

MILEAGE BASED TRANSPORTATION FUNDING TASK FORCE

Minutes of the 3rd Meeting of the 2019 Interim

September 30, 2019

Call to Order and Roll Call

The 3rd meeting of the Mileage Based Transportation Funding Task Force was held on Monday, September 30, 2019, at 1:30 PM, in Room 171 of the Capitol Annex. Representative Ken Upchurch, Chair, called the meeting to order, and the secretary called the roll. The minutes from the Committee's September 9, 2019 meeting were approved.

Present were:

Members: Senator Jimmy Higdon, Co-Chair; Representative Ken Upchurch, Co-Chair; Senators Gerald A. Neal and Albert Robinson; Representative Terri Branham Clark and; Jim Oliver, Jason Siwula, and Bryan Sunderland.

Guests: Roger Cohen, Senior Policy Analyst to the Secretary, Pennsylvania Department of Transportation (via teleconference)

LRC Staff: John Snyder, Brandon White, Dana Fugazzi, and Christina Williams

A presentation from the I-95 Corridor Coalition regarding interstate interoperability

Roger Cohen, Senior Policy Analyst to the Secretary, Pennsylvania Department of Transportation gave a brief presentation regarding interstate interoperability as well as the Mileage Based User Fee (MBUF) pilot project that is being conducted by the I-95 corridor Coalition. Funding for United States roads and bridges has been primarily sourced through motor fuels taxes since 1919, when the first motor fuels tax was implemented in Oregon. It has been an effective way to raise and collect funds. In recent years, it has increasingly shown itself to be an inadequate source of funding for transportation infrastructure mainly due to inflation. The purchasing power of the federal gas tax has declined by over 40% since it was last increased in 1993. In 2013, the Pennsylvania Legislature passed “Act 89” which greatly increased the state’s motor fuels tax, giving Pennsylvania the highest motor fuels tax rate. Then a couple of months ago, California became the state with the highest motor fuels tax. Even with the increased motor fuels tax in Pennsylvania, a buying power erosion of up to \$100 million was realized annually since that enactment.

Mr. Cohen stated another reason motor fuels tax has become inadequate is due to the increased fuel economy of the fleet. With increased fuel economy comes decreased fuel consumption, leading to a decline in motor fuels tax collected.

Vehicle electrification has also become a main reason motor fuels tax is becoming an insufficient way of funding transportation infrastructure. The projection of market penetration from the U.S. Energy Information Administration posts three scenarios, a low, middle, and high scenario until 2040 given the increasing emergency of the climate crisis. It was determined that at least in Pennsylvania, the projection will lean towards the high side. A large increase in electric vehicles is projected. Revenues from gas taxes have been on the decline, particularly relative to GDP.

The Congressional Budget Office projects within the next decade indicate that the Highway Trust Fund will be deep into insolvency. A chart was provided to the committee to showcase the projections.

Mr. Cohen stated with the enactment of the FAST ACT, a provision was provided called the Surface Transportation System Funding Alternatives Program. The objective of the Surface Transportation System Funding Alternatives Program was to develop and research revenue generation structures for the long-term replacement of motor fuels taxes. The U.S. Department of Transportation provided research grants between \$15 million to \$20 million for five years through FY 2020 to complete the necessary research. The objective is to demonstrate user based alternative revenue mechanisms that utilize a user fee structure to maintain the long-term solvency of the Highway Trust Fund.

Mr. Cohen stated that the MBUF pilot's purpose is for research, not policymaking. Most MBUF research has been conducted in the western most states. California, Washington, Colorado, and Minnesota have conducted a MBUF pilot program. Oregon has an on-going MBUF program. A total of 14 states have taken part of MBUF studies through their Road User Charge (RUC) West membership.

The I-95 Corridor Coalition was formed to conduct a MBUF study that brings in the east coast perspective. The goals of the study include identifying technical issues and the feasibility of technology needed and used, identifying challenges of multi-state travel patterns, and studying interoperability with toll collection systems. The study is also meant to research public awareness of motor-fuels tax insufficiency and road user fee alternatives. Finally, the study is to research freight impacts, and user acceptance and concerns.

Mr. Cohen stated that a plug-in tracking device called Azuga has been utilized in order to complete various studies in the MBUF pilot. It is a device that the participants of the pilot program plug in under their steering column. A mileage rate was established that was roughly equivalent to the fuel tax rate per state and at the end of each month, the mileage is tracked and the participant would receive a simulated bill in the mail that would reflect on the vehicle miles traveled.

Phase one of the pilot project took place in Delaware and Pennsylvania in 2018. There were 155 participants with 459,000 miles logged over three months' time. One fifth of those miles were traveled out-of-state. Key findings from phase one included that privacy concerns were reduced by almost half, 31% of participants over-estimate the fuel tax load, users like the battery and car health features that the Azuga device provides, and 94% of participants stated they would continue participating in the research.

Phase two of the pilot project included a multi-state truck pilot. Partners of the truck pilot include the American Truckers Association; American Automobile Association; U.S. Chamber of Commerce; International Bridge, Tunnel, and Turnpike Association; National Governors Association on-governmental agencies; and the Port Authority of New York and New Jersey. The project included 55 vehicles that over the course of the first six months of the program have traveled to or through 27 states, and logged 1.4 million miles. The preliminary finding is that the technology may work with the tracking devices already used in trucks that integrate with the International Fuel Tax Agreement as well as the International Registration Plan reporting. The fuel efficiency penalty is amplified due to the intensity of use. There were 880 participants from 15 states overall in phase two. The majority of participants were from Pennsylvania and Delaware. Monthly statements from phase two were adjusted and used for education purposes.

Mr. Cohen listed some issues, complexities, and concerns with the MBUF program. One issue is the technology that is being used to track the mileage is not user friendly. Participants have issues finding the port, or being able to plug it in the port. They are also

having issues with going in and registering the device online. As a result of this, discussions have been had with the provider of the technology, and they are making some changes in the user registration.

Another concern is the large administrative costs associated with the program. Rural inequities and perverse outcomes, such as the system rewarding drivers of fuel efficient vehicles, are also concerns. Lastly, data privacy and security concerns along with a gap in public understanding is a complex issue that must be addressed. Support from state leaders is essential in the MBUF program. Recruitment to partake in the program was challenging and a key lesson that was learned was that enrollment in the program needs to be easier and faster. More information could be obtained through the website www.i95coalitionmbuf.org.

In response to a question asked by Chairman Upchurch concerning the administrative costs of the program, Mr. Cohen stated he would get that information to the Committee as soon as possible.

In response to a question asked by Senator Jimmy Higdon concerning looking at other ways to collect funds, Mr. Cohen stated they have explored other possibilities such as moving towards higher registration fees or reducing administration costs by going by an odometer based reading at registration.

Senator Higdon stated that the rural inequities come from people in rural communities are more likely to drive less fuel efficient vehicles, therefore it may benefit them to have a MBUF system.

In response to a question asked by Senator Higdon, Mr. Cohen stated the RUC West program is also looking into a MBUF system.

A motion was made and seconded directing staff of LRC to draft a summarization memo that the Task Force could go over in their next meeting. The motion was approved by voice vote. With no further business to come before the meeting, the meeting was adjourned at 2:05 P.M.