

Briefing Paper 5B-04

Identification of Alternate Approaches for Phasing in of New Transportation Revenue Sources at the Federal Level

Prepared by: Cambridge Systematics

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Introduction

This paper is part of a series of briefing papers to be prepared for the National Surface Transportation Policy and Revenue Study Commission authorized in Section 1909 of SAFETEA-LU. The papers are intended to synthesize the state-of-the-practice consensus on the issues that are relevant to the Commission's charged outlined in Section 1909, and will serve as background material in developing the analyses to be presented in the final report to the Commission.

This paper presents information on alternate approaches for phasing in new revenue sources at the federal level. The paper assumes that the new sources will not be just adjustments to existing sources, but would be new sources not now used, such as vehicle miles of travel (VMT) fees, sales taxes on light duty vehicles, or other sources. The key steps needed to phase in new or enhanced sources are similar, so the phasing options described here actually apply to enhancements to existing sources as well.

Background and Key Findings

Phasing in of new sources at the federal level will be dependent on a variety of factors including the needs for revenues, and the availability and attributes of the various revenue options including the roles and required actions of various levels of government.

- The phase-in of new revenues for the federal government involves two major parameters:
 1. Defining the alternative federal actions needed, and
 2. Determining the timing for the federal government to take those actions.
- Alternative Federal actions or optional levels of Federal involvement are likely to be required across each of the key challenges described in paper 5B-02, as noted in the following section with regard to:
 1. Policy Rationale
 2. Technical Analysis
 3. Sustained Leadership
 4. Political Consensus
 5. Public Education and Communications
 6. Institutional and Intergovernmental Relations
 7. Administrative

8. Legal Framework
9. Combining Management of Current and Emerging Sources
10. Infrastructure and Technology

- The federal government's role in all areas can be viewed as either forcing, leveraging, (i.e. through incentives), passive but supportive, neutral or negative. Phasing can, of course, be done on any schedule.
- Federal action and involvement in each of the areas noted, however, logically should begin immediately with a focus on developing the required policy rationale and technical support.

Preliminary milestones in other areas might be targeted on the Federal highway and transit reauthorization cycle.

- Phasing can be varied based on how long it takes before all of the elements are in place that are sufficient to drive a transition to new revenue sources. However, most elements need to be in place in order for new revenue sources to be implemented. Approximate lead time estimates are given for each of the elements, assuming that new sources such as VMT fees are to be implemented at some future date.

Staff Comments

This paper lays out a generic approach to phasing in new Federal revenue sources. It builds upon the framework developed in Paper VB-02 with specific reference to issues at the Federal level.

Alternative Phasing Options

Policy Rationale Strategies

- Undertake an aggressive, inclusive effort to communicate the need for new revenue sources to legislators, stakeholder groups, and the general public.
- Bring major business, industry and political leaders together to assess and confirm the need for new revenue sources and the implications of a failure to respond, as an initial means to refocus national interest, urgency and support.

Possible alternative federal actions and phasing to develop a policy rationale

- Congressional, Commission (during its lifetime) and U.S. DOT leadership to make the policy case for new revenue sources
- Federal legislation establishing deadlines and /or underwriting development and deployment of needed technologies and for implementation of new types of revenue sources at the federal level (the forcing option).
- Lead times: 2-3 years; the policy rationale must exist or nothing else will be initiated.

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Technical Analysis Strategies

- Pivot off the technical analysis and evaluation of funding and financing options that has been carried out or is already in an advanced stage, as noted above.
- Should additional analyses be necessary, they might be scoped through the combined efforts of the Transportation Research Board's (TRB) highway and transit cooperative research programs (NCHRP and TCRP), as has been done with recent analyses of alternatives to the fuel tax. Technical oversight might involve representative modal experts, representatives of related organizations and interest groups and the U.S. DOT.

Possible alternative federal actions and phasing to meet the technical analysis needs

- Timing should be determined through a comprehensive federally-sponsored or joint federal-state technical assessment.
- Lead times: starting immediately, but carried out over ten plus years prior to implementation.

Sustained Leadership Strategies

- A broad, multi-faceted leadership group might be recruited to actively advocate and support implementation of new revenue sources.

Possible alternative federal actions and phasing to assure sustained leadership

- Foster a broader leadership group (same as above, with timing options.)
- Reestablish a broad leadership group for each reauthorization period.
- Establish a more permanent guidance body that includes federal and state and stakeholder participants, with activity levels that may vary from low to high (during reauthorization periods.)
- Establish and maintain Congressional and federal DOT leadership on the funding of research necessary to establish new revenue sources at federal, state, and local levels.
- Lead times: starting immediately and sustained.

Political Consensus Strategies

- Launch a formal dialogue focused on: a) the specific revenue-raising alternatives under consideration; b) the specific uses that are intended for the funds; c) the impacts and benefits from each; and d) means by which funds might be distributed or allocated both to need and to governmental units. Include deliberations of how the new revenues might be used if that will be different from the current uses of revenues (see institutional and governmental relations strategies below.)

- Invite political parties, elected officials at all levels and their respective research and policy-related institutions into the formal dialogue over alternatives under consideration and the rationales for pursuing them. Doing so would constitute one part of a larger communication ‘campaign’ needed to organize support for and effectively address issues and concerns that will arise as specific new revenue-raising proposals are advanced and considered.

Possible alternative federal actions and phasing in pursuit of political consensus:

- Launching a formal dialogue on new revenue sources at all levels, starting with the results of the Commission’s work.
- Establishing a more permanent guidance body, as under the sustained leadership recommendations.
- Congressional hearings informed by the results of analyses that are conducted under federal or other sponsorship.
- Lead times: starting immediately and sustained.

Public Education and Communications Strategies

- A comprehensive and coordinated public education and information effort designed and carried out on a sustained basis as part of the larger communications ‘campaign’ to support introduction of new revenue raising mechanisms. Within such a ‘campaign,’ traditional strategies and activities such as public opinion polling, focus groups and media-oriented initiatives are likely to be needed.
- Conduct and support of these types of activities may lie outside the sphere of public responsibility and/or propriety, reinforcing the need to engage major civic and community leaders and interests throughout the ‘campaign,’ as is typically done in the case of statewide and local transportation funding initiatives.

Possible alternative federal actions and phasing to support public education and communications needs

- The federal role will necessarily be passive or advisory in activities such as these, although it is expected that the public education and communications efforts will primarily utilize products federal research and analysis.
- Lead times: starting in two or three years and then sustained.

Institutional and Intergovernmental Relations Strategies

- Direct resources from new funding and financing mechanisms to flow through other than the traditional processes and under a separate set of procedures, perhaps even to new recipient agencies, e.g. Metropolitan Planning Organizations (MPOs);

- New revenues might be directed to broader categories of improvements than has traditionally been the case, e.g. portions to preservation and capacity expansion without reference to mode. These determinations would logically be made at the federal level as part of revenue titles associated with highway and transit authorizing legislation.
- Maintain a focus throughout the evaluation, enactment and implementation process – fact-gathering, testing and dialogue – on identifying: a) what contradictions with existing practice may arise in the flow of new sources of funds; and b) what actions may be needed to minimize these.

Possible alternative federal actions and phasing to reconcile institutional and intergovernmental roles:

- Evaluate options for new institutional arrangements for delivering the new revenues.
- Alter or amend existing mechanisms to collect, budget and allocate revenue from current sources, including statutory, regulatory and/or administrative procedures associated with Federal programs.
- Lead times: starting immediately and sustained.

Strategies to Concurrently Manage Current and Emerging Sources

- Engage the public interest groups or stakeholders representing the major organization partners to join in and carry forward an agenda to examine the issues and find consensus on how they should be resolved. Multimodal, multi-agency, multi-interest groups have been convened before and charged with exploring and advising on (if not finding) solutions to broad policy and program management issues arising from major program and policy shifts. Such an implementation ‘issues and options’ role would certainly involve representatives of AASHTO, APTA and AMPO along with representatives from local governments (municipalities and counties) and state government (National Governors’ Association (NGA) and National Conference of State Legislatures (NCSL)). The value of formally engaging a broad group lies, in part, in their traditional roles as creators of model frameworks, legislation and standards to carry out new missions and responsibilities. These arrangements have been sponsored in various ways through processes already in place and familiar to the potential participants, including through support of the TRB Cooperative Research Programs mentioned earlier.
- Actions can be taken in the short term to enhance and improve the flow of current revenues to highway and transit investment, at the same time the more involved, time-consuming steps necessary to implement new sources are advanced. This will likely stress governance and management systems at all levels of government as they will have to continue to manage and guide current processes and funding flows simultaneously with deliberation, design and testing of new sources flowing through either traditional or new programs and procedures.

Possible alternative federal actions and phasing to manage combined revenue sources

- Support research and evaluation of new or enhanced systems and procedures to appropriately manage and administer aspects of new revenue sources.
- Develop processes, timetables and strategies for state and/or local adoption or use of new procedures.
- Lead times: starting immediately and then sustained.

Administrative Strategies

- Consider and examine each potential new source of funding or financing to describe and assess: a) the system-related, administrative and management requirements inherent in its use; b) where those capabilities currently reside and where they are lacking among potential partners; and c) what models and steps must be undertaken and over what timetable to assure that full and credible capacity exists to manage the flow of funds from new sources.
- Under the Commission's guidance, and/or through the TRB Cooperative Research Programs the requirements, state-of-the-practice and opinions of experts in the respective fields could be examined to guide enhancements on essential administrative and management issues and approaches.

Possible alternative federal actions and phasing to meet administrative requirements

- Provide assistance to states and others to research and develop needed administrative mechanisms.
- Develop processes, timetables and strategies for state and/or local adoption or use of new procedures.
- Lead times: starting in two or three years and then sustained.

Legal Framework and Strategies

- Establish clear definitions and outline the basic mechanics for revenue collection from potential new sources. The legal framework(s) under which states and localities tax and commit revenues for highways and transit must be laid out so that a preliminary understanding can be reached about where reasonable accommodation is possible with minimal disruption, and, more importantly, where conflict and contradiction may lie between new and old mechanisms, and need further attention. Findings from the latter assessment will largely dictate the scope and pace by which new revenues are likely to be implemented assuming a consensus can be achieved on moving forward;
- Examine thoroughly the extent to which already existing revenue collection, distribution and oversight mechanisms can be used and how to minimize the time and resources that might be required to institute wholly new responsibilities, systems and procedures;
- Reliance on the TRB Cooperative Research Programs to perform these tasks; or

- Assignment of these tasks to state interests (NGA, NCSL) since states have the critical, constitutionally-based role in revenue-raising among partnering levels of government. Legal and finance experts will be central to the examination and questions will need to be addressed about how to maintain a non-partisan perspective through the assessment despite the focus on what ultimately will be overtly political actions.

Possible alternative federal actions and phasing to establish the legal framework(s)

- The federal government could provide broader authority for charging tolls, including on the Interstate system, as early as the next reauthorization cycle. Consistent with this, the federal government should extend and ultimately expand current state and local road-pricing experiments.
- Provide assistance to states, TRB, and others to research and develop needed frameworks, alternatives or models.
- As recommended by the NCHRP 20-24(49) study “*Future Financing Options to Meet Highway and Transit Needs*”, by 2010, the federal government also could fully empower the states to experiment with development and implementation of VMT-based revenue systems.
- Federal legislation establishing deadlines for development and deployment of needed technologies and for implementation of new types of revenue sources at the federal level (the forcing option).
- Lead times: starting in two or three years and complete by the time targeted technology is available (ten years?)

Infrastructure and Technology Strategies

- Identify and analyze hardware and software requirements and options to support thorough testing and implementation of new approaches, including functionalities of hardware and software, as well as integration across/among major elements of the network (modes, vehicles, guideways, terminals/stations) and across agencies and institutions.
- Build on the ample investigation on both a hypothetical and applied level that is currently proceeding on questions of vehicle-based technologies.
- Expand the number and scope of current limited demonstrations, e.g. Oregon’s VMT fee application, the University of Iowa demonstration of mileage-based taxes under SAFETEA-LU, and European examples for variants of technology applications suited to the types of strategies being considered;
- Reliance on current actors and organizations to address or (re)define a way forward technologically, with a specific focus on the evolution of a national strategy, system architecture, standards and phased implementation.

Possible alternative federal actions and phasing to support application of necessary infrastructure and technology

- The federal government could provide strong leadership at all times to technology efforts by supporting state development and testing of new mileage-based revenue systems; supporting development of a system architecture, establishing national standards for new vehicle technology that will facilitate implementation of VMT fees; and ensuring interoperability across the nation.
- By no more than ten years from today, the federal government could establish technology performance standards for vehicle tracking, communications, and privacy for new vehicles, building on the ITS program's Vehicle Infrastructure Integration initiative. The objective should be to promote the development of low-cost and nationally interoperable equipment.
- Lead times: starting today, but lead times on the technology deployments may be over ten years.

Strategies for Investing in the Phase-in

- Rely on existing institutions and processes including the Transportation Research Board, in collaboration with key stakeholder organizations many of whom are already at work addressing one or more of these challenges;
- Define an independent, high-level, national coordinating function and organization to plan, manage and integrate activities, including management of a work program, both short and long-term, assurance of a sustained flow of resources for the effort, and to assess and report progress.
- Given the complexities involved, the varied timetables over which action will be required and the diverse interests involved, it appears likely that a new institution may be needed to guide and advance consideration and implementation of new funding and financing sources for highways and transit.

Possible alternative federal actions and phasing to meet phase-in investment needs:

- Provide research and demonstration support to all parties to examine oversight mechanisms.
- Lead times: starting in two or three years and continuing through deployment.

CONSOLIDATED COMMENTS FROM MEMBERS OF THE BLUE RIBBON PANEL OF TRANSPORTATION EXPERTS - PAPER 5B-04

One reviewer commented as follows:

This paper is written to discuss approaches to phasing-in as yet unidentified new revenue sources. This reviewer would suggest several additional factors. First, there will be no demand from the public for new sources or a new approach until a big problem with existing sources or approaches is demonstrated. Second, our political system is much more likely to shift paradigms

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(i.e., end an old system and adopt a new system) in a time of crisis. This factor, along with the length of time available before the crisis occurs, will have a large role in determining how new revenue sources are phased-in. This should be considered in strategy development. Comments on specific sections follow.

Under “Strategies to Concurrently Manage Current and Emerging Sources,” this reviewer believes there are several good reasons to keep existing revenue sources as new sources are phased-in:

- a. Maintain stability of revenue flow
- b. Facilitate avoidance of retrofitting existing vehicles with on-board devices to the extent possible
- c. Provides a redundant system for enforcement purposes and in case of technical malfunctions
- d. Cost-effectiveness

During the transition to a new system, it is conceivable that government General Fund financing could be needed to facilitate the transition.

Finally, it is important to determine the purpose of any new revenue sources for purposes of identifying transition issue necessary to resolve for implementation. Purposes may range from congestion relief to replacement funding (e.g. transitioning from the gas tax) to additional funding.” Depending upon the particular purpose, intriguing transition issues develop. For example, replacing the gas tax with a VMT fee raises the issue of how motorists should receive credit for gas tax paid or otherwise not pay the gas tax when they become VMT fee payers. This becomes an issue critical to design of the collection mechanism for VMT fee.”

Another reviewer commented as follows:

Papers 5B-04 and 5B-05 are some of the most useful work I’ve seen on the very difficult and complex issues of phasing in new transportation funding sources. The papers are well thought out and fairly comprehensive as an outline for future actions. One suggested improvement in the public education and communications strategies – the paper references the need to engage major civic and community leaders and interests but would be improved by including representatives of major user groups – AAA, American Trucking Associations, and the like. These are the customers and the funders of the system.