarterly; gas card recognizing the vehicle at the pump. Question GPS and non-GPS accounting; states use to gather the household travel; data heavily built on the household travel data.

Travis can provide the study; other states looked at origin/destination as part of their studies.

Kevin Emerson – pay on a cents per mile basis; have pilot programs looked at promoting fuel efficient vehicles; decided not to link with air quality challenges. His area of interests; other vehicles other than electric and hybrid. EV drivers would probably be very interested in participating in the RUC. Goal: get more involved or promote growth EV market in program. Preserve an incentive for participation.

Stacy Klausmeier – ways of collecting; plugging in a device, check odometer, pay a top end amount once a year, use a smart phone. Current insurance program app; how do you know I am riding a bus, passenger in a vehicle; this committee will address and be challenged to solve. PR needs to be a focus, data collection a key component, communication to public that only mileage is being collected.

Sophia DiCaro – breach of information; information not transmitted; who is responsible for breach; this issue will need to be addressed. There is a requirement that vendors destroy the data after 30 days. Audits can be done. Thoughts: how will administrators be selected; standards of criteria for selection will be important, messaging component regarding additional tax rather than replacing tax, honest messaging, keep in mind the two systems will need to operate in tandem for a few years, leverage higher education to get involved with looking at various forms of technology.

Sterling Brown – establish a fee with RUC; hike the tax not the fee; drivers with less efficient vehicles will end up paying more and generally this is the lower income population. Issues: urban vs. rural; industry vs. industry. Political nature in pilot states is different than in Utah.

Bob Stevenson - Much push back from consumer, \$95M into grant for states to apply for; all voluntary at this point. Volunteers were found to be skeptical when they signed up for GPS at the end they had more of an acceptance.

Billy Hesterman – How do we set the rate; what are we trying to do, how do we make it measureable? No measureable damage difference between passenger vehicles and passenger trucks; however, damage to roads does change with semi-trucks; interested in the data behind setting the rate; privacy concerns.

Scott Peterson – rely on tax commission to collect, out of state truckers what is the plan to assess

Stacy Hammond (for Monte Roberts) both CO and OR have their final reports on internet; legislation focused on alternative fuel vehicles; other states more wide open with various types of vehicles, GPS indicator mandatory? Concern – coordination and data flow to manage process tied to registration fee; UDOT process, 3rd party process to check on vehicles;

Mayor Stevenson – mileage charge, people using transit; less money because we are getting less miles.

Commissioner Barlow – technology needs to be addressed, clear from the data and projects so we can maintain our roads, seems reasonable and fair that users pay, nature of vehicle using roads and where the roads is located, big interest in technology; big challenge, a lot of PR and education why this program is needed and needs to be supported and transparent to avoid negative impacts.

Alex Janak – build long-term assumptions into Long Range Plan; components of sales tax, property tax.

Nathan Lee – try hard to use the website as a communication medium, appreciate all the comments and discussion, separate the pilot from tax, miles driven from the condition of roads – both issues need to be addressed. What percentage of fuel tax comes from recreational vehicles, look at ranching and farming tax structures. The group will start working on the ideas expressed.

Roland Stanger (FHWA) – good that the states are looking at this issue.

Richie Wilcox Governor's Office – charge a rate in line with the full cost of using the roads. When rates are set – establish goals.

Representative Wilde – administrative levels need to be addressed; up registration fees, more complex system gives the consumer the ability to recognize their behaviors; miles driven do have an impact – stress this thought.

Rick Clasby – Administrative component – private vehicle is one thing, but if you are trying to manage a fleet of trucks the burden of the administration of the program goes up. Freight demand is high in-state and inter-state component of this program.

Advisory Committee Logistics – Travis Jensen

Travis presented outline:

- Committee Members Roles; learns about RUC concepts, liaison to constituency, advise RUC systems development.
- Technical Groups; six groups, become knowledgeable about details and specific topics, provide recommendations to advisory committee, receive oversight and facilitations from UDOT staff.
- Meeting Frequency & Location; full committee meet quarterly, technical groups meet monthly except during the month where full committee meets, locations TBD for technical groups.
- Process Timeline:
 - October 2018 – draft alternate fuel vehicle for RUC framework
 - December 2018 – final framework
 - January 2019 – legislative process
 - Mar – Dec 2019 – develop and beta test alternate fuel RUC system
 - January 2020 – begin operating alternate fuel RUC system and continue planning of broader pilot project

Studies will be made available on UDOT Website, Public Meetings and Events: udot.utah.gov/RUC

Housekeeping Items – Carlos Braceras

- Electronic Meeting Resolution – vote to adopt; Mayor Stevenson moved to adopt, Commissioner Barlow second the motion; All in favor to adopt. Resolution will be added to Public Meeting Notice site and to RUC page on UDOT website.
- Conflict of Interest form is being modified and will be provided to members electronically when it is drafted.
- Doodle Poll will be conducted for future meetings

Cameron Kergaye announced that a webinar hosted by Optic Institute available on 5/14, 12:00 noon, room will be made available at the UDOT Complex; Mileage Based Alliance will be involved.