



## STAKEHOLDER ADVISORY GROUP MEETING #1

December 18, 2018 | Meeting Summary

Daniel K. Inouye International Airport, Interisland Conference Center, Room 3

### ATTENDEES

#### Stakeholder Advisory Group Members

Senator Lorraine Inouye  
Mike Busch, Maui County  
Chung Chang, DBEDT  
Steve Finnegan, AAA Hawaii  
Sidney Hart, Senator Inouye's Office  
Connie Kaneshiro, C&C  
Marianne Kim, AAA SoCa  
Keith Regan, HI Tourism Authority  
Lauren Reichelt, Blue Planet Foundation  
Jowell Rivera, HI Transportation Assn.  
Kenji Takahashi, Travel Plaza Transportation  
Tom Yamachika, Tax Foundation

#### HDOT Staff

Marshall Ando  
Scot Urada

#### HiRUC Project Team Support Staff

Jeff Doyle, D'Artagnan  
Ging Ging Fernandez, D'Artagnan  
Piia Aarma, Pineapple Tweed  
Lani Nakazawa, Spire Hawaii  
Barbara Hastings, Hastings & Pleadwell  
Barbra Pleadwell, Hastings & Pleadwell  
Becki Ward, Ward Research

**NOTE:** What follows is primarily a summary of the discussion that followed the presentations. Questions and comments are in *italics*.

### WELCOME & INTRODUCTIONS

Scot Urada called the meeting to order at 10:05 a.m. The attendees introduced themselves. Marshall Ando, State Highways Administrator, welcomed the participants. He reinforced the need to get things right in the project, explained the revenue issues, and emphasized the group's critical role in shaping and guiding the demonstration project.

### PROJECT BACKGROUND, FEASIBILITY STUDY, GRANT, ADVISORY GROUP

Scot Urada provided a PowerPoint presentation of the background for the project, the findings of the feasibility study, and the Stakeholder Advisory Group's ("AG") scope of authority and responsibilities.

The highlights of his presentation follow. Mr. Urada noted that Hawaii is the first state to adopt a 100% clean energy policy by 2045, and that the rate of electric vehicle adoption and new car fuel efficiency are high. Mr. Urada noted that the RUC is intended as a revenue neutral replacement for the State fuel tax, and the purpose of the RUC will be the same as the fuel tax. It will fund road operations and maintenance and is not aimed at funding specific facilities or implementing congestion pricing.

Mr. Urada explained that the HDOT conducted a Statewide Road User Fee Feasibility Study (“Study”) to determine the policy and financial impacts of a per-mile fee instead of the fuel tax. Although the Study was done 2 ½ years ago, the data still applies. The Study:

- Showed that vehicle fuel efficiency means less fuel tax
- Showed that even with tax increases, revenues are still flat
- Found that a per-mile fee (“Road Usage Charge” or “RUC”) could provide a sustainable transportation revenue source
- Found that the mileage reporting as part of the Periodic Motor Vehicle Inspection could make the transition to a RUC easier.

Mr. Urada stated that HDOT received a federal grant to conduct a statewide RUC in a demonstration project (“HiRUC demonstration”). The HiRUC demonstration will test different mileage reporting methods and will be the largest project of its kind, involving over 1 million vehicles. The HiRUC demonstration will involve a mailer with a comparison between the fuel tax and the RUC. The HiRUC demonstration will be looking at a platform for State, county and federal collections, and will be a simulation, and there will be no transfer of real money. Four methods of mileage collection and billing will be looked at, among them the safety check odometer and other automated means. HDOT will ask the advisory group which should be pursued in the pilot.

The AG is being asked by HDOT to assist in providing feedback, advice, and recommendations during the HiRUC demonstration. The AG members are asked to be project conduits. Mr. Urada then explained the roles of the project team (implement demonstration, deliver data and report), the AG (review data and provide input), FHWA (receives report), and legislature (drafts legislation).

### **Discussion**

*Senator Inouye stated that one of the slides showed an energy policy goal of 100% by 2045 and noted that the 100% goal did not apply to transportation yet and wondered why the 100% was being used for transportation. However, the mayors have adopted the goal for transportation. Mr. Urada thanked her for the clarification.*

*Tom Yamachika asked whether the focus was on the state fuel tax only. Mr. Urada said yes, the focus would be on the state.*

*Jowell Rivera asked if there was data that had breakdowns by private, business, state, or city vehicles and other vehicles. He stated that the data would be critical. Mr. Urada responded that it depends—if mileage is available, statistics might be available.*

*Mr. Yamachika asked whether it will apply to government vehicles. Mr. Urada stated that HDOT is looking at any vehicles registered that need inspection, and that he will be looking for AG input for the project.*

*Chung Chang asked whether HDOT is looking at \$82-87 million as being revenue neutral. Mr. Urada said that the study will be looking at current revenue.*

*Mr. Yamachika asked about the proposed collection point, how will odometers be read, and how will people be billed. Mr. Urada said that the question touches on different areas. These questions, such as affordability, will be addressed in future meetings.*

*Mr. Regan asked whether just increasing the fuel tax was looked at. Senator Inouye provided clarification that she introduced a bill to increase the fuel tax—the Senate had no problem, but it was killed in the House. She will be introducing it again. The feds are not giving Highways more money for many years, so it is good to look at it.*

*Ms. Reichelt said that at some point, there will be so little gas used, so there might be a need to go back (for increases). She believes a long-term solution is necessary. Senator Inouye offered that she also proposed to make EVs pay a fair share, and last year proposed additional charges at registration for EVs.*

*Mr. Regan said that this after-the-fact change needs to be explored because drivers may not have the means to pay, in contrast to paying at the pump. Mr. Urada stated that the methodology will be discussed as the project goes along.*

*Mr. Regan stated that public transportation on Maui is not as robust, so there are no options not to use vehicles.*

*Senator Inouye stated that it is difficult to get input from the public if the phone survey is done without background about what the demonstration is all about. She suggested that prior to the meetings, HDOT could draft what is being done, do television and radio, and highlight neighbor island meetings. Mr. Urada says HDOT recognizes the importance of outreach and is looking also at an outreach plan.*

## **CURRENT STATE OF PLAY**

Jeff Doyle of D'Artagnan Consulting walked through what is happening nationally and regionally, and the potential solutions under consideration by states and other jurisdictions. Road usage charges are being looked at nationally and regionally because it appears to show the most promise, according to diverse interest groups and think tanks. He highlighted the activity in Oregon (implementing voluntary RUC), California (pilot completed), Washington (nearing end of pilot), and Utah (offering RUC in 2020).

### **Discussion**

*Mr. Yamachika asked how often the \$30-80 in Utah for EVs and high mileage vehicles will be paid. Mr. Doyle stated it is annually, and for hybrids, it is in addition to any gas tax paid.*

*Mr. Rivera asked if there is more data. Mr. Doyle said that data from other states is available from Ging Ging. Mr. Yamachika suggested setting up library room for data that can be accessed, without having to deal with individual requests for data.*

*Mr. Rivera stated that there needs to be information that says “this is the gas tax revenue”, RUC and outcomes, and whether the results were higher or lower than expected. Mr. Doyle says most states have not implemented the RUC, so there is no before and after. However, financial analyses and business case valuations were done, including the cost of collection.*

## **FOCUS GROUP RESULTS AND PHONE SURVEY**

Becki Ward provided a summary of the results of the focus groups. Ten focus groups were conducted in October to assess awareness and perceptions of Hawaii's road and highway transportation infrastructure, funding, and road usage charge programs. The breakdown of the focus groups was: Oahu (4 groups, 39 participants), Hawaii (4 groups, 34 participants), Maui (1 group, 10 participants), and Kauai (1 group, 10 participants). One of the Oahu groups consisted of EV owners.

The focus group input was:

- (1) infrastructure is a higher priority for the Neighbor Islands,
- (2) the participants had no firm knowledge about funding, but believe that it is increasing,
- (3) misconceptions about the size of the RUC fee and affordability create barriers to acceptance,
- (4) EV and hybrid owners feel penalized,
- (5) Neighbor Island residents are concerned about illegal vehicles (those that are not registered or inspected), and
- (6) fairness is an issue (whether heavy vehicles and visitors would pay).

Ms. Ward stated that the groups on Oahu do not want RUC to fund rail. Ms. Ward said that when lacking information, the focus groups estimated a RUC cost of \$300-\$1,000, so a cost of \$75-\$80 annually was introduced to address these misconceptions.

Ms. Ward stated that the exercise showed:

- (1) revenue neutral means nothing, and bringing revenues back to what they should be is not viewed as beneficial,
- (2) concerns exist about the cost of administration and fees will be increased because it is the government,
- (3) privacy and security are not issues, since the safety check collects mileage data already,
- (4) with on-board devices, some were concerned about big brother and location identification, and
- (5) options were important for payment, and there were concerns about adding the \$75 RUC to the registration fee, and concern for options for low income people.

Ms. Ward stated that mailers and communication are important to address the key misconceptions and to show the annual estimated cost, compared to the gas tax. Suggestions were to put information on the media and on the gas pumps, and to have a website with a calculator.

As to the phone survey, it will allow quantification of the information, and will be a baseline survey to find out what people know and believe now and how it can be impacted over time. The sample will include 300 from the Neighbor Islands and 600 from Honolulu.

## **Discussion**

*Ms. Reichelt asked how the participants for the focus group were selected. Ms. Ward said that they were selected from a data base of owner/drivers, selected to provide representation by age, household income, gender, ethnicity, and geography.*

*Mr. Rivera stated that the amount the commercial business owners (bus, trucking, and freight companies) pay in gas tax needs to be addressed, that these businesses pay a lot compared to private vehicles. Mr. Urada said that the Study looked at personal vehicles and light trucks, but a calculation could be done to estimate costs for heavy vehicles. Mr. Rivera stated that it would be important to focus on the entire population of vehicles.*

*Mr. Rivera stated that in the past three years, from 2014 to 2017, the State lost a net of 30,000 residents statewide. He asked how this relates to the loss of tax revenues and suggested it might be something to look at. Senator Inouye stated that the report of the 2010 census will be interesting as well.*

*Ms. Reichelt stated that with counties providing better public transportation alternatives, there is an opportunity to use the funds to also look at congestion, time of use pricing, and measures to be more mobility-based, otherwise there will be a missed opportunity. Mr. Urada stated he hears what is being said, but that the commitment to the FHWA is revenue sustainability, so there is a need to keep to the subject.*

*Mr. Rivera asked what is the cost of RUC. Mr. Urada says that cost efficiency will be looked at.*

*Mr. Yamachika stated that there is a need to address perception that the dollars come out of the same pocket and money will be used for rail, so that the public understands what is going on.*

## **PRIMARY PRINCIPLES FOR THE PROJECT**

Mr. Urada presented the Primary Principles for the project, including being willing to take whatever feedback is provided and being inclusive. He said that HDOT wants to be transparent about the decision making, which will go a long way in securing public trust. HDOT also wants to provide the best experience possible for the participants. The mandatory and optional requirements from federal highways and the STSFA requirements were explained. The mandatory requirements are equity (where all users pay), right to privacy, ease of compliance, system reliability and security, flexibility to accommodate other taxes.

### **Discussion**

*Mr. Rivera asked how many more employees would be needed by the State with RUC, because that would also cause (increases in) unfunded liability. Mr. Urada stated that the employees could be from the State or counties, or outside vendors. Mr. Rivera says we should think down the road for these types of issues.*

*Mr. Yamachika asked what the enforcement route would be if odometer alteration was discovered. Mr. Urada said that if that were to happen, there would be the need to make sure data is accurate, and that there would be the need to follow existing laws regarding what would happen to the vehicle owner. He said that if the group had ideas, it could be included in the report. Ms. Reichelt asked if there is a current penalty. Mr. Doyle stated that it would be a felony under US law. Mr. Yamachika stated that the counties will be concerned about enforcement by the police departments. Ms. Kaneshiro stated that (odometer alteration) would not be a police priority, and if people know there is no enforcement, it might be more likely to have cheating. Ms. Reichelt asked if there could be a flat fee penalty. Mr. Urada says that there could be a process change, such as stickers could be denied, but there would be an impact on the inspection station. Ms. Reichelt noted that maybe that will lead to less compliance with the safety check.*

*Mr. Regan stated that there needs to be a schedule of what roads are scheduled for repair so there is a relationship between payment and effect. Mr. Urada stated that he has heard the same concern from different sources. He stated that the DOT website shows projects. Mr. Yamachika stated that additionally, the HDOT deputy director is saying that shortfalls freeze expansion for the next 20 years. Mr. Urada stated that it is out of scope, but as the deputy says, we can't pay for everything now, so the website is showing a change so that focus is on pavement and bridges, and not road widening. It is also driven by federal focus on the roads being in good repair. Mr. Yamachika added that the public wants to see accountability.*

## INTRODUCTION TO THE HiRUC DEMONSTRATION

Ging Ging Fernandez of D'Artagnan Consulting provided an introduction, including the value of the demonstration to the public and HDOT. As to the reason for the demonstration, it addresses potential negative reactions, and provides people with positive energy and a hands-on experience. For the HDOT, a demonstration gives an opportunity to talk to the project based on specific experience, rather than just concept. The public will also have an opportunity during the demonstration to directly engage with HDOT. Prototyping (identifying implementation issues) will also be a benefit of the demonstration. Part 1 of the demonstration will involve a driving report or sample bill, in the form of a mailer, to show all 1 million vehicle owners the impact on them. A survey will be provided to allow the public to provide input and improve the process. Part 2 will be an automated mileage reporting demonstration, a voluntary program over 9 months, targeting 2,000 participants. Ms. Fernandez explained the different ways mileage can be reported.

### Discussion

*Mr. Regan asked whether the focus will be on one technology. Ms. Fernandez stated that for the grant application, HDOT is committed to four, the motor vehicle inspection readings and three others.*

## ISSUES TO EXPLORE

Jeff Doyle of D'Artagnan Consulting described the issues, including questions about RUC that can be addressed, impacts, and alternatives and potential solutions. He defined issues as something more than facts. The kind of issues that will be looked at are questions that need to be addressed and analyzed. A running log of issues will be kept, and that they will be assessed to determine if they are operational, policy, or a combination. They will be further categorized as administrative, legal, financial, policy, or technical, to get the best team working on them. The issues will be prioritized, as to when they need to be resolved (such as before the pilot, or later), and the analyses and recommendations will be documented. He then solicited topics.

### Discussion

*Mr. Regan stated that if the RUC is implemented and the 16 cents per gallon fuel tax is eliminated, will there be a 16-cent reduction in the cost of gas for the consumers, or will the 16 cents be kept by the service stations? Mr. Doyle stated that that could become a research question. He knows of a case where the mainland attorneys general have sued the gas retailers for artificial inflation when the gas price has not gone down.*

*Mr. Rivera stated that the price of gas fluctuates, for example in the past months, diesel is 24-30 cents lower. He asked whether the RUC will fluctuate. Mr. Doyle said no, federal and state taxes are flat.*

*Mr. Yamachika stated that there is a need to understand the environment. There are probably four and maybe five taxes on liquid fuel. There is the State fuel tax, county fuel tax, barrel tax, and general excise tax. He noted there are off-road exemptions for farm vehicles from the State and county fuel tax. The barrel tax has no exemptions for off-road usage, and a portion goes to the DLNR, which is a constituency. A carbon tax is under consideration, which would be an environmental-type exaction, with no exemptions. If you monkey with the revenue stream, the constituencies may feel their revenues will be affected. He says he points this out because there needs to be a big picture view. Mr. Doyle said that especially with regard to exemptions and refunds, because there is an assumption there is a nexus between the assessment and highway usage. Mr. Doyle stated that one aspect of the test is to understand the importance of mileage meters that can automatically deducted the off-road usage from the RUC.*

*Mr. Rivera asked how many participants will be transportation businesses? Ms. Fernandez stated that they will take what we can get, and they can volunteer without cost. Ms. Reichelt asked could valuable resources like Uber and Lyft be tapped into? She stated that she knows people there that she could help*

to contact. Mr. Rivera stated he would ask Hawaii Transportation Association members if they want to participate.

Ms. Reichelt noted that the program should be in alignment with other State policies, and asked how it is aligned with energy and other State goals, so that the program will not negate other important State policies.

Ms. Kaneshiro asked about page 66 of the report, regarding advice from bond counsel that the fuel tax cannot be repealed until the bonds are paid off. She further stated that it will affect counties also and that if repayment is needed, that makes it more difficult and less likely that the counties will like it. Mr. Doyle says that a legal analysis could be done, and the State's bond counsel could be involved. Ms. Kaneshiro states that it would be important to the City, because repayment would be a huge undertaking. Mr. Doyle stated that one state has 80% bonding on the gas tax, and it is looking at a transition to RUC. Mr. Yamachika stated that the State does not have specific bond programs for transportation. Mr. Urada stated that HDOT has revenue bonds. Ms. Kaneshiro stated that the City has bonds that pay for roads. Mr. Regan stated that Maui County does not.

Ms. Reichelt says that it would be valuable to have a mention or research on how the pilot could be modified to include components that reduce congestion and increase mobility. Mr. Doyle stated that he will take that back and come back with options.

Mr. Yamachika stated that there may be an argument that the excise, fuel and other taxes are regressive and hit rural users harder, so more regressive than other regressive taxes. Mr. Doyle said that there are issues relating to regressivity, but they will look further at this. Ms. Reichelt asked if there was anything built in to look at rebates to low income and rural drivers. Mr. Doyle said it is preferable to have the longest list (of issues) possible. Mr. Rivera asked if there is data from other states. Mr. Urada stated that there is a lot of data on low income and rural residents that may be helpful. He may bring that the next time. Ms. Reichelt asked about the international experiences, because there are other countries that have done innovative things. Mr. Doyle said that we could look at providing a centralized location for data.

Mr. Rivera asked who else besides the legislature would get the final report. Mr. Urada said that since the demonstration is paid for by public funds, the report will be available to the public and will be posted on the website.

## UPCOMING TOWNHALLS AND STAKEHOLDER ADVISORY GROUP MEETINGS

Townhalls: 14 will be held. There will be 10 on the Neighbor Islands, three on Oahu, and one will be an e-town hall. Mr. Urada stated that the topics will be to increase awareness about transportation funding and the reasons RUC is being looked at. Townhalls will be held in late March or early April. (Mr. Yamachika noted that that would be in the middle of the tax season.)

Advisory group meetings: #2 will occur in February/March 2019, #3 is planned for late 2019. Maybe #4 and #5 will be held during the process, and the last (#6) will be held on completion.

## ADJOURN

The meeting was adjourned at 1:50.