

ROAD USER CHARGE (RUC) ADVISORY COMMITTEE MEETING

Monday, August 13, 2018 from 3:00-5:00 p.m.

Capitol Preservation Boardroom (Room 240 in the Capitol Building)

MINUTES

ATTENDEES (in person):

Carlos Braceras (UDOT)
Teri Newell (UDOT)
Nathan Lee (UDOT)
Linda Hull (UDOT)
Elizabeth Weight (UDOT)
Cameron Kergaye (UDOT)
Eileen Barron (UDOT)
Jess Gonzales (UDOT)
Blaine Leonard (UDOT)
Kevin Nichol (UDOT)
Jordan Hess (UDOT)
Travis Jensen (UDOT)
Ivan Marrero (Federal Highway Administration)
Richie Wilcox (Utah Governor's Office)
Don Ipson (Utah Senate)
Wayne Harper (Utah Senate)
Kay Christofferson (Utah House)

Ryan Hunter (Utah Legislative Staff)
Scott Smith (Utah Tax Commission)
Monte Roberts (Utah DMV)
Scott Peterson (Utah Department of Technology Services)
Tracy Klausmeier (Utah Insurance Office)
Billy Hesterman (Utah Taxpayers Association)
Bob Stevenson (Layton City Mayor)
Sophia DiCaro (Salt Lake Chamber of Commerce)
Sterling Brown (Utah Farm Bureau)
Rick Clasby (Utah Trucking Association)
Kevin Emerson (Utah Clean Energy)

ATTENDEES (via phone):

Andrew Jackson (Mountainland Association of Governments)
Marina Lowe (American Civil Liberties Association)
Randal Thomas (RUC West Consortium)
Piper Overstreet (Uber)

OPENING

ITEM 1. INTRODUCTIONS & WELCOME

UDOT Executive Director (and Committee chair) Carlos Braceras called the meeting to order, thanked everyone for attending, and asked each Committee member to give a short introduction. He mentioned that there are six technical groups within the Committee, each focused on specific elements of road usage charge (RUC) that Utah needs to explore in order to implement its program. Carlos said that Nathan Lee would start off the discussion today, which will include recommendations that the Committee will be asked to give input on.

ITEM 2. TRANSPORTATION FUNDING CHALLENGES & SOLUTIONS

Nathan reviewed some important points from the information presented at the first RUC Advisory Committee meeting held previously on May 3rd, 2018. This included review of funding challenges with the existing gas tax and other revenue sources. Highway construction costs, inflation, fuel efficiency in vehicles, and increasing numbers of alternative fuel vehicles are all contributing to a loss in gas tax revenue, even in relation to the increasing number of miles being driven in the state. Nathan also mentioned that the States are taking a leading role in figuring out how to solve the funding challenges because the federal government does not provide enough money to states through the highway trust fund to pay for their current transportation needs.

In relation to Slide #3 in the presentation which shows vehicle-miles traveled (VMT) alongside projections of revenue erosion, Kevin Emerson asked if the graph y-axis showed revenue. Nathan responded by saying that it did, and what it is showing is that revenue would go up at the same rate as VMT if the average vehicle fuel efficiency stayed constant. But with increases in fuel efficiency that are expected to occur because of implementation of the Corporate Average Fuel Economy (CAFÉ) standards, revenue is expected to decline in relation to VMT.

Sterling Brown asked about how the federal transportation funding forecast looks. Carlos said that Congress has recently been propping up the Highway Trust Fund with one-time money infusions because the gas tax itself isn't providing enough money to fund transportation. Linda stated that 90% of the Highway Trust Fund comes from the gas tax, which has been declining relative to VMT due to the fuel efficiency increases. Billy Hesterman asked if Utah's share of the Highway Trust Fund is declining. Carlos said that Utah's share has flat-lined, which means that it is not keeping up with increases in VMT or construction cost inflation and as a result its buying power is decreasing. Congress is currently not able politically to increase the gas tax.

Nathan reminded Committee members of Utah's role in the regional RUC West consortium, and that other states are also testing out various elements of RUC systems.

IMPLEMENTATION EFFORTS

ITEM 3. RECENT ACTIVITIES OF RUC IMPLEMENTING AGENCIES

Nathan gave details of a trip that UDOT, DMV, DTS and Tax Commission staff made to Oregon in June to learn more about Oregon's "OReGO" RUC system that has been operating for about 3 years. OReGO has an online registration portal and registers all types of vehicles, whether gas powered or alternative fuel. Oregon also has a separate weight-mile tax that is levied on heavy commercial trucks.

OReGO has tested out two types of RUC systems for passenger vehicles. The first is run by private commercial account managers (CAMs) that issue devices to track and report mileage, and then sends mileage totals (but not any raw location data) and tax revenue to the State. The other system they have tested is the "government option", which is meant to model a mileage collection method operated by the government (even though the government contracts the function out to a private vendor). OReGO calls this the Oregon Account Manager (OAM). Both the CAMs and OAM submit their mileage data through a proprietary back-end processing and billing module called the Road Usage Charge Administrative System (RUCAS). OReGO spent a lot of time and money developing this system in-house. Use of private vendors might be a better option for Utah than developing something like that for us.

Nathan mentioned that during the past month they have also met with the vendors that run Utah's I-15 Express Lanes system (Transcore and ETAN) to learn about their potential abilities to provide RUC services. They've also met with other RUC-specific vendors (emovis and ClearRoad) to discuss what those companies offer. UDOT is looking at the ability to integrate RUC services with other services like the DMV registration process and the Express Lanes so that customers don't have to go to multiple places and to provide efficiencies in data processing.

ITEM 4. UTAH'S RUC APPROACH

Nathan discussed the main components of SB136, which gives us the current direction about how to implement RUC.

- Flat fees for alternative fuel vehicles
- RUC enrollment option in lieu of the flat fee
- January 2020 implementation date
- Advisory Committee to give input and guidance into system development
- Annual report to legislative committees

The legislature instituted flat fees for alternative fuel vehicles beginning in 2019. The fees increase each of the next two years and level out in 2021.

TECHNICAL GROUP RECOMMENDATIONS

ITEM 5. DEFINITION OF "IMPLEMENTATION" IN SB136

Cameron discussed the 6 technical groups that were created, and that 5 of them are actively meeting and providing recommendations on subjects related to their topical areas. He thanked everyone for reviewing all of the reading materials that have been provided to them. He then introduced the first recommendation for the Committee's consideration. This recommendation was to consider the Jan 1, 2020 implementation date mentioned in SB136 to be the date at which the DMV first begins to notify alternate fuel vehicle owners of their option to enroll in RUC in lieu of paying their flat fee. This recommendation was given by the following technical group:

- Policy, Legislation, & Governance

Someone asked how this recommendation was anything different than what was already in the legislation. Carlos said that the alternative would be this date representing when vehicle owners would have devices installed and be ready to drive collectible miles. He further stated that this recommendation was intended to provide enough time for UDOT and the DMV to properly implement the system.

Another person asked if it would be possible to enroll state fleet alternative fuel vehicles to test the system initially. Nathan said that we will evaluate that possibility later in the process.

There was a discussion about tying the RUC enrollment process to the DMV registration. Cameron said that it is preferable to have the processes tied together, otherwise it would require a completely separate RUC enrollment process from the DMV registration, which would be more cumbersome for citizens as well as likely increase the cost the State would have to pay vendors to operate the RUC system.

Kevin Emerson asked if someone that was scheduled to register their car, for example, at the end of 2019 and wanted to enroll in the RUC system, would they be able to delay their registration a few months so that they wouldn't have to wait until the end of 2020 to enroll? Monte Roberts said that ideally we would keep people in the system for the entire year until they are scheduled to re-register again in order to minimize administrative burden of people jumping in and out of the system.

Representative Christofferson asked if our system would be built with the ability of being able to expand into other vehicle types of functionalities in the future. Nathan said that this is our intent.

The Committee was supportive of this recommendation after discussion ended.

ITEM 6. USE OF PRIVATE VENDORS TO COLLECT MILEAGE DATA

Cameron presented the second recommendation, which was to use private vendors to collect mileage data, and was recommended by the following technical groups:

- Policy, Legislation, & Governance
- Privacy & Security
- Data Collection Technology

He explained that the system concept works in the following steps:

- Vendor collects mileage information and bills the driver for mileage fees owed
- Driver pays the vendor
- Vendor sends the collected funds and mileage totals (without detailed location data) to the State
- State oversees the contract with the vendor

The main advantages he mentioned were that use of private vendors (1) ensures that government agencies are not collecting and storing mileage data tied to personally identifiable information – all the government receives is mileage totals and tax revenue and (2) leverages existing vendor technological development rather than trying to use agency resources to develop technology, which would likely be much more costly and time intensive.

Someone asked about how long the vendors store the data. Cameron and Nathan explained that data destruction policies can be required in the system. Other states have implemented pilot systems where raw data is required to be deleted after 30 days unless the data has been disputed by the RUC payer (in which case the data is retained until the dispute is resolved) or the RUC payer has consented to retention of the data beyond the 30-day period (usually for them to have benefits of value-added services).

Ryan Hunter asked about vendor auditing policies, particularly about how audits can be conducted if the driving data is destroyed after 30 days. Nathan said that quality control measures are included in vendor contracts. Travis Jensen said that there are really two different kinds of audits in play with RUC: (1) audits to make sure that the system is properly recording mileage driven by individual drivers and (2) system audits of the vendors to ensure that they are following the protocols set forth in their operating requirements (e.g. data destruction timelines). Travis told Ryan that he would forward him some information about how Oregon and other states that have done pilot projects have handled auditing.

Senator Ipson stated that there will likely be some pushback related to privacy concerns of those that are worried about the government having access to their driving location information. He said it seems intrusive to him and groups could come out of the woodwork to oppose such an idea, even if their main concern could be that this is the proverbial “camel’s nose in the tent”. Linda reminded everyone that RUC would be an optional system, not required of everyone. People can choose the flat fee and not have to worry about any location information being gathered about them. Nathan added that the people currently buying into the Express Lanes system have their location being recorded and that the public is generally OK with that. Senator Ipson acknowledged that he has an Express Lane pass and is comfortable with that system.

The Committee was supportive of this recommendation after discussion ended.

ITEM 7. DATA COLLECTION METHOD

Cameron presented the third recommendation, which was to offer alternative fuel vehicle owners two choices:

- Pay the flat fee applicable to their type of vehicle
- Enroll in a location-based RUC option with a private vendor

This recommendation was provided by the following technical groups:

- Policy, Legislation, & Governance
- Privacy & Security
- Data Collection Technology

Advantages of this recommendation as stated by Cameron were:

- Simple choice of flat fee or location-based reporting

- Experience from other states shows most people prefer location-based reporting options because of value-added services they receive from vendors
- Flat fee gives an option for people averse to sharing location data with a vendor
- Fewer options should lead to lower vendor contract amounts and lower administrative burden for the State

Someone asked about how other states have handled out-of-state driving. Nathan fielded this question and talked about how location-tracking methods provide an advantage in this area. In other states, drivers with location-tracking devices are exempted from paying for miles driven in other states, whereas those with non-location-devices pay for all miles driven since the data they provide is not capable of distinguishing the state where the miles were driven. He also said that in the other states, the location-based options have been the most popular with system volunteers.

Senator Ipson asked about how Utah's RUC system would handle older vehicles that do not have in-vehicle data ports capable of reading mileage information. Nathan responded by saying that this isn't currently an issue because SB136 applied the RUC enrollment option only to alternative fuel vehicles, which are all newer.

The Committee was supportive of this recommendation after discussion ended.

ITEM 8. ANNUAL RUC PAYMENT CAP

Cameron presented the fourth and final recommendation for this meeting, which was to cap annual RUC payments for a given vehicle at the flat fee amount applicable to a particular vehicle type. This recommendation was provided by the following technical groups:

- Policy, Legislation, & Governance
- Privacy & Security
- Data Collection Technology

Advantages of this recommendation as stated by Cameron were:

- Removes the economic disincentive that could otherwise discourage people from enrolling in the RUC system, and would likely boost enrollment
- Would eliminate potential negativity generated by people that could otherwise enroll in RUC and end up paying more than they would have had they chosen the flat fee option

Nathan added that this is another area where the flat fees instituted by SB136 are an advantage to Utah because it puts the legislature, by virtue of their ability to set fees, firmly in control of how much people are going to pay into the transportation system. Sterling asked if it's the State's intent to at least break even in the RUC system right out of the gate. Carlos said that we'd build up to that but the initial intent is to learn and gain experience with the system. Senator Harper said the idea is to learn and polish the system, then look at possibly making it available to a larger group of vehicle types in the future. Linda added that she views what we are doing as a research effort with the initial alternative fuel application as a live research element.

Sterling stated that his constituency (rural drivers) are very interested in the potential of the system to distinguish between miles driven on public and private roads so that private road mileage could be exempted. Nathan responded by saying that this functionality is something we are exploring but that two technological advances are needed to make it feasible: (1) increase in GPS location resolution and (2) improvement to statewide mapping of public and private roads. He said that both of these things are in process but that an exact timeframe is not known yet.

Kevin Emerson said that Utah Clean Energy supports the cap idea. He likes having a guarantee in place that owners of alternative fuel vehicles won't pay more than their flat fee amount. He wants to keep the flat fee amounts low enough that they don't create a disincentive to people thinking about buying an alternative fuel vehicle.

Someone asked for clarification on whether the flat fee amounts were the total amount of \$\$ that owners of alternative fuel vehicles would pay at registration or were *in addition to* the regular registration fees charged to a passenger vehicle. The group agreed that the flat fees laid out in SB136 are in addition to the regular fees that all owners (alternative fuel or conventional gas) are required to pay.

The Committee was supportive of this recommendation after discussion ended.

NEXT STEPS

ITEM 9. UPDATED ROAD MAP CHART

Travis said that everyone should have received a copy of this document earlier in the day by email. Representative Christofferson said that he hadn't seen it so Travis said he'd make sure he got it. Travis gave a brief introduction to the chart which outlines major

tasks to be performed and accomplished over the next 18 months. He invited Committee members to look at it in greater detail after the meeting if it interests them.

Someone asked a question about when the Committee will dissolve. Travis and Nathan explained that this is undetermined at this point. It will meet regularly (along with the technical groups) until at least Spring 2019. After that we will re-evaluate how often the Committee will need to convene.

ITEM 10. TOPICS TO BE ADDRESSED BY GROUPS IN UPCOMING MONTHS

Travis presented the following as topics that will be address in the next 3 months within the technical groups and at the next Advisory Committee meeting:

- RUC rate setting guidelines
- System enforcement guidelines
- Customer enrollment touch points
- Privacy protection and data security principles
- Items to include in legislation and in administrative rule
- Communication needs

ITEM 11. COMMUNICATION

Eileen explained that communication needs can be divided into phases. At first, communications will be geared toward policymakers and will focus on the need for alternative funding sources to offset the erosion of the existing gas tax. As the process advances it will be important to transition messaging over to owners of alternative fuel vehicles and members of the general public. After the system launches, communication with enrolled members will be important and their feedback will be solicited to improve the system.

Eileen laid out 4 main elements of the transportation funding story:

- Current dependence on the gas tax for transportation funding is unsustainable
- Many other states are examining several alternatives to replace the gas tax
- RUC is one option that is being explored
- Utah's RUC system will start as an optional program for alternative fuel vehicle owners

She encouraged members of the Committee to consider how they might talk to people they come in contact with about RUC. Eileen suggested the following "conversation starter" ideas:

- Do you know how much gas tax you pay each year?
- Do you know what the gas tax is used for?
- How would you feel about paying for every mile you drive instead of paying for each gallon of gas?

Somebody mentioned that they thought messaging would need to be different for people in urban areas and those living in rural places. Nathan said that we've been talking about that and this type of messaging is something that's part of our research plan.

INFORMATIONAL ITEMS

ITEM 12. UPCOMING ADVISORY COMMITTEE MEETINGS

Travis said that the plan is for the Advisory Committee to meet again in mid/late November. The legislators in the room said that November 14th is the interim committee meeting so we need to avoid that date, but that dates on either side of that would be good for people on the RUC Advisory Committee that will already be traveling up to Salt Lake City to attend the interim meetings. Travis said that they'd look at that week and likely send out a Doodle online poll to Committee members to inform the choice about the November meeting time and date.

Representative Christofferson asked if we want to project the future of RUC in Utah beyond the current alternative fuel mandate. Carlos said his recommendation would be to go into the current effort in learning mode and stay with that for now, then determine later what we might want to add on. He personally believes that the current direction with applying RUC to alternative fuel vehicles is the right direction, but he doesn't have all the answers. Senator Harper said that at some point we might apply RUC to the entire vehicle fleet but there will be lots of technology development and changes required before we could get there.

Nathan mentioned that next week he will be meeting with a Farm Bureau group at Sterling Brown's request in order to better inform them about RUC. He offered this type of presentation to other Committee members' constituencies if they are interested in that.

Sophia expressed thanks to the UDOT staff for their work to date in supporting the technical groups and Advisory Committee.