

Public Acceptance Panel

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Kenneth Buckeye

My experience with mileage fees goes back to the mid 90s when MnDOT was asked to do a mileage-based tax study. I do not know who the father of the mileage-based user fees concept is, but we had a legislator, Bernie Leider, who envisioned this concept way back in the early 1990s. Minnesota's mileage-based tax study was an outgrowth of his interest and concern. Representative Leider noticed that many motorists were registering their vehicles outside of the state due to the high fees. A lot of cars driving in the state were border state cars that were taking advantage of a very reduced registration fee in states like Wisconsin and North Dakota. So he wanted to say, "Let's just do away with the registration system and the motor fuel tax and start charging people on mileage basis." So we did a study on mileage-based user fees (MBUF) fees.

Today, many of the same issues still exist that were identified in that initial study. What is particularly problematic in trying to do a mileage-based fee alone is the border crossing issue. How do you collect from out-of-state vehicles? The results of that early work in Minnesota evolved into a pooled-fund study (with 15 states involved along with the Federal Highway Administration [FHWA]), which ultimately produced the report by Dr. Forkenbrock titled "A New Approach to Road User Charges."

Subsequently, our current governor has become very interested in this concept himself. As chair of the Western Governors Association, he followed very closely what was going on in Oregon and became very interested in that. At the same time we had applied to FHWA for a grant to study this notion because we thought it was a very important idea that was not going away. We were successful in receiving funding to conduct market

research on public perceptions and acceptance. We also had a parallel technical track going on, starting in late 2006 and continuing today. My colleague, Ray Starr, will talk to you more about the technical project currently underway later today.

The mileage-based fee market research has had several phases. In the first phase we conducted expert interviews, and, subsequently, we conducted two phases of focus groups. We are in the midst right now of doing quantitative market-level research that will establish a baseline of understanding regarding public acceptance of this concept, at least in Minnesota. We think this is going to be a long-term endeavour. We need to know if the public is moving toward support of this notion, if there is increasing acceptance of the idea. We have a research methodology that we think will help us determine the answer to this question.

What does the public know about transportation funding? There is a wide variation of understanding of what people pay for transportation. Very few people in our focus groups could actually tell you what the motor fuel tax was or what they pay on an annual basis for combined motor fuel tax and registration fees. People don't know what they pay right now. They have no context to know if a mileage-based fee is going to be a better deal or a worse deal for them personally. Their assumption is that it is going to be a worse deal. Of course, there will be winners and losers, but people do not know yet who they are. How would they know if a vehicle miles traveled (VMT) fee will be different if they don't know what they are currently paying? There is an urgent need for transportation funding and cost information to be disseminated. We need to help people discern their costs. That is part of what our research is going to do.

In our process of focus group work, we presented a couple of scenarios. First, we asked participants if the increasing trend toward alternative fuel vehicles presents a problem for anybody. They recognized that this is a problem, or were able to see how this may be a problem in the future. When they were asked, "How should we solve this problem?" their immediate reaction was, "You raise the gas tax"; you raise the taxes that you know. Their belief is that the gas tax is not broken. The lesson here is that we will have a very difficult job in convincing the public that we need to move from a system that is working to a much more complex system that is going to add burden and cost to their experience. There is a feeling that this problem, while real, is off into the future. They do not see the demise of the gas tax as an imminent problem.

Another insight, I believe, is that we cannot ignore the issue of today, which is revenue. And the only tools that we have right now would be tolling or raising the motor fuel tax. These are the two options the public sees. We have to be very sensitive that the public in general doesn't feel that the motor fuel tax needs to be replaced.

Within our focus groups we tried to help them to come up with a solution. "If we didn't have the motor fuel tax, what would we do?" Fifty percent of the focus groups were able, on their own, to come up with the idea of mileage-based user fees. Their reaction was that this concept is essentially "fair," or at least not inherently unfair. It is like a utility. They also recognized that there are significant implementation challenges, and we have heard

most of them today. There is nothing particularly new. Our research echoes much of what we already have heard today, but it was done in a more systematic and scientific way than over talk radio.

When asked about the fairness of the mileage-based tax, they said it was pretty much like the motor fuel tax in a sense. However, if a mileage-based or VMT fee were implemented, they would have all wanted to see a breakdown of what the different rates would be and what people would be paying. Their expectation is that the VMT fee would mirror the gas tax.

Let me give you some of the observations that I've made. The public questions the drastic nature of converting the motor fuel tax or even the registration fee to the mileage-based user fee. It is quite a difficult concept for them to grasp. So they are familiar with existing taxes, and their suspicion is that whatever this system is going to do, it will likely raise more revenue. In fact, they understand that we wouldn't be talking to them if it wasn't about more revenue. We have to be very honest with them on this matter.

The public's first fear under a complex VMT fee involving a global positioning system (GPS) is invasion of privacy and security. They also fear adding more bureaucracy to government, regardless of which way it is implemented.

A few years ago I took a course titled *Systematic Development of Informed Consent*. The first law of the instructor is this: any public policy, program, or project that doesn't address a serious problem is going to be short lived. The second law is this: a serious problem is a problem that affects your quality of life. If we are going to make the case that we need to do this, i.e., convert to VMT fees, I think we need to keep in mind that quality of life issue. A compelling argument would be that without the VMT fee, users should expect a decrease in performance of the system, less service on the system, or deterioration of the system.

Matthew Kitchen

Ken raised a couple of specific points. One is that it's probably not a compelling argument to say that we have to do something dramatic to replace the fuel tax if all we are going to do is replace the functionality of the fuel tax. Most of us, who spend a fair amount of our time thinking about issues in transportation finance, clearly see that there is a looming problem. That is not a compelling perspective for most people. Saying that the public sector will find itself challenged in finding the funds just doesn't particularly resonate with many people. So we spent a lot of time avoiding some of the fundamental points of the discussion.

When we generate revenues in the project we did (Puget Sound Traffic Choices Study), from tolling the use of specific roadways, we had new information available to us. We now have in the public sector information that we've never had before (where revenues are generated specifically). The question is, "What do we want to do with it (this new information)?" If we simply allocate programming decisions to a political process, then it

is not going to be compelling to tell people that we need to change the way that we generate revenues to finance that political distribution. We have an opportunity instead to focus politics on what it can usefully do, which is setting policy and not making programming decisions. And that is a really delicate subject. It is not something we generally want to spend a lot of time talking about.

When we did focus group work, yes, they mentioned privacy. Yes, they mentioned concerns about how fair this would be to different users. But what they really wanted to know is, “What are you going to do with the revenues?” People intuitively understand what it takes an economist to articulate in mathematical terms, where almost the entire usefulness of something like this is wrapped up in how you program revenues. If we are going to meaningfully advance the conversation, we have to treat people as smart, intelligent adults. Say to them, “Look, we need more revenue and we need to use it differently.” People aren’t particularly happy about the way current programming is progressing.

Not everyone is going to be happy with any particular distribution of revenues. The objective is to have a rational way to allocate resources. We can do that because we know where people value the assets (based on willingness to pay) and we can make the investments where they value the asset as opposed to simply saying, “Trust us, we’ll find something useful to do with the money that we get.” We all have a cell phone, and we accept the privacy issues as they relate to carrying and using a cell phone. I am happy to accept the compromise that this represents in terms of privacy because it’s a valuable asset. It does something for me that I am willing to accept. If we can’t convince people that there is an opportunity here (in terms of road charging), something that they value, then they are going to say they don’t like it because of the privacy issues, or because of the fairness of it.

We need a specific set of proposals about what it is that will fundamentally change about the way we program revenues and set policy. And that includes everything from the federal government on down. It is a big challenge. I don’t have a lot of insight into the specifics of developing a public acceptance program. But I do know that we probably need to assume that we have a set of constituents and users out there that are very intelligent. They are making choices already. They maximize their own interest. They might not know how much exactly they spend on transportation, but they have a pretty good barometer for value, and they know when we are not being straight.

Richard Trey Baker

I want to start my comments by stating that transportation does not rank very high on the lists of people’s most important issues. It’s not above the economy, it’s not above health care, and it’s not above education. It is a challenge. We are trying to change something that the public is used to (the fuel tax), and we are potentially poking a sleeping bear here. So what kind of strategies do we need going forward? I am not really sure. I am hoping that is something we can discuss here.

We did some research on public acceptability of mileage-based fees. We were not able to do it at the level of MnDOT, but we were able to establish a community advisory committee and hold two focus groups. The advisory committee was a group of citizens that met regularly, and we were able to present information and see how their opinions changed as they got different information and discussed different topics. The focus groups were conducted in the Tyler-Longview area, so our research effort had more of a rural focus.

At the time, fuel prices were driving a lot of the discussion on transportation, as when we did this study fuel prices were extremely high. So I don't really know to what extent people still care about transportation issues since fuel prices have dropped. It's likely that since we are seeing some low prices, transportation is not on people's list of priorities.

There is a profound lack of knowledge with regards to the fuel tax. Virtually no one is able to tell us what the amount of the federal or state taxes is. Nobody is aware of how much they pay in fuel taxes. There is also a strong lack of knowledge related to the funding process, even within the transportation industry. We tried to develop a flowchart that showed the path fuel tax revenues take from the point of collection to where it finally goes to the department of transportation (DOT). It was hard to find people in the DOT who could help chart that process. And this does not sit well in the public. It looks like a wasteful process. One of the most salient aspects of mileage-based user fees is that there is the potential for retention of local funds. Everyone thinks they're getting screwed. At least with a system such as this they would know what they are getting. It is transparent and it is something that can be understood, and there is justification for paying the fees.

There has not been any independent connection made between increasing fuel efficiencies and declining fuel tax revenues. It isn't something that people think about all that often.

We did have some privacy concerns expressed. A lot of people think that since this study was done in northeast (NE) Texas that there were going to be some farmers with guns that would hate this idea but, in fact, there was a very wide range of opinions on the subject. A lot of people didn't have a problem with it. "They are already tracking us with our cell phones" was heard more than once. There are also some people that do not know about this topic at all. It is important to explain how the Oregon pilot functioned and how they protected privacy. That was reasonable for a lot of folks. There is a potential to reduce concerns with respect to privacy. However, there is also that segment of the population that is not going to be happy with the government having any additional information at all. Right now we have an honest system. "Government knows absolutely nothing about me, and that is the way it should be." We are never going to be able to convince those people. There is always going to be someone that is not going to like this.

We didn't see much concern for penalizing drivers of very high fuel efficiency vehicles. Mileage fees were generally seen as fair; however, that did not translate into acceptance.

The potential for new administrative requirements was a big issue that came up over and over again. It all came down to “If it is going to cost you more to collect a dollar of mileage-based fee than it costs you to collect a dollar of fuel tax, then what is the point?” Wasteful spending was a recurring thing. “Bridge to nowhere,” “earmarks,” and diversions were continually mentioned: “How do we know these funds are not going to be diverted to more bridges of nowhere?” “What is different in a mileage-based system that is going to keep you from wasting the money as opposed to the fuel tax?”

What we are seeing now is this development of the need for added value. How do we tie in paying for vehicle insurance, or how do we incorporate real-time travel information into the system? The system needs to be an improvement. It needs to offer an added value over the existent system. How are drivers going to be better off? The network is going to be better off. The transportation financing system might be better off, and rural areas might get more money, but how is the individual driver going to be better off? That is something that we haven’t been able to establish yet.

Questions & Discussion

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1. Matt, thank you for this round. These are the most important findings we have seen in the past five years. Up until now we’ve known what demand has been for any various regional network. What we haven’t known is the value of that demand. This chart right here shows directly what the valuation of our system is. The question then, as we move forward for public acceptance, is do you believe that there is a way of taking that valuation and translating it in a way to the public that can help move the conversation forward to mileage-based fees or congestion pricing fees in this case? (Question refers to slide 22 of the Puget Sound Traffic Choices Study presentation made during the symposium’s introductory session.)

Matthew Kitchens answers:

I agree that this is the most important bit of information that has come out of our study. It is hard to have that conversation since you are still saying the public has to trust us. We are going to make a promise, and the promise we are going to make is that we are going to do things differently than how we’ve done things in the past. Any reasonable person will want to see it. So what we have to say, basically, is that if they want us to show them, they still have to trust us. The technical answer is that these are charges that represent the burden that people place upon capacity, which is a direct equivalent to what we need to do to solve the congestion problem. We need to make investments in capacity where capacity is justified. Separating pricing from finance is nonsensical. For me, it is nonsensical to talk to people about a flat rate as a replacement for fuel tax because it doesn’t get at the opportunity value that this entire situation represents. We need a true integrated solution to combine the finance and mobility management dilemma. And that has to translate to people as not being stuck in traffic. I am not paying for things that we don’t need. I am not paying for things that we could find a way to avoid by investing in some other cost-effective way. We are getting the most we can out

of our set of assets while also making sure that we don't impoverish them. We are not being miserly about this. We are saying we are going to invest in things but not everything. I am not all that hopeful in the near run. I think what we are more likely to face is a fundamental fiscal collapse, and it will be late and we will have to do something quick, and we may do the wrong thing. I think we could avoid that.

2. *(Statement from audience member): The current system we have pretends that when the metropolitan planning organization (MPO) has a series of public meetings, and 150 people out of a million in the area come to those meetings, that we have provided a plan that the public understands and embraces. The fact is they know so well how the system works and what is going on that they don't even have a way to compare what we are talking to them about. Local retention—if you imagine the system where when you get on a federal road you pay a federal fee—that kind of makes sense. And the federal system is going to determine how that money gets used. You have a state fee that pays for the state system, which is going to vary from state to state, but generally you have a little more faith in that system. It has more visibility and transparency. And then you get to the local level where it is going to be more meaningful. People right now, when the MPO or the county says, "We need to build this road," will understand. It's still tricky how you talk about it and how you present it, but clearly it's more transparent. People who experience pricing become more supportive of pricing because you start to see how it works. You start to see the logic. You see how it fits into why the price goes up because you noticed you are starting to get slowed down in the morning. So if you are in the 91 express lanes in southern California, and it starts to get clogged up, and the next Monday the toll rate increases, you know why. All these things are very closely related. The beauty of VMT that we have to figure out how to get down to people is that it should flip. Right now we have a federal process that dominates decision making. If you go to a VMT system, if it is all well designed, local problems are solved mostly by local fees working with the states and feds. And that is something people can understand much better. What we can do is to implement this where your federal fee is only going to pay for the interstates, but it is just the interstates. All the rest of it is going to be a local decision. And people kind of know in a lot of ways how local desires drive a lot of the state's ways of doing. You start to get something that has real meaning to the average citizen, and the answer is, "What is in it for me?" That is getting to something that is more transparent and more trustworthy to people.*

3. *One of the problems with the gas tax is exactly this: if we move to a VMT tax and can recognize where people are driving, it will provide the indicator of where investments need to be made. Would this info be reason for the public to move forward into mileage-based user fees? When we talk about influencing public opinion acceptability, how far do we have to get there before it can be mandatory? How much public acceptance do you have to get?*

Ken Buckeye answers:

Based on the market research I have done, I would say none. And the reason I say that is because what we are showing here is 5 percent of the Seattle metro area system. So you are trying to build a mileage-based user system that has all of the bells and whistles, the

congestion management function, built in it. You know, 99 percent of the roadway system in Minnesota is never congested.

Questioner responds:

I am not saying that from the standpoint of congestion; what I am saying is from allocation of funding to where the demand for transportation is.

Ken Buckeye responds:

Another point—we have an annual survey, and it shows that over the course of the last five or six years, traffic and transportation have risen to the top consistently to the number one or two issue in the twin cities’ metro areas. People think about transportation a lot; there is no question about it. They are not honed in on solving this congestion problem. The problem is that transportation is personal.

Trey Baker responds:

I don’t see this slide as being particularly convincing for the public in NE Texas, but for a different reason, mainly because mileage-based fees were seen as a possible gateway to social engineering by the federal government. You have all this data about where we travel, when we are traveling, and with so much data showing where and when we travel, what’s to stop you from a system management perspective from implementing social engineering? This idea of “abusing” the transportation network for social engineering did not fly all that well.

Questioner responds:

How much public acceptance needs to happen before you implement a mandate?

Trey Baker responds:

I don’t know. In looking at the REAL ID, which was a federal mandate that, to me, is kind of similar to what we might potentially be looking at here, we have separate states and localities, all managing their own systems, and if a federal mandate comes down saying we are going to coordinate, it is going to be difficult. You are going to encounter the same problems. I am not sure what is going to happen in California, for example. There they have a proposal that will require Californian drivers to report their mileage. They wouldn’t be charged for it; they would just report it and then that information would be used for other purposes. That would never fly here. It is very regional. I don’t think you can aggregate public opinion. It is so regional that I am not really sure.

4. Jerry said to make it easy, clear and popular. What are the top three benefits to our constituents with respect to mileage-based taxing? I really don’t know how we sell it unless we can articulate the benefit to the drivers.

Matthew Kitchen answers:

As a pure fuel tax replacement, they may say that they are going to get what they currently have. There is a lot of work that goes on to maintain the current transportation system and to make the incremental investment. We are going to make a transition that is going to be hard. It is going to be difficult. Things are going to be the way they are until

there is a fundamental collapse. Moving to a different way of financing things seems to be a better choice. There is some merit in that, but I have no misconception that that is a conversation we need to be having. I think there are huge opportunities. There are real limits to central planning. If we cannot use these revenues for useful purposes, we should go no further. If you do not use the revenue sensitively, everybody is worse off. This is a disastrous idea if we cannot be clear that we can use these revenues for useful, productive purposes that benefit people's life. If we can't do that, we should stop this conversation immediately because everybody is worse off.

Questioner responds:

From a revenue neutral perspective, how can we sell this idea?

Kenneth Buckeye responds:

What resonates is that we have got a threat out there on the horizon, which is alternative fuel and electric vehicles. We have a goal in environmental state law that is looking at reductions in energy consumption in Minnesota by 25 percent by 2025. Those two things seem to resonate with the public that there is a problem and it needs to be studied. Is a mileage-based user fee (MBUF) the solution? I don't know. It needs to be studied. The gas tax system is failing. MBUF needs to be considered and studied. I think that there are other applications that can be combined with mileage-based user fees that we are attempting to do with our administration in Minnesota, such as safety, traffic information and such.

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