

## **State and Local Perspectives Panel**

Tuesday, April 14, 2009

### **STEVE SIMMONS, Moderator**

*Deputy Executive Director, Texas Department of Transportation*

### **JOE CANTALUPO, Panelist**

*Executive Director, Capital Area Metropolitan Planning Organization (CAMPO)*

### **REPRESENTATIVE LINDA HARPER-BROWN, Panelist**

*Texas House of Representatives, District 105*

*Member, Transportation Committee and Elections Committee*

### **JOHN CLOUTIER, Panelist**

*Chair, Public Outreach Committee,*

*North East Texas Regional Mobility Authority*

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### **John Cloutier**

I would like to thank Trey and Ginger and the Texas Transportation Institute (TTI). They came to us through the North East Texas Regional Mobility Authority and asked us to participate in one of their studies. The study was to find out how receptive small urban and rural people would be to a user-based tax.

Today, we've heard a lot of people discuss metropolitan planning organizations (MPOs). A really important fact that came up is that 85 percent of Texas is not in an MPO. If I need to build a project where I live, I've got no MPO. I've got no direct fighting mechanisms. Once you get to the rural areas, pursuing revenues for a project is difficult because Houston outvotes us. We are 20 percent of the territorial land mass of Texas, and the connectivity in Texas is what really matters. We need to be in the game, but a large portion of who we are is not represented by an MPO. "Solving the math" is, therefore, not the only thing that concerns us. It is not a matter of do we pay or not pay enough.

I am a fairly conservative East Texan. When TTI came to us and asked us as part of a public outreach to work on their study, I ended up sitting through four sessions about the gas tax, how it is collected and how it is distributed. There's a project in my area that's been trying to get funded for 15 years. We fight for it politically. Solving the data doesn't do any good, as it doesn't give me any representation. If I don't have the politician in the right spot, I don't get my project funded. But there is a problem with the gas tax, and I was enlightened to it.

The first gas tax in Oregon was called a road user fee, and that is really important. We are very far from the principle of the gas tax being a road user fee. As consumers, as taxpayers, as constituents, we are miles away from that.

It is difficult to convince men and women on the street that there is a problem. They really don't believe there is a problem. Transportation is not a sexy issue. Their belief is that they are paying enough. Diversions here in Texas are a very large issue: "You mean 25 to 35 percent of our gas tax money is going somewhere else?" A large portion of our population is ignorant of that fact. We have to convince them that there is a problem.

We don't want the government to change the kind of car we drive. If the idea is to think that a one-size solution will fit all folks, you are barking up the wrong tree. If you expect people in East Texas to be normal, strong Texas citizens and pay into a system that is set by the legislature, and they can track what we get back out of what we pay, well then we can sell that idea. I can tell my folks, "Yes, we are going to collect the money in a different way and we are going to be able to prove to you not only what is taken but also where it goes." What I have said is to ask the next 10 constituents how much they pay into the gas tax. Most of us in this room know that they won't know. But then ask yourselves as a representative, is it okay that they don't know? It is a political game to get it back. If we are talking about principles of taxation, do they know what they pay? Do they know where it is going? And can you prove it to them?

Why would I index something for inflation that doesn't work? My sister is an attorney, and she thinks there might be an equal opportunity lawsuit in there. My community, for 15 years, has been chasing revenue for a really tiny road building project. Does the first kid that dies on that old road bring a lawsuit to the front? For us it does not much matter, all these great ideas. This thing is loaded with great ideas, but great ideas don't pass laws. Armies of people pass laws.

In politics how long do you think you have to have this discussion, to win or lose? You have 30 to 50 seconds to influence someone and educate them. You are not going to get two days of constituents' time. We spent four days with our research group, and we saw the change and the opening of minds and the understanding of the problem. You are not getting that time with the constituents to convince them of the problem.

Added-value is something we can explain in East Texas. It can be presented as local revenue production being delivered on local projects. Taxpayers and constituents will want to see the added values. You have to convince them of the problem and you have to give them an added value. And they want to pay cash. All of these systems and mechanisms that we've heard about are all high leverage and tolls. We don't have toll-viable projects. Leveraging is not the answer either. This got us in trouble in the housing market. Tell me what it is going to cost to pay cash so that we can build the road we need every 15 and 20 years. There are less of us, but we have less need as well. We just need an accurate funding mechanism.

This will force the locals to want what they can afford. The vehicle miles traveled (VMT) fee also alleviates the guesswork and eliminates the urban vs. rural conflict.

Somebody mentioned from-the-ground-up and top-down policy building. It seems very simple to me that the federal government wants to release data requirements. Ask to talk to the gas pump at a certain frequency—it's not complicated. Technology can do whatever we want.

We have a vast generational difference in my household. You really need to consider these constituencies as you decide on policy. With a one-size-fits-all approach you are destined to fail. Imagine rolling out a “grandma” unit that clips on your car and talks to the gas pump. Sons do Guitar Hero and have the ability to push many buttons, so they will not want the grandma unit. They'll want to have as many applications as they can get. There is a technological shift between generations where we can see the problems, but if we can't sell it to folks, if we can't convince them that they need the system and that they will have added value and the trust, then it is irrelevant.

Here in Texas we have the opportunity to come out revenue neutral. I see it as an end of route to those diversions. We know where those diversions are going, and those are tough. We have to find a way to get around that. Tax the wheels, not the legs folks. Tax the vehicle, not the people.

### **Joe Cantalupo**

I think I am the only MPO person here, so I can say anything. I joined the symposium late in the morning, and what I heard was a lot about technology. So what could be the three or four things I can tell to the group that they might appreciate from an MPO guy? What would MPOs or large urban areas find appealing about mileage-based fees? I will make three or four points and stop so we can move on.

The first thing is that there might be more predictability in revenue under a VMT-based fee. Urban areas have more needs than we have revenue for. Some of this is our own fault. We took too much of an optimistic view of what things cost, and revenues haven't kept pace with what our needs are. We heard this morning some of the problems with the gas tax. To me, as a person who works in a large urban area, one of the appeals of a VMT-based fee is that it is more predictable. When we offer more predictability in the revenue, then we can plan a program, and selling those plans and programs becomes easier. I will tell you that we just started the development of our next 20-year plan. We are starting with the premise that we will lose about 50 percent of our current plan, and part of it again is because of the reasons I mentioned. Having a more predictable revenue source, whether it's more or less, will help us avoid getting into a situation where we need to get rid of half of our existing plan. We've started to have that conversation with our region, and I will tell you it was not a happy conversation. Even before we think about the new plan we started the discussion about what new needs have come up since the last plan.

The second appealing thing about a VMT-based fee is that it would help us better explain some of the inherent conflicts we've built into our plan process. Plans include programs, projects, and provisions to meet air quality standards. It occurs to me that all these things we are trying to do, such as make the environment cleaner and increase fuel efficiency, are the things that reduce the revenue gained from gas tax. I don't know what the penetration rates are for alternative fuel vehicles, and I don't know what they will be, but I do know we will have less money to maintain the system we've created. I think going to mileage-based user fees (MBUFs) helps to reconcile differences. It helps people understand it better as we are removing some of the conflict.

Another appeal is that it has the potential to get some funding down to the local level. I did a very quick analysis of our 2008-2011 Transportation Improvement Plan (TIP). One-third of the program includes local funding. More responsibility for our transportation funding will get pushed down to the states and local governments who have limited ways to raise funds for projects. Local governments have very limited ways of raising money to maintain and develop their part of the system. It might be easier for local governments to get the needed funds for projects. It begins to better connect the use of the system to what it cost to develop and maintain it.

A VMT-based fee helps us meet the challenge of explaining to people how their decisions about where they work and live affect our ability to provide transportation services. One of the things that we are struggling with now is how do you widen that argument? Our ability to provide transportation services is tied to getting them water, schools, emergency services, etc. We are trying to paint a very big picture for folks about how their decisions of how they grow and develop affect our ability to provide them with various types of infrastructure. That is hidden from people when they go to the gas pump. They don't know how much gas tax they are paying and they don't know where it goes. Moving toward a VMT fee starts to get people thinking about the money they spent on transportation. It can't hurt for us to get people to start to understand how it is all connected. Whether or not we get to a VMT fee, whether it takes 5 or 10 years, having that discussion with folks about what it means and what is bad about it will help us illustrate and teach folks how everything we do is connected.

### **Representative Linda-Harper Brown**

We in Texas are facing a funding crisis. We just can't keep up with the infrastructure that we need and maintain what we have. We've got to look to another way. I think that the mileage-based user fee is a clear alternative to the gasoline tax. I will tell you why. We talk about toll roads all the time. Why should we charge fees plus a gas tax to build a road for our citizens to be able to increase mobility? And we talk about economic development.

Transportation isn't sexy. It does not matter if you care about health care and you think that is the most important expenditure you can have and is the most important issue on the state budget, or whether you care about education and that is the most important issue in a state budget. If we don't have mobility and we lose business to other states, then we

are not going to have the money to fund those either. It is difficult to get legislators to understand that. So how do we change that mindset?

Relate user fees to water. Everyone needs it, and they will be using it daily. Pay for it when you use it. What we do in transportation is just the opposite. We charge a tax on the gasoline. We collect that money for the last year, for the time you used it last year, and then we repair roads for tomorrow. It is not based on the need for those roads and is not based on the need to repair. But we are saying this is the only money we have of the taxes you paid last year.

What I say is that we are in a transportation drought because we are only basing it on what money we collect. If comparing to water, it is like saying we are going to impose a water tax on everyone for water you consumed last year, and once we have those revenues we are going to divide them up and this is all you will get this year even if you are dying of thirst. This is a serious situation. We need to find alternatives to the way that we tax.

I'll use my district of Irving as an example of road maintenance issues. Every major highway in the metroplex goes through Irving. Our roads within Irving were built back in the 50s or the 60s and have not been redesigned since then. You are looking at a road that was created before we had as many vehicles or vehicles that were traveling as fast as they are now. No one seems to be paying attention to that. We need to redesign some of these roads, but we don't have the dollars to do it. It is a safety issue as well as a mobility issue.

We need to go to a fee that is more equitable to people. We all have to pay if we want to use the road. Eliminate the gas tax and move to a user fee. We justify user fees for anything all day and all night, but not for transportation. If you think about the green initiatives that are taking place around the world, whether it is for electricity or water, we all think about being green. But if you think about going to a vehicle miles traveled, people pay their gas tax and they don't realize where it is going. They don't know how much they are paying. Very few know what the gas tax is. When the gas prices go up, constituents think "it is the darn government and those taxes they are charging," but it is a set fee. They didn't go up. Gasoline went up, but it wasn't because taxes went up. People don't understand what they pay on their gasoline and how much it really costs.

If we go to a vehicle miles traveled, perhaps it would cause people to think about how many miles they really drive. I heard that about 35 percent of the people on the road during the peak hours are people who are not going to and from work. Thirty-five percent of those people are retired and could travel during other times of the day. So if you tie a vehicle miles traveled to a congestion index as well, perhaps people would start having meetings a little later on in the day, consolidating trips, keeping them in close proximity, walking to the store. With fewer vehicles traveling, then perhaps we don't need as many roads. By consolidating trips and keeping trips in a closer proximity, vehicle miles and congestion could be cut down. You can also think about air quality improvements, and if fewer vehicles are on the roads because they are watching their

mileage, perhaps we don't need as many roads and we don't have to continue taking right of way. Maybe people will start looking at transit as well.

On VMT, it might be the rural areas that wouldn't want to participate in that type of plan because of the distance they have to drive to get to a store or wherever they are going. I was really impressed that East Texas said that they wanted to do the pilot program. Their idea was that if they do drive more miles, and if you based the fee on the mileage, and then return that money to that area of the state, then they thought they could benefit more because they have more money to repair and replace the infrastructure that they need. I think this is an important component.

How do we do this? How do we judge people driving from out of state? People who don't have the technology on their vehicles? We cannot address every single issue that might come up. Let's not even use technology except what exists today. Let's make it as simple as your registration. When you go to get your car inspected, you're actually charged for the miles driven. You are charged when you register the vehicle each year anyway, without any black box or invasion of privacy whatsoever. Let's just do it on the number of miles that you traveled and see what we can do. Maybe we can do an alternative for those vehicles who want to pay a gas tax instead. Let's take simple steps first and see if people can see how easy it is and how VMT works and then try to use the technology because that is one of the most difficult issues that I faced on the legislature. People are worried about the invasion of privacy. However, if you look at everything that they track us on today—I can't even go to the grocery store and buy some groceries without being tracked. They know how to target me with their ads. They track us everywhere. They know everything we do, so why can't we use this technology to help us? To try to get people used to it, we even looked at the possibility of charging just on the registration.

One thing that would help us figure this all out is that there are many companies today that give you a card if you drive a company vehicle. You put your vehicle in and put your mileage into the pump. This is already available to people. They register their mileage accurately and keep up with how many miles the company vehicles are being driven. I understand people could cheat the system, but if you put a fee and then you have a certain type of fee that says that at the end of the year if you are more than 2000 or whatever number of miles under what you pre-paid at the gas pump using this method, then you pay a higher fee because you definitely are cheating the system. So you can keep that cash flow going. Vehicle inspections are not only at the end of the year. They are throughout the year, so this could actually charge people and the Texas Department of Transportation (TxDOT) will still have their cash flow.

There are still issues with trucks being driven from out of state, broken odometers, these types of questions that come up. We're trying to get a bill that we hope we could put in place right now that would automatically move to vehicle miles traveled, but we decided it was a little too much to undertake. We didn't see how we could move forward given these issues. So we backed off, and now we have a bill that we've actually introduced that will require TxDOT to create or establish a user fee pilot program in the state of

Texas. Now we have put a bill in to do a pilot program in the state. Texas is a large state. We have so much diversity and we have so many interstates highways and so much truck traffic due to the North American Free Trade Agreement (NAFTA). How would we get people to pay for it? What would fit us? Every state will be different. Let's see what Texas would look like. If we can get it started here I think it would not only be a research project to answer these questions we have with regards to starting a program immediately, it would also be an opportunity for educating the public and the legislators. We have a long way to go in simply educating our legislators. They have heard the complaints and are weary of this user fee, etc. So by doing a pilot program we educate all of these people. I think at the end there is a greater chance of using this as a solution. We know we can't continue charging a gas tax because of more fuel-efficient vehicles, but we also can't continue this way because of those alternative energy sources that aren't being taxed at all for the use of the roads. To me, this is a more equitable way of paying for our roads than the system we have.

## ***Questions & Discussion***

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*1. I liked the way you sell the mileage user fee concept. What is the reaction to the bill? How do you see moving this forward?*

*Representative Harper-Brown answers:*

We have this cynicism about what data will be gathered, but I can tell you that some of my strongest opponents in the past are now getting to realize that this is probably a more fair and equitable way and something more sustainable than the current practice we have. I am getting a much better response than before. The rural areas seem to have more concern than urban areas. In the rural areas their concern is that this is a way for us to charge for their heavier pickup trucks, and that we would be going to a fee where the heavier the vehicles, the more we would charge. We might have to look at commercial vehicles, but on a typical pickup, I don't think its going to do that much more damage. But what we want to do is to look at incentives for fuel-efficient vehicles, sort of a discount. They are beginning to realize that there is some benefit to VMT if the money returns to their area. We could do this without technology at all. It would be more difficult, but we could do it. We just try to keep moving. I would tell you the legislature is not the transportation session I'd hoped it would be. The whole past year has been spent on transportation issues, funding, operating and also on the different issues related to transportation. This is not turning out to be the session when we address the big transportation issues. The economy downturn is the new focus. The focus is now "How do we keep people working and how do we find new jobs?" So that overshadowed this, but we are going to keep moving along, trying to get colleagues to discuss transportation and see how important it is to look at a new source of revenue.

*2. A couple of the benefits include better equity, at least from the point of view of rural folks in terms of the share. What impact could this have, as there is not any less need in*

*the urban areas for this share. So why would they get a less share under this new funding mechanism? Secondly, another benefit that the representative mentioned was that it would perhaps cause more conservation or fewer trips, but wouldn't that create the same kind of revenue impact that the fuel economies have on the gas tax?*

*Representative Harper-Brown answers:*

The mileage user fee may have some impact on the public. The biggest concern I have is that we are moving to alternative fuels and that we are getting away from gasoline all together. As we move away from gasoline all together, then how are we going to pay for these roads? We are not taxing the alternative-fuel vehicles. There is also the idea that the fuel-efficient vehicles on the road are doing the same damage to the road. They buy less gas and still impact the transportation system. Another idea I had was that the reason we have this is because we have more vehicles on the road, so we can move our vehicle sales tax over to transportation and we would have a lot of money to build roads. The problem is that the downturn in the economy means less money being spent and less for transportation. We have to have a new revenue source. We can't continue to just tax gasoline and expect it to pay for the roads that we need. It is just not going to work.

*Comment from the audience:*

Coming back to Representative Brown regarding a need for education—I wanted to make a comment. In terms of the availability of funding though state local technical assistance programs (LTAP), I think this is a perfect example again of what these technical system programs have got in training and education. In Massachusetts we have training sessions for all elected officials, state and local, as well as professionals who need to know what is the problem and some of the solutions. What the VMT user fee means, what it doesn't mean, and so on. These programs have money, and they are looking for good ideas.

*John Cloutier responds:*

One of the things you mentioned, public partnerships, is one of the things I would like to mention too. In the last session we were discussing what technology can help us. The discussion about road user fees takes a beating, but who is putting together the Jim Wittys and getting them out to where they need to be? We need to be pushing the public, attending speaker's bureaus, now.

*Representative Harper-Brown responds:*

Did I get your second question? One of the points I want to make is that right now I see urban areas being disadvantaged. They are paying gas tax and are now paying tolls. We are paying the gas tax and now we are going to pay a toll—that is like double taxing. For me, a user fee for roads all across the state is the fairer situation, where everybody pays a little but those who drive more miles and are on the road more are going to get a bigger percentage back than those on the other side. If you need additional dollars for other areas of the state, then you need to come forward and ask for that money. We could pull from the general revenue fund. There are similar problems with hurricane rebuilding. We don't get people to understand. When we started the gas tax we didn't say, "This is the only money you could spend on roads," but that is the way it is interpreted here. If the gas tax generates enough money you get roads repaired. Right now with the problems we have,



with the hurricanes and the roads we are going to have to get repaired, why wouldn't we leave our funding in place to keep on with our transportation plan that we already have? Use our gas tax dollars for that and then say, "OK, if you need additional roads, if we have this emergency here, we take that out of general revenue." To me, that is what needs to happen. We've got to start thinking that general revenue money is not just for everything else but transportation.

*Joe Cantalupo responds:*

It is an interesting question that I haven't thought of. If we went to a mileage-based user fee, will the miles traveled in urban areas be enough to carry the maintenance of the system in those areas? It would be an interesting analysis to undertake and to see. Many will argue that most of the problem right now is on the urban areas.

*Audience member responds:*

From the point of view of this gentleman from East Texas, he was saying it might be a new way of dividing up the money that hasn't been thought of in the legislature.

*John Cloutier responds:*

My point of view is that you start from a basis of fact. If you collect these revenues and you know where they came from and who is driving where, you are starting out the conversation from a logical, factual point and then encounter an emotional urban versus rural issue. Now we need help. We are out of money, so we take that project to compete with another project in another part of the state, but at least my constituents can see it. And they can track it. And this is really the only tax revenue that I can figure out that I can't trace to that same level.

*Steve Simmons responds:*

I think it gets down to fair share. Houston and Dallas get more money. The urban sites get more money, but in reality nobody is getting their fair share. In order to create that understanding with the citizens, that what they are paying in they are getting back, we will never be able to get to that unless we can do something to increase it.

*Audience member comments:*

You are still talking about a state VMT fee that is allocated by the state to every local government in the state. That is the wrong model. The model is that there is a state VMT fee you pay for state roads and there is a local VMT fee that pays for local roads. Austin, Houston and Dallas will pay for all their service streets and all their arterials plus their share in state highways through their local fee. And it will be what it cost them to provide that service. You pay a state fee, not a local or federal fee, if you ride on a state road. You may have some situations where it is mixed, but there is no reason to think that we would still have the same allocation problems. You use the technology to solve the problems.

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