COLORADO
Department of Transportation
Office of the Executive Director

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Testimony before the House Transportation & Infrastructure Committee, Subcommittee on Highways and Transit

March 7, 2018

First, I would like to thank Chairman Graves and Ranking Member Holmes Norton for the invitation to testify before the Subcommittee today on an alternative funding mechanism, road usage charging (RUC). I am pleased to be here representing RUC West - a voluntary coalition of 14 western state departments of transportation, committed to collaborative research, and information sharing on development of a new funding method for transportation infrastructure. The primary goal of this collaboration is to build public sector organizational capacity for and expertise in, RUC systems, including the associated policy, administration, and technology issues. With this forum, public agencies are invited to share best practices, discuss issues, facilitate joint research, and learn from others at different stages of RUC planning and implementation.

This hearing is critical in understanding not only how the nation has found itself with a dilapidated infrastructure system, but in examining how States and others are moving forward with bold and innovative ideas. However, before telling you a little about myself and my experiences, it is necessary for me to underscore my fellow panelists points: we must figure out a way to adequately increase revenue for infrastructure and maintain the federal-state partnership.

For those of you who do not know, before coming to Colorado in 2015 to serve as Deputy Executive Director, I served as the Director of the Rhode Island Department of Transportation and board member of Rhode Island Public Transit Authority, Rhode Island Turnpike and Bridge Authority and Rhode Island Public Rail Corporation from March 2008 to February 2015. Prior to my appointments in Rhode Island, I served as the director of Boston's Central Artery Tunnel Project (The Big Dig) from April 2000 until project completion in 2007. I am also a past President of AASHTO.

In Colorado, CDOT has an annual budget of approximately $1.4 billion for highways, bridges, statewide transit and aviation. However, to maintain our infrastructure, keep pace with rapid population growth, improve safety, and promote multimodal options, Colorado should be investing an additional $1 billion a year to avoid a steady decline in the condition and performance of our transportation system. To put it in simple terms, we need to nearly double our current amount of funding to meet the transportation needs of Colorado. Sadly, our state's funding situation is not unique. It is a dilemma that is shared by all states across our country.

This dilemma is driven by one simple fact: the gas tax as we know it is dying. For many years, gas taxes worked great as a user fee to fund transportation in this country. The more someone drove and used the system, the more fuel they purchased, and the more they paid toward the maintenance and improvement of the transportation system.

New fuel economy standards mandate that vehicles produced in 2016 have an average fuel economy of 35.5 miles per gallon and by 2025 that standard increases to 54.4 miles per gallon. In addition to these new standards, alternative fuel vehicles are becoming more prevalent. Alternative fuel vehicles include full electric, hybrid, compressed natural gas, liquid natural gas, and propane. All of which pay little or no gas tax. The Electric Vehicle Market Implementation Study (2015), completed by the Colorado Energy Office (CEO), suggests that Colorado could see an increase of upwards to 1 million electric vehicles by 2030. Moreover, the Colorado Electric Vehicle Plan (2018) has set a goal of achieving that million electric vehicle mark. Since the current funding model relies on fuel consumed, these new standards and alternative fuel vehicles result in less money to fund the transportation system.

Compounding the problem is purchasing power. Currently, the State of Colorado assesses a 22¢ per gallon tax on gasoline. This is a fixed amount that does not fluctuate with the price of gas (indexing). The state gas tax was last raised in 1991. $1.00 raised in 1991 is worth only $0.57 today - a 43% reduction in the value of the tax. As you know, the federal gas tax was last raised in 1993 and has similarly lost purchasing power. A key lesson here is that we have missed opportunities to index our fuel taxes and that should be done immediately to avoid further erosion of purchasing power.

Mr. Chairman, these challenges have led CDOT into an innovation era of how we meet the transportation needs of our State. In the past, we primarily built more highway lanes to meet capacity needs. Now, we increase travel choice, promote walking and biking, work to increase mobility through the use of operational improvements, and use pricing on new Express Lanes to manage travel reliability and growth. The Department has many successful "LEAN" process improvements that have allowed us to stretch our dollars and become a better, more efficient, customer-focused agency.

But Mr. Chairman and Members of the Committee, it is important that we communicate very clearly. Our funding crisis only increases the importance of establishing reliable, long-term funding source for highways and transit programs. Colorado believes strongly in preserving and ensuring sufficient access to the current financing tools, such as TIFIA, and in fact as you may recall, we led the effort in the FAST Act re-authorization process to prevent reductions in the TIFIA program. But we cannot fix a funding problem through financing. Financing mechanisms cannot correct insufficient investment levels. In Colorado, we would love to bond and accelerate our most important projects (to deliver projects cheaper and faster to the tax payers of our state), but we need an adequate and reliable revenue stream to pay for it - and we need it today.

With that context in mind, what are Colorado and the other members of RUC West doing to prepare for a future of more electric and alternative fuel vehicles and increased fuel efficiency? We are working cooperatively to research and evaluate a mileage-based fee system as an alternative funding mechanism to replace the gas tax. Western states have banded together to explore road usage charging systems based on vehicle miles traveled, treating roads like utilities where you directly pay for what you use. You may also hear a RUC referred to as a Mileage-based User Fee (MBUF) or a Vehicle Miles Traveled (VMT) Fee. We anticipate this as a replacement for the fuel taxes that are currently the main source of funding for our roads.

Vehicle miles traveled is the metric used to gauge the number of vehicles on the road and how many miles they are traveling. As the number of people in the state increases, so does the number of vehicle miles traveled and wear and tear on our roads. However, with increased vehicle fuel efficiency, less gas is being purchased and therefore the revenue is going down on a per mile basis. RUC charges drivers for what they use versus the gas tax which currently charges more for less fuel efficient vehicles (generally older vehicles) and charges nothing for electric vehicles. Under a road usage charge, vehicles pay for the miles traveled, which equitably charges for the usage of the system, regardless of fuel type or fuel efficiency.

RUC West is leading the effort to examine, define, and develop RUC consistency, interoperability, and compatibility among western states. Using pool funded resources, RUC West has advanced research in the field by examining the impacts of changing vehicle fleet fuel economy on state transportation funding, the effects of RUC on rural residents, protection of user privacy, parameters for RUC per mile rate setting, and evasion and enforcement policy options. RUC West is leading the charge nationally to examine the viability of RUC as an alternative to the gas tax.

The passage of the Fixing America's Surface Transportation Act in 2015 represented a seminal moment in the exploration of RUC as a viable funding alternative. Included in the legislation was a provision for the Surface Transportation System Funding Alternatives (STSFA) program. The STSFA program earmarked $95 million in federal funding to support the research of alternative funding mechanisms, such as RUC. To date, RUC West and its member states have applied for, and received, nearly $25 million for further RUC research. In California, STSFA funding was used to evaluate a pay-at-the-pump option for RUC, which includes electric charging locations; Colorado is working with the agricultural community to pilot a RUC system for rural residents; Hawaii is researching RUC collection on manual and automated readings at inspection stations; Washington is testing critical elements of interoperable, multi-jurisdictional RUC system; and Oregon continues to refine and improve their operational RUC system. These individual state efforts demonstrate the complexity and sophistication of RUC West member states in their understanding of RUC system. In short, our states are working as laboratories and are producing meaningful, replicable results.

While the individual efforts of RUC West member states are varied, the states have also combined efforts on a Regional Pilot Program launched by RUC West in 2016. Using STSFA funding, RUC West convened 11 of its member states to develop a regional framework for a cross jurisdictional, interoperable RUC system. Within the next 18-months, this framework will be implemented for a multi-state RUC system. Keep in mind that these are 11 different states, with differing political views, different revenue systems, and different laws. It is important to note the remarkable progress of RUC West in such a short amount of time. RUC West is demonstrating that the type of cooperation and collaboration needed to define and implement a new model for transportation funding is possible. The progress of this body is undeniable. In just a few short years, we have gone from one state with a pilot program to many states with pilot activities and supporting legislation. It's been done in less than five years and we are showing the nation that the dire need for sustainable transportation funding can be a call to action for collaboration among states.

Are there questions and concerns about RUC? Of course. However, CDOT's recent pilot efforts demonstrate that the questions have answers and the concerns can be relieved. Last year, CDOT completed a four-month pilot program that included 150 participants from 27 different counties across Colorado, from cities to towns, mountains to plains, to individuals with less fuel-efficient cars and trucks, to hybrid and electric vehicles. The pilot allowed drivers of different vehicle types to choose how they reported their mileage and compare what they would pay under a road usage charge versus the current gas tax. This pilot was one of the first steps in an extensive process of evaluating the concept alongside other funding alternatives.

CDOT developed a number of goals to gauge the success of the pilot. We wanted to demonstrate an operational RUC program; identify and evaluate policy issues such as how drivers crossing state lines (out-of-state drivers) would be handled, and drivers using private roads; test the feasibility of various mileage-reporting choices, which included manual reporting, GPS and non-GPS-enabled mileage-reporting devices; and solicit feedback and ideas about participant experiences that would inform the potential development and user acceptability of a RUC system.

Participants reported high satisfaction with all aspects of the pilot program, and ninety-one percent of participants said they would participate in a future pilot. Seventy percent of participants chose the GPS-enabled mileage-reporting option. Participants using mileage-reporting devices were much more satisfied with their choice (93 percent of participants were satisfied) than those who had opted for odometer reading (55 percent were satisfied). Eighty-eight percent of participants felt their personal information was secure during the pilot.

While money was not exchanged in this pilot, 73 percent of participants felt the amount they would have owed in road usage charges was the same or less than expected. Eighty-one percent of participants agreed that a road usage charge is a fair funding method. Surveys identified issues on how a road usage charge would address out-of-state drivers and miles driven on private roads. As part of the pilot program, CDOT made an online calculator available to the general public, involved in the pilot or not, to compare the state gas tax with the Colorado RUCPP rate, and assess what a potential RUC system would mean for them.

Mr. Chairman and Members of the Subcommittee, it is ideas like these, led by states, that can help answer the very nature of this hearing: How do we provide long-term funding for the transportation system? CDOT will continue to explore this possible funding mechanism to ensure Americans have the mobility they need for livable communities and economic health. However, we cannot stress enough that we have an immediate funding crisis in this country regarding infrastructure. The findings from these pilot programs will provide important information on how to best structure and implement a sustainable funding mechanism for the long term.

States have seen this coming and some, like the 14 states of RUC West, have taken steps to look for sustainable alternatives to the gas tax as a fair, equitable, and efficient way to pay for our transportation system. We'll continue to explore RUC as a potential funding alternative that will help us ensure we continue to have a healthy transportation system that works for our states' economies and quality of life.

Mr. Chairman, the future is upon us now. We value our partnership with the Federal government to support this work.

I appreciate the Subcommittee's time and attention to this important topic and I am happy to answer any questions you may have.