

Oklahoma Road User Charge (RUC) Task Force meeting

Meeting Minutes

Thursday, November 09, 2023

Call to Order

The Oklahoma Road User Charge (RUC) Task Force meeting was called to order at 1:05pm.

Roll Call

Task Force Members Present were Jessica Grogis, Jim Newport, Jonathan Fowler (Virtual), Michael Lynn, Scott Minton, Rep. Brian Hill, Mark Willingham (Proxy for Todd Hiatt), Chris Schroder, John Sharp (Proxy for Mark Sweeney), Nathan Wald (Proxy for Caden Cleveland), Sen. John Haste, Rich Brierre, and Ashley Stuart.

Task Force Member Absent was Mike Fina.

Approval of Minutes

Approval for the minutes from the June 22nd, 2023 meeting.

ACTION: Sen. Haste moved and Mr. Newport seconded that the minutes be approved as presented.

MOTION: Carried by the following Vote:

AYES: Gatz, Grogis, Newport, Fowler, Lynn, Minton, Hill, Willingham (Hiatt), Schroder, Sharp (Sweeney), Wald (Cleveland), Haste, Brierre, and Stuart.

ABSTAIN: None

ABSENT: Fina

Tim Gatz – Chairman

Mr. Gatz asked that after Mr. Witt gives a summary of the legislative report, task force members should express any concerns, and make any comments or recommendations about the first draft so it can be properly documented.

Summary of Legislative Report Components – Kary Witt – Project Manager (HNTB)

The main body of the first draft of the final report is approximately 30-35 pages and was designed with consideration of the audience – legislators can read and understand it in 15 minutes. The report answers questions but doesn't bog down the reader, and technical detail has been placed in the appendices. Task force members were asked to review the report to make sure all points were covered with no obvious errors.

The report gives an introduction and history of road user charge (RUC) in Oklahoma, a list of the task force members, legislative mandates from HB 1712, and federal grant consideration. It describes how transportation is funded today and the current situation (apportionment and uses). Motor Fuel taxes depend on gallons consumed on vehicle miles traveled and the increase in fuel economy has eroded motor fuel taxes. This is expected to continue and furthermore, motor fuel taxes do not keep up with inflation.

Pay-per-mile (PPM) is where motorists pay for use of the roads based on the distance traveled rather than the amount of fuel purchased. It is described as a stable revenue source. It is consistent and tied to road

usage and perceived by the public and stakeholders as being fairer. An easy way to understand and explain is - the more you drive the more you pay. Fees can be tied to weight/class of vehicle, fuel economy/source, class of road, time of day, and congestion.

Some potential options to replace lost revenue are to increase and index the fuel tax annually by 3.2% which would be a rate of \$.038 per gallon by 2046. Other revenue replacement options were presented as hypothetical but not recommended.

Statutory considerations were to review state statute and possibly revise Title 68, Secs. 500.1–723; Title, Sec. 17-327.1; Title 68, Secs. 6501-6512; and Secs. 1729 and 1730 of Title 69. It was suggested that policy considerations be made on out-of-state vehicles and some potential models exist that can be considered including all vehicles paying the same PPM fee, or a differential between cars and trucks.

The Fair Miles Oklahoma pilot objectives were:

- 1) to effectively and accurately measure vehicle mileage, and evaluate methods to collect charges, audit collections, and evaluate PPM compliance
- 2) Engage the public and stakeholders so a broad set of users' voices of Oklahoma's highway system are heard.
- 3) Test a fair and equitable solution to declining fuel tax revenues of all drivers while also providing flexibility for a variety of users and vehicle types.
- 4) Evaluate PPM costs.

Pre-pilot activities were public and stakeholder engagement, branding and marketing, develop a data management, privacy and security plan, concept of operations, account manager procurement, system design, and system testing.

The concept of operations: recruitment, onboarding, enrollment, mileage collection, monitoring, invoice & mock payment, reporting, disenrollment, and participant surveys during the operation of the pilot.

Final recruitment results: 1,247 pre-registrations, 713 full registrations, and 444 final enrollment numbers. Items to be included within the results are: MRO selection, demographics, vehicle characteristics, miles and charges, average RUC charge per invoice, in-state vs. out-of-state miles, average fuel tax paid for comparison, and average difference between fuel tax and PPM fee. The results from the surveys about participant experience will also be included. Questions were asked related to acceptance, privacy, equity, scalability, and sustainability.

A final conclusion will be given along with lessons learned, and the recommended next steps. It was recommended that while current technology may be cost prohibitive to implement a full scale pay per mile tax structure at this time, there are several actions recommended for the Legislature to take moving forward. Possible recommendations: A public and stakeholder educational campaign, a transition of transportation funding outside of General Revenues where possible, develop legislation for a voluntary PPM program, implement a tiered rate scale, engage key experts, pursue federal funding, and design a flexible program.

Mr. Gatz asked that the commentary and context of the report is captured, Mr. Witt stated Laura Davis from HNTB is documenting the discussion. Mr. Witt explained that another draft will be available and circulated for review on December 8th, and then at the next task force meeting on December 14th, an approval of the final report will be required as it will be delivered to the Legislature on December 29th. It was decided that any comments and suggestions be sent to Brooke Harter to collect and then provide to consultants.

Formulation of Legislative Report Findings and Recommendations as Directed by HB1712 – Mr. Tim Gatz, Mr. Russell Hulin and Task Force Members (including Open Discussion)

Mr. Hulin started with clarifying that some of the revenue replacement options presented earlier were simply hypothetical and not recommended, and only mentioned to show the magnitude of the problem. Mr. Hulin referenced a packet distributed to task force members with some preliminary language outlining what other states do to address the tax revenue situation and how electric vehicles are being taxed. Oklahoma was a leader in states charging sales tax at the EV charging stations and five other states have since passed similar bills. Mr. Hulin then presented a draft of potential legislative recommendations. It was emphasized that the technology is not mature enough to have a reasonable cost to collect program at this point, however there are some alternative and interim recommendations that could help our state.

Mr. Gatz reiterated that the initiative is focused on understanding the future of a volumetric motor fuel tax and what Oklahoma can do to make up the difference in lost revenue. A mileage-based user fee (PPM) is part of the discussion, and it is important to recognize that as interim steps are discussed because the near-term goal is to help soften the decline in motor fuel tax and the effect it has on our infrastructure.

Mr. Hulin outlined some interim recommendations to help our state with lost revenue starting with: (1) fully dedicate the current vehicle revenues to our state, county, local roads, and bridges by transitioning non-transportation entities to general revenue and allocating all transportation related revenue to the ROADS fund which would help safeguard and maintain funding for transportation until a fuel tax replacement is enacted.

Sen. Haste and Rep. Hill raised a few concerns about possible solutions being presented affecting the dollars our schools receive. Mr. Hulin clarified that the proposal is about trading tax sources in order to fully-dedicate the motor fuel and vehicle tax revenue to transportation and doing this over a period of time while not impacting revenues received by any other entities. There was a discussion about how any changes to the way taxes are apportioned would be difficult and possibly create an unwanted scenario for the legislators and the public. Mr. Gatz interjected and stated that the proposal while complex is a possible viable solution and could be a future model to be considered.

Mr. Schroder commended the discussed solution because county maintenance dollars have decreased which has caused the counties to operate on flat budgets during a time of inflation. He stated that 3% might not sound like a lot but that amount would be huge to them. He also stated that getting maintenance caps off the motor vehicle fees would be great for them as well because the revenue drops right at a time when construction season is at a high, making operations difficult. Statutorily, he wants to make sure the counties are involved in any move. Mr. Hulin added that if a move isn't made as suggested, and we want to raise/remove the cap on the Roads Fund in the future, those funds will have to come from Income Tax. It would be more politically feasible for those to come from Motor Vehicle Collections. Mr. Gatz redirected that this meeting is probably not the place to work through the details and interim steps will be involved.

Mr. Hulin continued with (2) a legislative authorization of an actual voluntary PPM program to assist with the development of technology which also familiarizes the public with this option. As vehicle technology matures, the administrative costs should decline over time. Sen. Haste asked for clarification on the program and Mr. Hulin stated that the program would be completely voluntary using a PPM model to pay for road usage in lieu of fuel tax for combustible engines and either a credit or a waiver of registration fees would be given. Mr. Minton commented that administrative costs would still be high and Mr. Hulin agreed they would at that point in time but at least this option is educating the public and these costs would certainly decline over time.

Mr. Hulin presented (3) if a PPM tax structure is implemented, a tiered rate scale based on vehicle weight is recommended (as a matter of fairness) as heavier vehicles cause more wear and tear to our roads and bridges. Rep. Hill asked if the intent as far as what was being proposed was to be included in the DRIVE Act of 2021 - *Driving on Road Infrastructure with Vehicles of Electricity* (which does not currently include PPM). Mr. Hulin stated that basically it would be a more equitable fee-scale based on vehicle weight. Mr. Newport asked if it would replace the EV registration fee as well and Mr. Hulin answered it depends on how the PPM was collected in the future, whether it was an annual registration process or some other technology. Mr. Gatz added that the expectation would be that if you were an EV user and you opted in for a PPM model it would replace your registration fee. It would be an election at the beginning. Mr. Hulin stated this is how the state of Utah currently handles their voluntary program. Rep. Hill added that our state currently has a system by which a Toyota Prius and a fleet of EV's pay the same amount to drive the same number of miles which is a complete inequity and is one of the most important parts of the study to move our state forward. Mr. Hulin said it is important to acknowledge the work that has been done to date in the report as our state has been a leader in the nation with our EV charging fees. Mr. Minton asked if the \$.03 per kilowatt hour charging fee that goes into effect on January 1, 2024 for any site that was built prior to a certain date is grandfathered in would not pay this fee. Mr. Gatz (and Mr. Hulin) deferred to Mr. Willingham from the OCC and although the date was not exactly clear, it was stated that the charge doesn't apply for private charging stations, public charging stations that are free, or private chargers. Rep. Hill stated the intent was for Phase 1 and 2 models to not be charged and to make sure that the newer models going forward would be charged. Mr. Gatz recalled the same and that the Legislature had concerns about the retrofit on existing charging infrastructure which would be difficult and costly.

Mr. Hulin presented the last recommendation: (4) ODOT enhance educational efforts to provide information to the driving public on the impact of declining transportation revenues, the inflationary increases to maintain the infrastructure and the state impact on commerce and quality of life.

Mr. Newport stated the amount of time to review the first draft of the report felt rushed. Mr. Witt reiterated that time was needed in order to get the final report compiled for the Legislature. Mr. Gatz specified that the task force group was fully aware of the time constraint and if this meeting had been held earlier, the complete pilot data would not have been available at that time. He encouraged the group to bring their comments forward now or offline and to certainly help make the report as good as it can be. Mr. Witt stated that comments could be taken as late as December 4th and the next version will be available as soon as possible.

Mr. Newport stated he was a steadfast advocate for transportation funding and getting this report wrong would be detrimental. The PPM or VMT is expensive, inefficient, intrusive, and carries unnecessary risk compared to applying a diesel gallon equivalent to other fuel sources like electricity. We have an

inexpensive tax collection system for fossil fuels at the pump right now that is convenient and clean. He suggests taxing other fuel sources and charging a kilowatt hour (for other fuels such as hydrogen), and doing a tax increase on fossil fuels. Another concern expressed was the cost to collect and wanted more information about the collection method that was used included in the appendices of the draft report. Mr. Newport asked if the Legislature was required to do anything beyond receipt of the report and Mr. Hulin stated that they did not. Mr. Hulin also acknowledged the cost to collect was high, the technology is not quite there, and a full implementation of a PPM or road user charge is not feasible at this time which is why suggestions were made in the report to the Legislature to take interim steps over the next several years.

Mr. Gatz added that the Motor Fuel Tax has evolved over time. IFTA wasn't always around and the costs to gather, process, report and distribute is hidden and not collected at the refinery. That cost is ultimately passed on to their customers. The dynamics and complexities described are what gets lost in the discussion and the goal is to "find our way forward" in a manner that will generate the resources that will be necessary for Oklahoma to have the infrastructure to support our future generations. He stated it is important for these revenue generation opportunities to be transparent to the public and that the public is aware of the deficit we are experiencing.

Mr. Newport voiced that IFTA is reported when driving through different states. As an advocate for roads and bridges coming from the trucking industry, he promoted the idea of taxing all fuel sources and doing it fairly, efficiently, equitably, and economically. He further advocated for the increase of the diesel fuel tax on a national level and an increase on Oklahoma's fossil fuels. He stated that this discussion doesn't apply to commercial vehicles. He referred to the recent interim study that ODOT did on the high cost of inflation and how materials and labor costs have increased and the desperate needs to keep up with the 8-year plan.

Mr. Willingham agreed with Mr. Newport about IFTA and commercial vehicles and stated that the draft report is reflective of the points being made. Mr. Willingham pointed out that Pg. 17 (where the International Fuel Tax agreement is referenced) needs to reflect it is for interstate trucks only and doesn't apply to intrastate traffic. He reiterated that it needs to be very clear since the road user charge discussion is about intrastate traffic and not commercial vehicles. He further commented that he learned at a recent IFTA annual meeting that the state of Indiana has passed the very first commercial per mile tax. It was also his understanding that IFTA may be speaking to members of congress about implementing IFTA nationwide and if passed, they would want to be the ones to administer it. Mr. Witt added that he had heard similarly and that IFTA was very engaged in those conversations.

Mr. Gatz asked the task force members to send their comments and suggestions by December 2nd and encouraged the members to have a dialogue if needed before the deadline. Mr. Witt added to be specific with any suggestions or comments which would help expedite things.

Mr. Newport voiced that he disagreed with the statement in the report that motor fuels are unsustainable. He stated that taxation can be raised or indexed and that fairness and equitability of taxation is lacking. He again mentioned other fuels (specifically hydrogen) are at the forefront. Mr. Gatz offered a time outside of the meeting to go further with the discussion but wanted to acknowledge Mr. Newport's comments and make sure they were taken into consideration. He offered Mr. Hulin or himself for a meeting if it could be arranged.

Closing Remarks

Mr. Gatz thanked the task force members for their time and attention during the meeting, and stated that progress is being made towards providing the Legislature a report that meets expectations and what is representative of all the different perspectives. Finally, he thanked everyone for their participation.

ACTION: Sen. Haste moved and Mr. Newport seconded that the meeting be adjourned.

MOTION: Carried by the following Vote:

AYES: Gatz, Grogis, Newport, Fowler, Lynn, Minton, Hill, Willingham (Hiett), Schroder, Sharp (Sweeney), Wald (Cleveland), Haste, Brierre, and Stuart.

ABSTAIN: None

ABSENT: Fina

Meeting adjourned at 3:04pm.

Approval of Minutes:



Tim J. Gatz - Chairman