

## Political Realities and Project Champions

Moderator: **KATHERINE TURNBULL**, *Texas Transportation Institute*

Panel: **REP. BERNIE LIEDER**, *Chair, Minnesota House Transportation Finance and Policy Division  
Minnesota House of Representatives*

**SUSAN BINDER**, *formerly with U.S. Senate and U.S. Department of Transportation*

**JACK BASSO**, *American Association of State Highway and Transportation Officials*

**MARK MURIELLO**, *New York/New Jersey Port Authority*

**BOB PITCHER**, *American Trucking Association*

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Susan Binder: I want to give my sense of the federal context and political environment in which we will be operating to try to improve our surface transportation system. I served as the executive director of the National Surface Transportation Policy and Revenue Study Commission. In the conclusion of their report we stated that sizable increases in investment are needed as well as a predictable stream of revenues. The contribution of the transportation system to the economy and well being of the nation is underestimated.

User fees are seen as politically fair and equitable. There is a conflict with energy policy in a system where you have to buy more fuel to contribute to the national system. We can capture externalities with a VMT based system.

We have had two commissions that concluded that program reform needs to occur along with funding reform. You cannot do one without the other. There is a lack of political will for dealing with the current position. Raising gasoline taxes at the federal level with the current state of the economy is not politically feasible. There is resistance in the short term and on the part of “budgeteers” who like the general fund infusions because it gives them more flexibility over where to put scarce resources. This is a recipe for disaster because it takes a long time to do these projects.

There is an opportunity to work towards a transition to a mileage-based fee. The concerns among staff and members of congress are privacy, administrative costs, enforcement, revenue neutrality, and replacing versus supplementing the gas tax. Running on two parallel tracks may be the way to go. Advocates of a mileage-based system should stress the basic, high level policy questions and at the same time do the due diligence necessary to answer the smaller questions.

Jack Basso: We are at a crossroads and we need to recognize that the process is first and foremost political. In order to make progress we need effective political leadership. Executive and state leadership is critical.

We have heard little from the administration on revenue systems except that there will not be new gas taxes or a VMT fee. The slowness of the political process affords us all an opportunity to affect the

outcomes of the next surface transportation reauthorization through educating and energizing political champions.

The potential political champions are at the state level. Governors and state legislatures are key. We need to work with states and state legislatures and explain it in a plain English, non-esoteric way. We need champions with credibility that can make the case in terms of benefits and investments. We should consider forming a speaker's bureau to articulate the agenda.

I want to close with three observations.

1. We are definitely at a crossroads and we cannot ignore the situation.
2. We have a golden opportunity to make a long term difference.
3. People will respond if they believe there is credibility in the product being sold.

### **Audience Questions**

Who would be included for the speaker's bureau that has not been involved thus far?

*Jack – We need regional voices for addressing regional issues. We should definitely have federal officials involved but they often lack freedom to speak openly.*

*Susan – The most compelling arguments have been made by companies who are the customers of the logistics industry who can speak to the cost of poor infrastructure.*

Rep. Bernie Lieder: I want to discuss the legislative process for trying to move different ideas. In Minnesota we have traditionally been highway oriented. It has only been in the last few years that we have been able to break through in the legislature to talk about transit, light rail, commuter rail, high speed rail, ports, and airports. Part of this transition may be due to the fact that Minnesota used to have a more rural legislature and has recently become more balanced between rural and urban.

Raising the gas tax in Minnesota has been very difficult. It took 20 years and an override of the governor to raise the gas tax. We are seeing a reduction in the states consumption of fuel even as vehicle registrations are increasing. We are about to see a lot more electric vehicles and they need to be charged. For every dollar we spend, we actually need four in revenue.

We've gotten beat up in the public and by the press over the idea of a vehicle-mile tax, but it's turning around due to federal attention on the topic. Education and healthcare are considered more important in Minnesota, so education of the public on this issue will be important.

I have met with auto makers and they don't seem to have a problem adopting the necessary technology for a mileage-based fee. I feel like it has to be done nationally because it is hard to work between the borders. Until the public is made aware and the media is on our side it is going to be tough to implement, but we can't afford to continue to lose out on money for our transportation system.

[Multi-state VMT-based Road User Fee Initiative](#)

Mark Muriello: I am speaking as the co-chair of the I-95 Corridor Coalition. The Coalition has been exploring a multi-state VMT-based road-user fee initiative. The Coalition includes transportation agencies, authorities, operators, MPOs, public safety and related organizations from Maine to Florida with affiliate members in Canada.

The Coalition has focused on administrative, institutional and legal issues with an agreement to work towards definition of a multi-state trial in the Coalition region. In discussing system functionality the Coalition made use of the NCHRP 20-24(69) RAND report. The Coalition thought that the complex option must be considered. Several administrative requirements were discussed including enrolling user participants, distributing revenues among participating parties, and enforcement issues. The cost of collecting the fuel tax is around 1%, with some states above and some below.

We are just now starting to look into legal issues. The types of things being looked into are issues surrounding whether it would be a tax or a user fee, the ability to collect the fee on all roads, and the ability to enforce out of state violators.

### **Audience Questions**

How is the coalition financed and staffed for this?

*Muriello- We have a small staff that is funded through SAFTEA-LU and personal volunteer efforts.*

Is there any chance that cashless tolling might be included in this?

*Muriello- We are still far off on that question. Toll operators are still worrying about how to get cashless tolling and this is the next step, so they are not really focused much on it right now.*

### **Trucking Industry Perspective**

Bob Pitcher: I want to address two issues. First, motor carriers are likely to oppose a VMT fee on heavy trucks, and second, a VMT on cars must be designed so as to be difficult to evade. The first issue represents ATA's position while the second issue is my own personal recommendation.

The trucking industry has always supported a user fee system and a fair vehicle registration system that is based on weight, but not a weight-distance tax. A VMT on trucks will be rightly viewed as a weight-distance tax and opposed by trucking. More than 20 states have repealed weight-distance taxes with only four states still having them in existence today. Weight-distance taxes are cumbersome, expensive, unfair, and open to evasion. The same problems undermining gasoline taxes are not present in the trucking industry as there is no satisfactory alternative to diesel fuel for heavy trucks, so there is less need to look at VMT for the trucking industry.

Moving to evasion: taxes are easier to collect if collected from a small number of payers and/or there is something to withhold for non-payment. The fuel tax is collectable, enforceable, and efficient.

There are issues with VMT fees which could cause evasion problems. First, there will be several hundred million tax payers. In addition, odometers are often off by around 4% and GPS can be unreliable if the

conditions aren't right. Furthermore, odometer tampering does occur. Who would enforce the VMT? The IRS' history with excise taxes is not as good as their history with the income tax.

It would be best to keep it all simple. We should keep the fuel tax as it is one of the best tax collection systems ever devised.

### **Audience Questions**

It seems like a lot of the issues you have raised could be addressed by automation. Why is there a uniform opposition to a VMT system?

*Pitcher-There is a general feeling that roads are in bad shape and fees need to go up. And it is not a coincidence that the weight-distance fees are the highest. Technology may be able to take care of some evasion, but thus far it has not*

What about the German system, which is based on the capacity of the truck and not the actual weight? Would something like that be more attractive than a weight-distance tax?

*Pitcher-Now you are getting into the limits on size and weight that are enforced in this country. Trucks that are not fully loaded are that way because they need to get somewhere fast.*

We need to be talking about the actual costs and benefits in this. There are lots of other taxes like tire taxes and brake taxes but these do not reflect cost.

*Pitcher-The industry is not for a highway system that is financed solely by fuel taxes. Coupling with weight based registration fees gets us close to the point on collecting for actual costs.*

I think that we're capable of making this work and keeping evasion down to manageable levels.

*Pitcher-I think the private market can use data and has used it effectively, but I doubt that government can accomplish this.*

Susan, could you describe in a little more detail the two parallel tracks moving forward?

*Binder – There is a lot of turnover in the house so education can be difficult and while it is less pronounced in the senate there is still a need. I think there are things that we can do in order to get action in between sessions. What we need, though, is some general policy direction. Perhaps also take some funding and allow private industry to explore these issues. We need to “move the ball” and not be doing the same things over and over. Again that is why I see things going on a two track course. We can't wait on the “perfect study” in order to get going.*

We are looking at moving from a fuel tax to a user fee based system. Perhaps at the state level we should consider giving drivers the option of not a state annual vehicle tax but rather a mileage fee. What does the panel feel about that?

*Basso – A simpler solution may be to raise the gas tax, but we will be right back here in a few years. The problem is that this has not been touched since 1993 and we need to do something about the immediate problem. We should look at the solution mentioned along with many more.*

Lahood noted a while back he was in favor of mileage-based user fees, which was rebutted by the administration. If that continues to be the administration's stance and the new bill has no VMT in it how serious of a setback would that be for this movement? Also, is there an active effort to make sure there is something in that bill?

*Basso-AASHTO is putting on a heavy push and generating research to make sure there is something in that bill. If we are going to dig into this we might as well go all the way. If we can't get the fuel tax raised then we need to recognize that the other option is simply that investment will go down. That is a policy option, but I think it is a fool's option.*

*Susan – My observation is that the administration simply doesn't want to deal with this right now, and that is what occurred with SAFETEA-LU. It needs to be articulated that raiding the general fund does not fit the desired model for transportation investment that has been previously outlined. I believe that studies should continue to at least evaluate the options that are there and to provide information moving forward.*