

Road User Fee Task Force – Meeting Minutes
November 16, 2017
Salem, OR
Transportation Building / Conference Room 103

Task Force Members in attendance: Councilor Craig Dirksen, Mayor Bob Andrews, Representative John Lively, Senator Arnie Roblan, Representative Margaret Doherty, Craig Campbell, Jeff Allen (by phone)

Task Force Members not in attendance: OTC Commissioner Tammy Baney, OTC Commissioner Sean O'Hollaren, Commissioner Sid Leiken, Susan Morgan, Representative Cliff Bentz, Senator Bill Hansell and Senator Chuck Thomsen

ODOT Staff in attendance: Travis Brouwer, Maureen Bock, Eryca Dinsdale, Katie Jones, Sarah Dornon, Melanie Ware, Caleb Gieger, Peter Alotta, Michelle Godfrey, Lynn Averbeck, Art James, Randal Thomas, Linda Beuckens, Kurtis Danka and Jack Svadlenak

Guests: Rep. Caddy McKeown, Ali Turiel, Richard Mather, Pauline Mather, Saul Hubbard, Mazen Malik

Chair Craig Dirksen convened the Task Force at 12:05 PM.

Approval of Minutes

Approval of meeting minutes from the February 24, 2017 was postponed until next meeting due to lack of quorum.

Public Testimony

Chair Dirksen: Is there anyone present that would like to address this committee on the issue of State Road User Fee? Seeing no one.

Membership Update

Ms. Dinsdale: Mr. Dirksen has mentioned that he has graciously agreed to serve as chair since Vicki Berger left RUFTF about a year ago. He has been filling in as interim chair. Representative Lively has agreed to serve in the role of vice-chair.

In your packet is a membership roster. You will see we are in the process of filling two of our At-Large positions. We are currently in the recruitment process, which is a complicated joint process between the governor and both houses. They are in the middle of that right now and working their way through. Susan Morgan from AOC and Jeff Allen from Forth Mobility are looking forward to joining us should their appointment approved.

Due to some updated direction from House and Senate leadership, we will not be filling future vacancies for Ex-Officio members, but we are very pleased that Representative Doherty as well as Senator Thomsen will be staying with as long as they wish to join us.

Chair Dirksen: Any questions on that? Alright, thank you very much. Let's go to the status.

Road Usage Charge Program (OReGO) Status (Maureen Bock)

What you have in your packet is an infographic that describes where we are at the end of our second year of operation.

As I mentioned last time, we do exit surveys as people leave the program. We always get comments on how they think the program is going. We currently have over 707 volunteers actively enrolled in the program and that includes 13 electric vehicles. The top 3 vehicles are the Ford F150, Toyota Prius and Subaru Outback. Interestingly enough, there is an even divide between the three MPG bins. That has stayed fairly consistent throughout the program.

We also just completed a Forum. Craig Campbell was actually one of the presenters at the Forum that was part of the FAST Act grant that we got in 2016. We had over 140 participants from 16 states and 6 from foreign countries. It was a very successful event and there's a desire to continue with having those. As you also recall, part of our FAST Act grant we are looking at other devices we currently use in the program. We went out for our Requests for Proposals from our current account managers. We are going to be exploring those technologies except for the fuel pump. That is a technology that California used in its pilot. That was not one of technologies that was part of the proposals we received. We have signed contracts and notices to proceed and will be working with how these other technologies might be used in the RUC program.

Two Federal Awards for Oregon's RUC Program: Local and National Interoperability (Kathryn Jones)

We received news that we were awarded two federal grants. The first is the OReGO grant. When we took RUC out on the road, one of the reoccurring themes that we heard from our local partners was "what you will do about local option because we have local options fuels tax?" If we start migrating over to RUC, there is nothing for the local government. For this grant what we are going to do is three different pilots. The purpose of this grant is to push the technology-- the GPS location, the device technology-- and see what it's capable of. We will be engaging in three different pilots that are planning to start November 2019 and run a full year.

- The first pilot is called Area Pricing where we are going to geo-fence inside the City of Portland and Multnomah County and once you hit that barrier you get a different RUC rate that is going to be applied to your account. The purpose is to ensure not only the technology can do that (recognize that geo-fence around that jurisdiction) but also the money is appropriately given to the state and then the county or city.
- The second will be Layered Area Pricing. We will really push the technology by drawing a boundary around downtown Portland and another boundary around Portland proper. Getting different time enforcements, different RUC rates and seeing how the technology does when it comes to reporting out.
- The third is On/Off Ramp Pricing which basically geo-fencing a corridor highway system. If they are on a highway system for less than a couple of miles then they are charged, if

they are through traffic then they are not. We are not trying to make policy decisions based off of this, but just seeing what the technology can do.

The purpose of this grant is to take it to the local level. Oregon's match is \$2.1 million, Metro and PBOT have in-kind match of \$200K and the federal government match at \$2.3 million.

The other grant reaches up to the national level. We are going to partner with California. They ran their own pilot last year. What we are going to do is ensure that RUC can be a seamless experience for users as they drive from Salem to Sacramento. Oregon miles will be captured and Oregon RUC rate applied to those Oregon miles and Oregon fuels tax credited, but once you cross that border it's a California RUC rate with California reimbursement for fuels tax. We will see how that goes and will have one account for both states. That pilot will launch in July 2019 and will operate for a full year. Oregon's match is \$900K, other states' match is \$1.8 million, (primarily California) with \$2.6 million in federal match.

Chair Dirksen: Any questions or issues before we move forward?

Representative Lively: I never thought about this – the ability of testing. That is going to be fascinating and long-term to see how/if it is going to be successful to include the local option. I do want to make a comment about the program. I think there is an opportunity in the program overall. Talking about converting the fleet into EVs. I ride my bike, I take the bus and I walk but when I look at my usage one of the things that is disturbing to me is how many short trips I take. I am using that personal data to try and convince my wife why we need an EV. When I think about it for others from a driving standpoint it's great for what the data is, but for a longer term we have some ability to help educate people and that they really will look at the data to understand there are changes and habits that we can do. I don't know how we do that with the program but over time I think we should use the program.

Ms. Jones: I think it's great. One of the aspects that volunteers get animated about is the gamification around it. If you don't take a short trip you get so many points. It would be interesting to take that same concept to something like congestion pricing.

Representative Lively: Those connections are really important.

Ms. Bock: The thing is finding the right balance between privacy and providing incentives.

Chair Dirksen: Any questions? Ok, now legislative session review.

Legislative Session 2017 Review (Eryca Dinsdale)

- RUFTF Proposed 2017 Legislation
- House Bill 2017: Tiered Registration and Electric Vehicles

We wanted to start out by reminding all of you about what happened in the 2017 session. Some of you of course know all of the details very clearly, but setting the stage to move forward and ultimately get guidance around different options that we could be considering, so we can come back to you at our next meeting having further developed potential scenarios and options for you to weigh in on. This is what this next section is about.

As all of you know RUFTF is formed to research and propose sustainable revenue streams to fund transportation. This task force did just that. Recommendations last fall lead to House Bill

2464 in the 2017 legislative session-- a mandatory road usage charge system. The bill had several components, 1) it would be mandatory for all new vehicles that had 20 MPG or above, 2) it would begin in 2025 for those vehicles model years 2026 and newer, 3) and, as RUFTF discussed last February, it would have a flat annual usage charge that would allow drivers to opt out of paying their RUC if their vehicle wasn't compatible for the program or for some other reason they were choosing not to participate.

This was referred to the House Committee on Transportation Policy, and had a public hearing in March 2017, but it remained in committee upon adjournment. Although the bill was not passed, it created momentum and started really important conversations. Simply raising the gas tax is not enough to address the gap in transportation funding. As more fuel-efficient vehicles enter the fleet, causing wear and tear on the roads, Oregon must find ways to disconnect transportation funding from fuel consumption and instead tie it to the use of the road. In July 2017 the transportation package House Bill 2017 was signed into law and had some similar themes to your proposal. Section 35 of House Bill 2017 calls for enhanced registration fees based on vehicle MPG. Electric vehicles have the highest enhanced registration fees.

Registration and title fees will increase in three steps. Surcharges for electric vehicles and hybrids that pay little in gas tax will ensure they pay more than they do now for the same use of the roads. Section 118 of HB 2017 allows electric vehicle drivers to opt out of enhanced registration fees if they are participating in the OReGO program. Last month, ODOT has upgraded our internal system, including working with DMV to manage the opt-in program, so we are ready when the enhanced program and fees hit in a little over a month from now. Enrolling EVs in OReGO is an important step because it's one step closer to moving transportation into a utility-based model.

Determining the Path Forward for RUC in Oregon (Travis Brouwer)

Thanks to the members of the joint committee and other legislatures who voted to pass House Bill 2017. It really did move the transportation funding conversation forward. The tiered registration fee in particular is very important from the perspective of ensuring that all users of the system are paying for the use of that system and the important step forward with the overall transportation funding.

As we looked at the tiered registration fee there is some definite virtues in terms of the funding that comes available. There are some things that it doesn't do as well that we wanted to talk you through. We wanted to bring this to RUFTF and confirm your path forward and have a discussion about whether you think, given the reality of what HB 2017 does, there is still a need for Road Usage Charge, and if so, what the path forward might look like. We are going to give you a couple different options that you can look at and provide feedback. This is a starting place for conversations.

Couple of things the two tiered registration doesn't do. One of the challenges is that while it does ensure that electric vehicles in particular pay for the use of the roads, it still leaves a substantial gap between what a lower efficiency vehicle pays and what a higher efficiency vehicle pays. The chart shows you what every vehicle based on MPG pays all the way up to an electric vehicle.

We could potentially identify this as an equity issue with the system based on the MPG of the vehicle, even though they attempted to close that gap (with tiered registration). There's also

what could be seen as equity issue around the fact that a registration fee charges people regardless of how much they use the system.

As we looked at this we have come forward with what we think are three fairly compelling reasons why RUFTF might want to consider continuing forward with a Road Usage Charge.

- 1) Gas tax is still unsustainable
- 2) RUC is fair
- 3) RUC offers additional benefits

Based on those three considerations there still is a rationale for going forward with a Road Usage Charge.

We would like to talk about what a path forward would look like for this group. HB 2017 and the RUFTF proposal are very similar in a lot of ways. HB 2017 creates a flat annual usage charge in the form of a tiered registration that varies by the vehicle's MPG and then allows people to opt into the Road Usage Charge program. The RUFTF proposal did essentially the same thing in a different order. It creates a Road Usage Charge and allows people to opt into a flat annual usage charge that varies by MPG. We think there are some opportunities to look at what steps you would take going forward.

First path to consider: Straight to Mandatory. You already developed HB 2464 and you could certainly look at that and see if there are additional elements or different elements or versions you would like to put forward and introduce in the 2019/2021 legislative session.

Second path: Phase In. We also thought about doing a two-step process. Refine the voluntary program towards a mandatory Road Usage Charge program. Increase the number of vehicles that could opt in to OReGO and opt out of the surcharge, and by moving it down to the next tier of vehicles that are 40 MPG or greater. Currently, its only electric vehicles. If you did that you may want to eliminate the 5000 enrollment cap. Another option might be to turn this into a revenue program rather than a test that is designed to be a revenue neutral, by eliminating the refunds that lower efficiency vehicles get under the program. We also talked about a more direct role for Road User Fee Task Force in oversight in the implementation of this. Phase two would be a mandatory road usage charge at some point in the future beyond that. It may be more complicated especially for a legislative perspective. You could put a bill forward in 2019 and that might help with momentum on road usage charging.

These are the two proposed paths you should consider. We would like to have a discussion of what you see as pros and cons and a potential direction you see going.

Chair Dirksen: We can do this one of two ways. If people have something they really want to say about it they can put their card up perhaps and say they want to speak now. Or I think we all really need to weigh in on this so we could go around the table and everyone offers their thoughts. Any questions from staff at this point before we go into discussion?

Mr. Campbell: The phase one is that the program would only be applied to those that were greater than 40 MPG?

Mr. Brouwer: Actually it would be that you would allow those with 40 MPG or greater ratings to opt out of the tiered registration fee. You could still allow anyone else into the program.

Mr. Campbell: ok, I see.

Chair Dirksen: Otherwise why would anyone want to?

Mr. Brouwer: You could also make a decision by eliminating the refunds if you chose to go that route you would essentially eliminating those under 20 MPG from participating in the program. That would be a consideration.

Mayor Andrews: Phase 1 is reflective of 2464 or is phase 2?

Mr. Brouwer: Phase 2 would be reflective of 2464 or some other proposal that the task force might choose to bring forward as a mandatory road usage charge. Phase 1 would essentially be a new bill that would build on what HB 2017 did with creating the tiered registration fee and allow to opt in to OReGO and opt out of tiered registration fee for electric vehicles. It would still be a voluntary program essentially built on the platform of what we have today.

Mr. Malik: I am from the Legislative Revenue Office. House Bill 2017 has a requirement that by the year 2020 the OTC comes back with a report on the amounts for the cost that should cover the different vehicle types. Is that part of your thing and are you working with OTC?

Mr. Brouwer: Yes, that is something we have not yet in particular engaged with Oregon Transportation Commission because it's a little longer out and also something we might want to engage RUFTF on as we move forward. Yes, thanks for pointing that is another element of an overall approach here.

Chair Dirksen: This is a report that needs to be produced by the end of 2020, is that correct? It sounds like there is an assumption built into that, that the current status would be retained until then so you could create a report if we hadn't made another change to the process before then, but how would you get a clean report on what is the effect on what you have right now?

Mr. Brouwer: If you were to do a change, let's say, during 2019 session, it likely wouldn't go into effect until after the report would be due. It would have to take into account what we have done.

Chair Dirksen: Any other questions for staff? Does anyone have a thought or view on which of the two paths we might consider or does some have a different one that might be considered as well? Any thoughts on how we move forward whether it be one of the two recommendations or something else?

Mr. Campbell: Just from a practical stand point, the first option is going to be a little tight. Especially considering there is going to be a robust discussion about carbon cap investments, which will have a transportation component-- likely something along the lines of a carbon tax on fuel. When we put forward our recommendations for House Bill 2464, one of the reasons we would push the date out to the extent we did was to make sure that the EV market was sufficiently robust to withstand the adverse effects of the new type of tax being applied out to them. The second one (reason) is to try and make sure the standards were not adversely affected by the introduction of this particular piece of legislation and the third was just to give ODOT time to make sure all of the elements were necessary before mandatory road user charge was in place and well tested. From the timing perspective those were the three issues around timing, so I am little concerned about the '21/'23 (legislative sessions) maybe a little early. The other issue from my perspective is around eliminating refunds, excluding certain types of vehicles. I think it does not makes sense for us to create an administrative cost that we

don't need to have and adopting as mechanism of the road usage charge. The current gas tax system disadvantages vehicles that have lower fuel efficiency. I don't see a valid reason for us to co-opt that into the road user charge by allowing those vehicles that we know are going to get a refund. My recommendation is that we exclude vehicles that are below a certain fuel efficiency rather than bringing them on giving them the refund until it becomes a mandatory system. We may also want to have a discussion about a threshold on the refund.

Mr. Brouwer: One note on what we meant by mandatory in the '21/'23 sessions. We would not anticipate that would be an implementation date, just when we would bring it to legislation.

Mr. Campbell: With that clarification that makes sense.

Chair Dirksen: All the arguments for postponing implementation that were made before still were valid. Any other thoughts?

Ms. Bock: I just want to clarify on refund. ODOT does not bear the cost on refunding unless it is through the ODOT account managers. If the commercial account manager choose not to have a threshold we allow them to do that because it's on them. For us we do have a threshold and we are very mindful of the cost of cutting a check.

Chair Dirksen: As a way to not lose the revenue or to avoid administrative costs of refunds, instead of having actual refunds go out that could just be a credit towards future fees. Could that be done or should that be done instead?

Mr. Brouwer: Since there is a credit right now.

Ms. Bock: What we have contemplated is with that proposal is it becomes a nonrefundable credit. You are credited to zero but there is no way you actually get a refund check unless you get to zero. Credits accumulate as you drive taxable miles.

Chair Dirksen: There wouldn't ever be a way for the consumer to capture that because it would always continue to grow.

Ms. Bock: We have limitations on what we can do with Highway Trust Fund money.

Senator Roblan: If we eliminate refunds we probably would have no one volunteering who is in the low-MPG vehicles. They would eliminate themselves. I do like the two-phase system. Timing and getting that right is another question yet to have. From my perspective we do have to keep the momentum going with the program we have been working on for a long time. Removing the cap and letting more people in. The reality is the more people we get on it the better chance we have in developing the system. Putting it off doesn't serve anybody well. We know the conversations are coming with carbon pricing which will happen in 2019. It foresees having resources to encourage more EV and all of that kind of stuff. The revenue votes are always tough and that is always going to be a foreseeable issue, especially with the carbon pricing conversation. I hope we can encourage more people to get in the program so they can see what it does.

Representative Lively: I think we should already be doing this. My goal here is to make sure we keep pushing to have these conversations. If you don't keep trying something at the legislative level, we will never get that conversation. I like the phase-in, but how do we do it in a way to keep the elected leaders moving forward, because there are some concerns amongst

them. I think the Joint Transportation Committee is a great opportunity to have continued conversations.

Mr. Allen: I am all for phasing in over time, as long as it's based on something other than fuel type or fuel efficiency. You will want to start it with new vehicles and a particular model year – I think that might make a lot of sense. We have to be careful to separate what we are doing because we need to do a system of financing roads that's more efficient and more fair, versus something we are doing because we want to go after a particular set of vehicles.

Chair Dirksen: I see your point. Thank you.

Representative Doherty: I like the idea of phasing in, but this session that just got done something needs to be said at least keeping it in people's minds and on their radar.

Mr. Campbell: I don't think we are ready for another vote that requires a 2/3 majority, but it does not hurt us – even if it's a small bill – to make slight adjustments just to keep the issue in front of the legislature. As a strategy I think it makes good sense.

Chair Dirksen: Good point. Thank you.

Mayor Andrews: I am also leaning towards the phase-in approach, but I have a concern as we look into the phase-in that we don't lose what we have already started.

Chair Dirksen: I appreciate that. Are there any other comments?

Senator Roblan: I do want to make sure we do something. Everyone is watching us outside of our state. We need to keep it in the forefront so they understand what is happening and what we are doing. If we are going to keep infrastructure of any kind in the future this is the only way to do it.

Chair Dirksen: I kind of agree with Representative Lively. We know this is the way to go. Everyone knows this is the way we have to go. If you're going to do it, why not do it now? If you're not going to, then it needs to be for good and measured reasons. My goal is that it would go to a full mandatory system of road usage charge and eliminate gas tax. I see some good and measured reasons why we might want to consider phasing it rather than going to a full mandatory system. One of the things we are looking at is carbon tax; what kind of effect will that have on this? We are having our first meeting Monday on value pricing, looking at tolling on certain facilities in the Portland Metro area. That is something that is going to expand and there is an opportunity in technology behind the road usage fee to link those together. It would reduce the amount of administrative impact because you have a different and a more efficient way to measure it. You could also do congestion pricing by making that road usage fee measured based on time and location so you could tie it all together. We need to give the whole process time to mature before we go to the full mandatory system. Any other thoughts, concerns, questions?

Mr. Brouwer: I think you have given us good feedback and direction.

Senator Roblan: The weight-mile tax that we do that has been around for a while. Not all states do that.

Mr. Campbell: There were many states that had weight-mile tax. There was an effort to get rid of it, but we resisted here in Oregon.

Senator Roblan: I thought everyone had it.

Mr. Campbell: There has been intermittent discussions at the federal level about instituting a federal weight-mile tax for the very same reason we are having the discussion about the road usage charge.

Senator Roblan: We don't get any concerns from the trucking industry about being tracked or anything else.

Mr. Campbell: As the trucking industry has become more and more a system of larger trucking companies they actually use that data in order to make sure their systems are working efficiently.

Mr. Brouwer: There are now requirements for electronic devices in all trucks to track hours of service. It's becoming easier for compliance for trucking companies.

Senator Roblan: The technology is there. The technology for our vehicles, at some point it's going to happen on all models.

Mr. Allen: One of the things that has been most compelling to me is figuring out how, given we have been working on this for 20 years and people know it needs to happen, people are not very excited to go first. What other incentives could we give people to opt into this program? I like the idea of expanding the cap. We also should be thinking about looking for opportunity to get the people a reason to opt in so we get more numbers.

Chair Dirksen: That is another thing we are discussing.

Mr. Allen: Allow people to get out of DEQ testing if there part of this program, but test it remotely.

Chair Dirksen: Good points.

Senator Roblan: We are going to have the carbon pricing conversation there is supposed to be a reinvestment of those monies that come in that makes less carbon.

Mr. Malik: We recognize that the population doesn't necessarily, or can't, go immediately to this. There is a percentage of people that don't have checking accounts so you're not going to get everyone immediately. The great thing about the tax on gas is that it's easy to collect. Even if we do it by 2026, the newer vehicles can do it but not the older ones. If we go to this system today we would be losing about 15% of our revenue because you can't collect.

Chair Dirksen: Anything else around the table? Before we go to the final agenda items, where we talk about future agenda items, we did public testimony in the beginning of the meeting if the committee is ok with that after what we have heard around the table is there anyone who is present care to comment on that? Any public comments at this time in light of what we have discussed.

It sounds like we have given you a lot of feedback to weigh in on moving forward.

Future Agenda Items and Next Meeting Date

Ms. Dinsdale: We looked at calendar dates, especially when many of you will be here in town. Jan 9, 2018 might be a possible date. We can send you out information about that. It is intended to be at the Capitol. Staff can come back with some options, arrange concepts after hearing your conversation today of what that first 2019 suite could look like, so you can give more input.

Chair Dirksen: Mr. Allen had some great ideas that he came up with.

Ms. Dinsdale: You mentioned value pricing; if this committee was interested either at our next meeting or the one after that we have a lot we could share with you around that work that is happening both the planning work in Region 1. We are looking at the technology side and how that might possibly play with RUC in it. What I am also hearing from this group is a real desire to continue to show momentum.

Chair Dirksen: There are definite parallel issues moving forward at the same time that will impact what we do. We definitely need to remain aware of where those are.

Rep McKeown: I represent the co-chair of the joint committee. Two things are coming to mind. One, as the Transportation Committee Chair I traveled the country and met with other state-level policy committee chairs, and the first thing they ask is "how is it going with your road user charge?" It's very well-known across the country and they are very interested in our success and watch very closely. And second, on the technology side, I think it's remarkable if you look at what is going to happen in the future. We have the capability of putting a device on the car that will allow us to do an easy pass through congestion pricing across a bridge to use a toll and do the work you're doing with OReGO.

Chair Dirksen: Thank you for your comments and appreciate you being here with us.

Senator Roblan: We have only until next Tuesday to enter any bills. Otherwise we need to do what Representative Lively said and come to joint committee and talk about some of these things.

Mr. Campbell: What is a placeholder bill or a bill opportunity?

Rep. McKeown: Might check with the policy committees and see if they have any bills.

Chair Dirksen: Anything else before we adjourn?

The meeting was adjourned at 1:15 PM.