Road User Fee Task Force
Meeting Minutes – May 3, 2002

Members Present: Representative Joanne Verger, Mayor Jim Torrey, Judge Laura Pryor, John Watt, John Charles, Commissioner Randy Pape, Dr. Chris Bell.

Members Absent: Representative Bruce Starr, Senator Gary George, Senator Susan Castillo, Roger Hinshaw, Commissioner John Russell.

Staff Members Participating: Jim Whitty, Rachel Knowles.

A quorum being present, task force administrator Jim Whitty called the meeting to order.

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A motion to approve the minutes for April 12, 2002 was made. The motion was seconded and the minutes were approved.

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Oregon Transportation Commission Chair Steve Corey addressed the committee. Chair Corey welcomed everyone to Pendleton and thanked each task force member for their participation on the task force.

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Public Testimony: Studded Tire Use Permits. Jim Whitty presented a legislative concept for a studded tire use permit, per the task force's request last meeting. Whitty noted several members of the public at the meeting had an interest in the studded tire discussion. The task force agreed to move up the public comment period so that their concerns could be heard before the task force acted on the legislative concept.

The task force heard from Nancy Gover of Richland, Oregon in Baker County. Gover explained the often-treacherous winter driving conditions residents of highly rural areas must endure to partake in ordinary day-to-day activities. She explained the necessity of using studded tires in such driving conditions and her view that the continued use of studded tires in her part of the state (i.e. Richland, Oregon) is a safety issue. Gover explained the reason studded tires in the northeastern part of Oregon do not do much damage to the road pavement is because they are rarely used on bare pavement but primarily on snow and ice. She considered placing a fee on studded tires to be a penalty for implementing a road safety measure. She said that one solution for the whole state doesn't work most of the time.

Watt explained that under the task force proposal the amount of the studded tire use permit shall vary by region based on the studded tire damage in each region. In regions where studded tires do not reduce the useful life of the road to any significant degree, the studded tire fee would likely be very small, perhaps less than a dollar per year.

Whitty explained that the ODOT region with the most studded tire damage – Region 1 – would pay the highest permit fee.

Gover said she would fully agree with the proposal if it were designed in this manner.

Whitty said the ODOT studded tire report says the $50 million figure is for accumulated damage and that the actual annual damage figure is only $11 million. The annual damage figure what be the target for recovery by an annual studded tire use permit fee.

Torrey said the permit fee charged for studded tire sales in Region 5 is not likely to be high per tire. The task force is taking into account the people who need to use those studded tires and the lack of impact studded tire use in Region 5 on the roads. The biggest challenge will be convincing studded tire users in Region 1 that they are large contributors to stud damage in their region.

Gover responded, "The difference is that if I live in Region 1 I could say I don't need the tires for safety. If I am living in Region 5, I have to have the tires for safety. I have to pay it, they don't."

Pape said it is important to not get into one needing it and the other not because there are a lot of people in Portland or in Eugene that drive east to central Oregon quite frequently and you can have ice storms in Portland. He said, "We have to just look at the cost and say how will we deal with it and divide it appropriately."

Charles asked, "If the users don't pay, then who does?" He said the costs exist and someone has to pay. He explained a variable fee addresses the problem of one size fits all. He then asked, "If you are not satisfied with that, then what do we do?"

The task force then discussed alternatives to studded tires. Representatives of Les Schwab Tire Company in attendance were queried about this. The Les Schwab representatives said there are few studded tire alternatives as good as a stud. They said that nothing works on ice better than a stud. In Union county 90% of the tires Les Schwab sells from November through January are studded tires.

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Discussion: Studded Tire Use Permits. The task force discussed the particulars of the legislative concept for a studded tire use permit, including a fee variable by region and the concept of a base fee. The task force reached ***consensus*** that the legislative concept

should be forwarded to Legislative Counsel to be written into legislative draft format and then offered to interest groups for comment. The task force reached ***consensus*** to defer adoption of the proposal until after LC draft was obtained, a revenue impact estimate was made and the comments were received from stakeholders.

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Discussion: Overlays to a Vehicles Miles Traveled Fee (VMT Fee). Gary Corbin of the City of Portland and Chris Hagerbaumer of the Oregon Environmental Council gave a slide presentation entitled, "Beyond Mileage: Overlays to a Vehicle Miles Traveled Tax." In the presentation, Corbin and Hagerbaumer explored the possibilities for rate adjustments to a vehicles miles traveled base fee to accomplish environmental, behavioral or geographical policy objectives. They explained how these rate adjustments could occur as "overlays" to a base or otherwise flat VMT fee. The Corbin and Hagerbaumer methodology allows rate variations in a revenue neutral fashion based on numerous factors including fuel economy, emissions, vehicle weight, fuel/propulsion system, congestion pricing, a local "piggyback," geographic differences, access fees and distance-based insurance.

The task force then engaged in a question and answer period including discussion about overlays to a VMT fee.

Verger noted that passenger vehicle weight doesn't connect as a factor to road damage.

Corbin responded that vehicle weight is just a proxy. He said it is a real simple low tech way at getting at some of other factors, such as fuel economy and length of the vehicle. It is a combined measure for a lot of other things. Corbin did not recommend using the weight factor but indicated vehicle weight is a topic of general discussion as VMT fees are discussed nationally and has been mentioned in literature.

Whitty asked the task force if there were any of the rate adjustment overlays the task force would like to explore further as potential adjustments to the VMT fee. He said these overlays were largely a Region 1 issue.

Verger said the VMT fee should be designed as "the more simplistic the better" so that it is politically acceptable.

Pryor indicated that the concept of rate adjustments to a VMT fee may be too large a topic to deal with over the next six months. She asked Whitty about the task force timeline over the next year.

Whitty responded that the task force must develop a recommendation on the nature of the future revenue system and that this need not be super detailed but that there must be clarity to what has been examined and the taskforce comfort level with the various

possibilities. Legislation may be proposed by December. In September or October, the task force will get to work on a pilot program as the task force recommendations must be tested to see how well they work. The work from fall through June 2003 will be primarily on the pilot.

Watt said the Corbin/Hagerbaumer presentation contains too many complications to enable full absorption.

Pape added that a VMT fee with many rate adjustments could be very complicated but the base VMT fee isn't. He said the task force must get down to a technologically advanced system either on the vehicle or on the road so that it makes the VMT fee relatively simple and easy to calculate. He queried, "Until you do that, how can a geographical overlay be charged?"

Hagerbaumer responded, "On the geography question, it would actually not be incredibly complicated to base your VMT fee on what county you are registered in."

Pape said, "The task force is making a big shift even going to a VMT fee and we have a whole public that has to understand this and it has to be simple and straight forward and then we can build blocks on it as we go down the road."

Charles said the idea of overlays to a VMT base fee rate is one that he is interested in. He stated his view to be that the constraint on a VMT fee is the technology and although we may want to engage some research consultants, the GPS systems are emerging as the favored new technology for a user based fee. Since consumers are voluntarily paying extra to go with those systems we might be able to experiment with the thousands that are out there now.

Whitty noted the task force had reached ***consensus*** that the preference is for a basic VMT fee program at this point in the process and that overlays to accomplish other public policy objectives should be set aside.

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Discussion: Congestion Pricing. The task force then discussed whether to continue analysis on a congestion pricing rate adjustment overlay to the basic VMT fee.

Pryor said congestion pricing ought to be considered by the task force as an adjustment to a VMT fee.

Charles said the state might ride the market as it adds GPS devices to cars and set a date for when value pricing would be available. He said that although he is a big fan of value pricing and would love to see a demo, he does not want to do a special corridor project with transponders if that is going to be an expensive investment, but that this is a subject

worthy of more analysis.. He said the best way is to move the whole state toward a GPS based VMT fee system.

Watt agreed, "A GPS system is the proper direction but that it may be difficult to get the legislature to move legislation that says within 20 years all of us all be using a GPS system without getting a little resistance."

Verger said the task force should not attempt by some subtlety to infringe on people's freedom of their choice of where they travel, when and how they travel and what they buy. She suggested the task force stay on the high road and talk about replacing a system with something that is user pays and leave it at that. She said that value pricing for congested areas should be addressed geographically.

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Discussion: Pilot Project for Testing of Global Positioning System. The task force then discussed how a GPS based VMT fee system might be tested.

Charles said if a desired objective is testing different sections of the population, many of who are already buying cars with GPS, just say, "We want to collect VMT fees from you and remove your gas tax and we will pay you for doing this."

Watt asked whether this could be translated into the administration for collecting the VMT?

Corbin responded that one would get a good idea of the administration costs by setting some of that up in the testing.

Watt asked whether the federal government would finance that part of the pilot?

Charles responded that any value pricing program is ultimately going to involve administration. The pilot program can be structured to learn everything, administration, technology, consumer preferences, and political feasibility, everything necessary.

Pryor noted that people could be recruited from different parts of the state so that you can get a better idea of the statewide cross section..

Pape pointed out the difficulty of getting the fleets to participate and answering questions about administration, the mechanism and costs.

Charles said fleets are the most logical places for testing, but he believed there are lots of other people who in the right circumstances could participate.

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Discussion: Collection Center for a VMT Fee

As background, Whitty presented an analysis of using gasoline stations to collect a VMT fee. He described that the gas tax is a very good tax administratively because only a few distributors actually pay the tax. To change the incidence of taxation to the point of sale to the ultimate consumer of the gasoline will make things quite complex. There will be too much evasion and difficulty in collecting the tax. No other state in the country taxes the sale of gasoline at the service station level.

Whitty then presented an analysis of collection center data reception and processing and billing. He said the biggest challenge with a collection center involves the issue of private accounts. The question is, "How does the state establish a separate system where people have an account and the gasoline distribution system isn't involved whatsoever?" Whitty then presented a handout with an overview of a collection center for data reception and processing and billing for VMT fees.

Pryor raised concerns about the general public viewing negatively the use of GPS devices to track mileage because of nervousness about someone knowing their location at all times.

Whitty responded that the task force seems to have no interest in keeping detailed records of individual habits or having the ability to locate people without their consent. He said the task force would have to design away from that kind of a system.

Pape said the bare essence of the GPS-based system does not involve following a vehicle around and collecting reports on that but simply collecting gross mileage.

Pryor replied there are an awful lot of people in Oregon who are not going to understand that. They will say, "Maybe that is what you are doing today, but what are you going to do tomorrow and who are you selling this list to."

Whitty said that if the VMT fee is collected through a data & fee collection center there must be a method for receiving the VMT data and efficiently process the data and use the data to create a billing statement. The center would need to collect bill payments and address the failure to pay. This center would essentially operate as a business. Administration of the collection process will likely be expensive. Postage alone could cost $12 million a year for mailing out monthly billings.

Watt suggested the data & fee collection center be run privately. He said, "We need to avoid advocating for building a whole new level of government."

Charles said that that once the legislature sets the policy direction and selects a date for the transition, there are thousands of private sector vendors out there that would like to participate.

Whitty pointed out that any new system must address the segment of the population who are cash-basis-only. Now, these people pay a gas tax proxy at the pump. We must ensure the cash-basis-only taxpayers are able to pay their user fees under the new system as well.

Pape pointed out that for his company's fleet right now he uses a gas card and has to give a driver's number that has nothing to do with the gas tax and an odometer reading.

Charles said he thought we were talking about moving to a GPS system that has nothing to do with gas stations and if every car has a GPS then the billing issue is minor; it will get solved. The method will be either electronic or by old-fashioned mail. He said the system knows who has a driver's license and which cars have license plates. Ultimately, the system can collect from them. He said these are just implementation issues.

Whitty responded that some details nevertheless need to be worked through to ensure a new system actually connects together.

Verger expressed concern about the capital costs of starting up collection center at a time when the road system is suffering from lack of revenues.

Charles said there will an increase in administrative costs with a new system because the state would be moving off an extremely efficient tax system administratively, the gas tax, to something that cannot be as good. He said this should be acceptable perhaps because we are going to have to give up something to get something, a more fair and precise tax – the VMT fee. He said higher administration costs are just a part of doing business, but that in the long run it will allow us to have what Oregonians want, which is a road system that works.

Torrey said, "Impact costs of a new system must be dealt with. There are also some offsets. We are not going to have the same administrative system as we have now for the gas tax."

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Discussion: System Tolling

Whitty then explained another possibility for a system-wide general revenue source – system tolling. System tolling is basically to toll the whole road system. If the roadside readers are not all that expensive, they could be placed along the roadside at different

points and a toll is charged electronically. The rates per reader may vary depending upon how far apart they are dispersed.

Whitty explained how system-wide tolling would work. As a vehicle runs by a reader, the vehicle operator is charged a toll electronically. The toll charged might be electronically deducted from an electronic device in your car. Full implementation of this concept on the state highway system would allow reduction of the gas tax by 60% for the state system and then the locals would decide whether they wanted to join in. Essentially system tolling could mirror the gas tax in that the toll and spacing of readers could be based on the 24-cent gas tax rate and the average fleet fuel efficiency of nearly 20 miles per gallon.

Charles said that system tolling is essentially the same concept as using a GPS for a VMT fee. He said the choice is just a matter of which technology is emerging as the dominant technology.

Whitty said that nevertheless the task force should go forward to the public with more than one option for comparison.

Verger said tolling makes sense for new facilities but it is not wise to toll without a visible added benefit. People would be livid.

Whitty responded that the added benefit would be a reduction of the gas tax by a corresponding amount.

Pryor asked whether tolling would be available for the really big projects.

Whitty responded that this could be accomplished by adjusting the toll rate for a specific new project above the standard toll level to pay for the project.

Nancy Gover of Richland, Oregon offered from the audience, “For the GPS system, are you going to be infringing on all my rights because you are going to know where I am and where I am going? I am really reluctant to agree to something like that as a member of the public. The tolling I am not so reluctant on because I have been in states where I have seen that. If you are following my car wherever it is going and whatever road it is on and whatever, I think you are infringing upon my private rights and I think you are going to have some problems with the public with that.”

Pryor said the task force should not just dismiss system tolling. It has some merit. It may not be the “really going technology,” but this technology may be changing too.

Charles said working examples exist elsewhere and there are plenty of them. More than half of the tolls within the United States are collected by this transponder technology. Almost every turnpike authority in the country has moved in this direction so you can

point to real examples and privacy issues that were never proven to be a big deal. He said, "We should not dismiss system tolling. It is definitely something that is deserving of more study in the context of if we are going in the direction of a user fee, what is the best technology and the best way to make it happen."

Jon Oshel of the League of Oregon Cities offered a comment from the audience. Oshel said the general public ought to have the option of selecting a GPS-based VMT fee system or a system-wide tolling mechanism.

Watt said that any new road finance system enacted would end up going to the voters for approval. He said, "The discussion the task force ought to have is how to develop an identification program for this that is going to be understood by the people."

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Decision: Development of Public Message. Whitty asked the task force for authority to hire a public relations firm to help with drafting a message to the public. A motion to approve this request was made, seconded and unanimously adopted.

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Decision: Research Request. Whitty asked the task force for the authority to hire consultants through the university system to do research on several points necessary to the task force work. He said the task force first needs research on the technology required to set up a collection center. Second, learn more about the Progressive Insurance system. Third, find out the capabilities of GPS devices for our purposes. Fourth, determine the expectation for hybrid penetration of the market. Fifth, learn about the reliability of the technology for a VMT fee.

Watt said he wanted to know how long it would be before every car would be coming out off the assembly line with a GPS system in it. He said he thinks that if a new system is market driven it will work a lot better.

Torrey said he would like to see five-year history of road revenues received for transportation in Oregon. He would also like to see vehicle miles traveled for those same five years.

Pape said he would like to see information on number of studded tires sold and break it down by region as well as can be done.

A motion to approve this research request was made, seconded and unanimously adopted.

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