

MnDOT Distance-Based Fee Technical Advisory Committee Meeting Minutes

Tuesday, June 22nd, 2021 - 10:00-11:30 a.m.

Via Zoom

Start: 10:01

Adjourn: 11:31

Attendees:

TAC Members:

Scott Peterson

Dawn Hood

Emily Murray

Kathleen Mayell

Glen Kleven

Margaret Donahoe

Craig Plummer

Glen Kleven

Core Team Members:

Ken Buckeye

Chris Berrens

Serge Phillips

Ray Starr

Lynn Poirier

Frank Douma

Lee Munnich

Adeel Z Lari

Camila A Fonseca Sarmiento

Meredith J Benesh

Joe Loveland

Mike Warren

Markell Moffett

Trey Baker

David Ungemah

Andrew Emanuele

- Welcome - Scott
 - Thank you for your participation
 - There are a lot of complexities in this topic!
 - What does the use of fossil fuels mean for the transportation industry?
 - Recap
 - MFT has always been thought of as close to a user fee, and thus there is equity built-in. But this is not necessarily the case
 - MFT has increasingly been supplemented with other revenue streams. Transfers from sales tax, e.g.
 - President prefers to not fund infrastructure through MFT, rather through income tax increase
 - We'll likely need some sort of national agreement on a DBF
 - We'll work to identify some next steps
- Ken - Agenda Review

■ Welcome	Scott Peterson
■ Review agenda	Ken Buckeye
■ Review of June 14 Roundtable	Lee Munnich
■ Recap of the project	Ken and Mike Warren
■ National perspective	Lee Munnich
■ Summary of Final report (WSP)	Mike Warren
■ Rate Setting Framework	Trey Baker
■ Review of Policy White papers	Frank Douma
■ Discussions of Next Steps	Scott Peterson
■ Adjourn	
- Lee - Meeting Guidelines
- Lee - Review of June 14th Roundtable
 - These have been done for several years on other topics as well. A way to communicate on different transportation finance topics
 - Co-sponsored by MBUFA
 - "Transition to Distance-based Fees. Where do we go from here?"
 - This is not the last project on this topic!
 - Commissioner Kelliher gave an introduction
 - Talked about a project with Kansas as the start of a mid-west consortium on this topic
 - Particularly important given the national conversation
 - Barb Rhode from MBUFA gave a national update
 - First Panel - MnDOT DBF project overview, Moderated by Ken
 - MnDOT project Team
 - Second Panel - Policy Perspectives on the transition to DBFs, Moderated by Lee Munnich
 - Susan Binder - gave an overview and spoke a lot about the challenges
 - Privacy and cost are still issues
 - Rep. Steve Elkins

- MN legislature advocate for DBFs
 - He has introduced a bill in this session modeled somewhat after the Utah approach
 - The legislature wasn't ready to pass something this time but he'll bring it back
 - Doug Shinkle
 - Legislators will ultimately have to weigh in on this
 - 92 attendants
 - Note from Ken - Utah is looking seriously at converting their entire fleet to DBFs by 2030, rather than solely EVs
- Project Recap
 - Ken
 - We really appreciate TAC participation in this project
 - Project is rooted in work over the past two decades and informed by other pilots and implementations worldwide
 - FAST act allowed this demonstration to be implemented
 - Wanted to design a demonstration that addressed some of the vulnerabilities of previous demonstrations
 - Technology
 - Privacy
 - Evasion
 - Equity
 - Cost of collection and Operations
 - The deployments that have occurred have large overhead costs
 - Public acceptance - not a large part of this project, but has been in the past
 - The first approach was to contact Original Equipment Manufacturers (OEMs) regarding in-car telematics
 - The answer was an absolute "no" from the OEMs, but they may have softened now.
 - Project team assessed what other transportation forces were acting on the industry
 - Shared mobility! They were on board right away
 - Mike Warren
 - A very successful demonstration!
 - Accrued over half a million miles
 - \$15,000 in assessed DBF, net total simulated DBF of \$6,884
 - 64 vehicles were used in the demonstration
 - A demonstration of firsts
 - Audit
- National Perspective - Lee Munnich
 - Congress - RUCs are part of the discussion, but well below the visibility level

- There is bipartisan support for continuation of state pilots as well as a national pilot
- <add more of what Lee said here>
- Possibilities
 - Regional coalitions
 - I-95 corridor, e.g.
 - National opt-in program where states could choose to participate
- Mike - Real money will have to be collected under a national pilot to understand pricing sensitivities
- DBF Final Report - Mike Warren
 - STFSA funded projects require a final report
 - What are the items this demonstration can bring forward for others to learn from?
 - This is a large report! Eight sections
 - WSP will create an executive summary
 - Project goals
 - Fairness, privacy, public acceptance, etc.
 - Ease of payment, transparency, scalability
 - Point of comparison is the motor fuel tax (MFT) as that is what users are currently experiencing
 - All goals were met one way or another
 - Firsts of any STFSA funded demonstration
 - Used Shared mobility providers
 - Collect accurate DBF data from a C/AV
 - Didn't rely on plug-in devices to collect data. Most other states are using on-board diagnostics (OBD) dongles. Not compatibility or installation concerns
 - Able to accurately report lane differentiation using the C/AV in HOV lanes
 - Implications for open-road tolling or cordon pricing
 - Full audit
 - Used a per-mile rate with both state and federal
 - Supports maintaining the MFT
 - Refunded MFT paid
 - Developed a rate-setting framework
 - Demonstration key takeaways
 - Accurate collection of data from both shared mobility providers and C/AV
 - Without impeding personal privacy
 - Eliminates necessity for plug-in devices, which is where the industry is going
 - By focusing on SM providers, number of collection points were reduced
 - This can help keep costs down
 - Could serve as a platform for other transportation pricing strategies and initiatives
 - Factory-installed telematics supports use of OEM integration
 - Hope is that OEMs will become more willing and collaborative in future projects

- Financial reports
 - Final Report Recommendations
 - Many demonstrations have been siloed. The results from this demo should be shared!
 - Create technical specification and documentation
 - Advocacy is necessary - legislative advocacy and education
 - Support - build off the work of the TAC. Build off of momentum of this demonstration
 - Partner - continue the valuable partnerships developed during this demonstration. Build off of networks shared mobility providers already have
 - Future research considerations
 - Keep admin costs low. Maybe not as low as the MFT, but lower than other state's DBF collection costs
 - Data ownership - whose is it and how can it be used?
 - Regional interoperability - what would a midwest approach look like?
 - Next Steps
 - Last round of stakeholder interviews
 - Incorporate final set of updates into the final report
 - Submit final report to FHWA
 - Create executive summary and legislative presentation - highly graphical
 - See what happens with federal grant program
 - Support national VMT potential demonstration
 - From Ken - we will continue to maintain MnDOT's DBF website. We would like to continue to hear from TAC members.
- Rate-Setting Framework - Trey Baker
 - There are still a lot of details to be filled in, this is a high-level conceptual overview
 - Why did we do this?
 - A single rate for all vehicles is not optimal. There are a lot of policy potentials for variable rates.
 - Arrive at Equitable and fair fees in a transparent manner
 - Needs to allow state to set rates to meet policy goals
 - General approach
 - Segment fleet, ID and prioritize revenue goals, determine basic calculation methods, refine calculation methods based on fleet segmentation, assign base rate adjustments to vehicle segments, assess how rates help achieve goals
 - This builds off of the work of the U of M in their approach to setting rates for the demonstration.
 - This rate-setting approach is a programmatic approach. The state could use this in future DBF programs
 - Fleet segmentation
 - 13 classes
 - Light-duty, commercial vehicles,

- All vehicles within a class would have the same base-rate and then adjustments would be applied from there
 - This allows for environmental considerations, occupancy, shared mobility
 - Base-rate setting
 - Four revenue objectives
 - Revenue neutrality compared to an existing revenue source
 - Revenue augmentation
 - Use monetization - economic efficiency
 - Cost of collection - part of the fee that accounts for program costs
 - With each objective there are any number of calculation strategies
 - The ultimate calculation strategy used will depend on the ultimate revenue objective
 - The framework allows for conversation between stakeholders
 - Adjustments
 - Levied on top of base-rate
 - Not evenly applied across all vehicles
 - Changes made in response to policy objectives
 - Examples - (These do not reflect policy recommendations, they are solely for demonstrative purposes)
 - ICE light-duty vehicles as a replacement to the MFT
 - Manual vs. electronic collection method
 - Rural vs. urban location
 - ICE commercial vehicles to replace MFT and account for roadway damage
 - Weight and axle configuration could be considered
 - Congestion pricing aspect
 - Geographic component
 - Alternative fuels used in a shared mobility service
 - Service type adjustment - e.g. accessibility adjustment.
 - Providing discounted services where there is low transit access.
 - Next Steps
 - Define a range of policy options and adjustments
 - Analyze data sources
 - Refine calculation methods
 - Engage TAC to prioritize policy objectives
- Review of Policy White Papers - Frank
 - Topics were: Modal equity, social equity, rural/urban equity, privacy, and administrative costs
 - There are trade-offs between these issues that need to be addressed in the policy discussion

- These trade-offs should be acknowledged so they are not a surprise at implementation
 - The way you set the fee often has the expected impacts on different modes and demographic groups
 - Adjusting these fees to address these impacts can have privacy and administrative cost implications
 - Notable exception to the "expected" impacts - rural users may end up actually paying less under a DBF unless weight is part of the rate
 - As Trey mentioned, a flat fee will likely not meet policy objectives. It will likely be more regressive and will not address environmental issues. But it will be the least administratively costly and have fewer privacy concerns.
 - The MFT also has its own baggage we need to consider. The MFT is regressive in its own way.
 - Need to look innovatively in order to address some of these policy trade-offs
 - This demonstration captured some of this potential innovation
 - Members of the public appear to have fewer Privacy concerns when private companies collect information
 - Private companies, such as the shared mobility companies we partnered with in this demonstration, can fine-tune these fees to optimize to their market, without needing to share this detailed information with the State
 - The state can also try to shape the market by differentiating the fees charged to these private sector companies, who can then pass those different charges on to users, but again, the detailed user transaction information stays with the private sector companies
 - This demonstration also showed the administrative efficiency of working with private sector fleet providers (collecting from 2 entities with over 1,000 drivers)
- Discussion
 - Margaret Donahue - Revenue neutrality should be defined as generating as much revenue into the HUTDF as would be provided through the existing fuel tax so it would include subtracting for the cost of collection.
 - Trey noted this
 - Ken - DPS vs. DOR collecting a DBF. Rep. Elkin's bill assumes DPS would collect rather than DOR.
 - Ken - we would like to hear any concerns or points the TAC has
 - Ken - Administrative costs are a driver of this demonstration. Third-party account managers are expensive and there are compliance issues. Is this a correct assumption we made?
 - Scott - We'd love to hear from you!
 - Scott - Shared Mobility (SM) providers really simplify some of the identified challenges

- To the extent to which SM services grow, there could be an opportunity here
- Ken - while SM providers did not eliminate a third-party collector, it did provide the opportunity to aggregate miles. This economy of scale provides cost reduction.
 - The convergence of EVs, AVs, and SM may have slowed somewhat at the moment, but it may grow again in the future. COVID has made these things hard to predict.
- Frank Douma
 - A point related to admin costs
 - SM providers pay a lot of taxes to various entities. Combining these with a potential DBF could streamline the process.
- Final remarks
 - Please take the poll on the screen
 - Thank you TAC members for your participation!
 - Special thanks to Lee Munnich as he is set to retire in July
 - Zoom meetings have been an adjustment and we appreciate everyone's flexibility
 - We appreciate any further input the TAC might have in the future
 - We don't know where we go next, but it's likely this is not the last DBF project