

Washington State Road Usage Charge Steering Committee

Meeting #1

Meeting Notes | September 13, 2012

Attendees

Steering Committee Members

Tom Cowan, Chair, WSTC Commissioner
Kurt Beckett, Port of Seattle
Representative Andy Billig
Rod Brown Jr., Cascadia Law Group PLLC
Pete Capell, Clark County Public Works
Senator Tracey Eide
Don Gerend, City of Sammamish Councilmember
Anne Haley, WSTC Commissioner
Paula Hammond, WSDOT Secretary
Representative Mark Hargrove
Tom Hingson, Everett Transit
Kush Parikh, INRIX
Janet Ray, AAA Washington
Senator Ann Rivers
Neil Strege, Washington Roundtable
Sandi Swarthout, Alliance of Automobile Manufacturers

Washington State Transportation Commission Staff

Reema Griffith
Paul Parker

Washington State Department of Transportation Staff

Jeff Doyle

Consultants

Jeff Buxbaum, Cambridge Systematics
Jack Opiola, D'Artagnan Consulting
Matthew Dorfman, D'Artagnan Consulting
Natalie Quick, Natalie Quick Consulting
Allegra Calder, BERK
Michele Eakins, BERK

Other Attendees

Amanda Cecil, Senate Transportation Committee
Jeff Finn, Volt
Mary Fleckenstein, Joint Transportation Committee
Alison Hellberg, House Transportation Committee
Geri Poor, Port of Seattle

NOTE: As presentation materials are available on the Washington State Road Usage Charge website (<https://waroadusagecharge.wordpress.com/meetings/>), this meeting summary focuses on the discussion and not the presentation content.

Agenda Overview and Introductions

Tom Cowan, Steering Committee Chair, welcomed the group and provided an overview of the agenda. Steering Committee members and project staff and consultants introduced themselves.

Background: Transportation Funding Issues in Washington

Jeff Doyle provided an overview of previous State transportation funding studies and their findings, primarily that the State needs revenue other than the gas tax. He noted that a road usage charge was identified as a potential alternative to the gas tax in several recent studies.

Discussion

- The Connecting Washington Task Force explored the question: what does the future look like without stable revenues in transportation? We are in a hole with respect to taking care of the State system. As we think about a transition to a future revenue source, know that the current gas tax is not providing nearly enough funds for maintenance and operations. This was the context that the Connecting Washington Task Force laid out and it provides a good reference for our work.
- One concern raised was whether a revenue source based on vehicle miles travelled (VMT) would have the desired stability in the future.

Steering Committee Organization

Tom Cowan reviewed the Steering Committee charge and its roles and responsibilities along with those of WSDOT and the Commission. Jeff Buxbaum then reviewed the three elements of the study, the work plan and timeline, and desired outcomes.

Tom Cowan summarized the Draft Steering Committee Process and Procedures and the Committee agreed to adopt them as written.

Legislative Motivation

Representative Andy Billig gave some background on why the Legislature decided to fund this study. Simply put, gas tax projections point to a potential funding crisis and the consequences of doing nothing are severe. Many in the Legislature feel the imperative to explore the alternatives, including road usage charges.

This will be challenging since there is not a defined path ahead of us, but it is also exciting in that it is very much an open book and it is a leadership opportunity for the State. The Steering Committee is here to answer the following: Is road usage charging feasible? Do we want to do this? Is it right for Washington? If so, what are the next steps?

Steering Committee Interview Summary

Jeff Buxbaum summarized the common themes heard through phone interviews and email responses from the Steering Committee members to several questions. Since not everyone responded, Jeff opened it up for additional comment.

Discussion

- Q: Why don't we call it a VMT tax instead of a road usage charge?
 - A: VMT is both hard to say and seems to cause more confusion.
VMT tax sounds punitive, and is closely tied to social engineering around emission control, climate change, etc. and people tend to react negatively to this. These associations with the idea of a VMT

tax are great goals, but when the public hears VMT tax, the community thinks it is about limiting driving. A VMT tax also sounds as if we are taxing or trying to control travel, where as we are simply charging usage of the road and not merely the driver, as in “road user charging”. More of us are thinking that transportation systems should be viewed as a utility, so you have to pay for the amount that you use. With a road usage charge, users pay for what they use and the value of that trip.

- Being from a county that borders Oregon, I'd like some thought given to the idea that 65,000 Washington residents use Oregon roads a lot, and vice versa. We need to be sure that we are mindful about that and the impact that has on what we do here. They're still using our roads, but what we're doing here means we're not paying for it. We need to be mindful of it.
 - > There's a group of western states, including Oregon, that is asking “how do we do this together?” As we each move forward, we all drive how this can work amongst states and the goal is to move together.
- The Committee should note what's happened with liquor taxes—people cross the border to avoid the tax. Therefore, we are not getting the revenue we expected. Likewise if we're not in step with Oregon people will cross the border to buy fuel.

Definitions: What is Road Usage Charging in the Context of this Assessment?

Jeff Buxbaum discussed the definition of road usage charge for this study—what it is and is not—and then opened it up for discussion.

Comments

- The utility model has fixed assets, but the demand is variable. It's a rare utility that does not charge for peak demand. Roads are stuck with this problem. The best way to limit future system expenditures is to charge for the peak. Therefore, we should not limit the definition of road usage charges in the context of this study to one that does not involve a congestion-pricing component.
- Are we talking about state highways or all roads? 11 of every 33 cents of gas tax revenue is allocated to local agencies. The idea behind road usage charges is to grow the revenue. How will city and county allocations work with a road usage charge?

Domestic and International Experience with Road Usage Charges

Jack Opiola presented information on road usage charge studies and implementation in the U.S. and in other countries around the world. He noted that there are many ways to implement a road usage charge and there are other ways to pay for use than miles.

Questions/Discussion

- Q: How do they use the GPS technology?
 - A: There is a box that ties into the vehicle's odometer and readings are taken from GPS and the odometer. In Switzerland, they do the same thing using a smart card inside the box and the card is sent to the tax authority every month. This is for trucks only. At the end of the month you mail the smart card to customs and they download the data from that card. The card contains GPS data files that show the GPS distance calculations as well as the odometer readings for the beginning and end of the month. The GPS distance count is used to compare the accuracy of the odometer reading. If the odometer says you've gone 200 kilometers and the card says 300, they charge you for 300. They would also check your car to see why the discrepancy exists.
- Q: If you leave Switzerland, are you charged in other countries?
 - A: No, GPS indicates when to stop charging. The policy objective was to move freight from truck to rail, but so far it has not worked. Moving by truck remains faster.
- Q: How are they collecting the money?
 - A: Each firm/owner has an account and based on data transmitted they receive an invoice (basically a utility bill). For vehicles without GPS, you go online and precisely map your route and you pre-pay. If you're found to have diverted, you are penalized and fined.

In New Zealand they offer a hub-odometer. It fits on the hub cap and has its own independent measurement. The readings are used when you pre-purchase a block of miles by rate class, using a paper system (since 1977). In 2009 they changed the program and third-parties can now sell a GPS system that replaces the hub odometer and it is called an e-hubodometer.
- Q: What about rental vehicles where you travel across all countries? That would be similar to travelling from state to state.
 - A: New Zealand has it easy since they are an island. In Europe, these are country-wide systems but there are European Union interoperability standards. You need to purchase mileage stickers (vignettes) in each country.
- Q: Of the places with solutions, is it working? Has it been all positive?
 - A: In general, it works and the long-term effects show it is beneficial. In London, Gross Domestic Product (GDP) has increased since congestion charging has gone in. Cities have gained a windfall from additional sales tax. In terms of transportation money, they've done well there too. All have brought in additional funds and they use them differently. Some areas have seen huge modal shifts to transit and there have been behavioral shifts as well where people spend locally to avoid the congestion charge.
- Q: Can you generalize and say whether these various usage charges have replaced the gas tax?
 - A: In every single situation in Europe, they still pay gas tax and all have escalators based on inflation for the fuel excise tax. In general, Europe pays at least double the price in fuel, and at least half of the price is tax. In the U.S., we use the proceeds for transportation only, where many other countries move it to the general fund and then reallocate to transportation and other areas.

Oregon is looking at road usage charges this upcoming legislative session (February 2013 to June 2013). They are looking at a proposed start on a select part of the fleet - vehicles above 55 miles per

gallon (mpg) - hybrid and electric and other vehicles that exceed the 2025 Corporate Average Fuel Economy (CAFE) standards.

- Q: How does the paper based system in New Zealand work for collection?
 - A: You pre-pay for kilometers (km). You give the odometer reading when you buy a license, and when you run out, you are expected to buy more. There is a 500 km tolerance if you are stopped, but beyond that you are fined at three times the cost if out of tolerance. You have a sticker in your window and a receipt showing your miles. If you're pulled over, they check your odometer against the database.
- Q: Where do you buy the stickers?
 - A: You buy them online or in a 7-11 type store, a post office or several other locations that are authorized agents. Automobile dealers can act as agents as well. Truck companies or fleet operators can also have a dispenser to handle their stickers, if they are certified.
- Q: Can you buy a years' worth of kilometers?
 - A: 15,000 might be the most you can buy. Parliament introduced very small blocks down to one thousand kilometers as the smallest block to purchase to address social equity. The argument was that the lower-income people can't afford the bigger blocks.
- Q: Can you compare this to the new approach in Oregon?
 - A: There are lots of choices. They are looking at setting up a pre-pay system with an annual fee, which gives you unlimited miles for a year (fairly expensive, \$500 - \$600 and equates to about 40,000 miles). Oregon is also looking at technology to report directly from the vehicle and interfacing with a smart phone. In addition, there will be a GPS device. There is no choice when it comes to paying the tax, but you can choose your technology and charging method.
- Q: Oregon legislation is aimed at 55 mpg+ vehicles. Won't that discourage people from buying these vehicles?
 - A: Yes, though the argument is that by starting at 55 mpg, right now, everyone will be paying their fair share. However, by 2025, a lot of cars will have much higher mpg so the vehicle fleet will move up to the charge. The message that has resonated is that everyone must pay their fair share.

Potential Technologies

Matthew Dorfman discussed the many technologies that are already in use related to road usage charging.

Public Acceptance Issues

Jack Opiola presented lessons learned on public acceptance from road usage charge implementations and polling surveys around the world. Jeff Buxbaum noted that we will assess public opinion as part of the study.

Comments

- The Commission is building a statewide survey panel and the goal is to have 20,000 participants by November 2012 for a comprehensive survey. We are planning to include 3 to 4 high-level questions on a road usage charge. Next spring we'll do another survey and we could ask much more specific questions.

Facilitated Discussion: Steering Committee Goal Setting and Criteria

Allegra Calder facilitated the Steering Committee in a group discussion about the potential purpose of a road usage charge, potential criteria to help determine feasibility, questions to be answered after January 2013, and policy issues specific to Washington State.

Question: What do you propose as the potential purpose for the road usage charge?

- To replace and/or supplement the fuel tax as a transportation revenue source.
 - > Is this just roads or multi-modal transportation?
 - > Replace may be more acceptable than supplement, which will be considered a new tax.
 - > Revenue replacement first, then work on making up the shortfall. Don't combine these two ideas as not everyone will go for both at once.
 - > Do we plan to account for inflation?
- Revenue is the means to an outcome. Our purpose is an efficiently operated, well maintained system. We need to assure we can have this. There will be prioritization and ranking of the elements, but we need to keep the big picture in mind.
 - > Usage fees should ensure at a minimum the basic maintenance and operation of the transportation system. If we charge people for driving on the roads they should get something for their fee.
- Increase equity across the system in light of the shift to high efficiency vehicles.
 - > Fairness carries a lot of weight in achieving public acceptance.
 - > One of the reasons the gas tax is broken is because people are buying less gas and the projections are flat – can we demonstrate that vehicle miles traveled will increase?
 - > As people drive less, it reduces the wear and tear on the system.
 - > Trucks, not cars, really wear out the system, but repair needs go beyond pavement.
- Change traveler behavior by dealing with peak and average use. If people are using during peak time, they should pay more to increase the efficiency of the system similar to the utilities.
 - > Operate the system to manage demand.
- Move Washington State forward to help make the case for the nation to move forward.
 - > Lots of interest nationwide, but little progress is being made.
 - > What starts here would likely be a model for another state or a national effort.
 - > If anything is going to happen it has to happen at the state level because the Federal government isn't going to do it.
 - > There is a movement starting among some states to opt out of the Federal gas tax, though in doing this they may not be eligible for Federal grants.

Question: What should our feasibility criteria be to make a decision by January 2013?

- Not necessarily that we WILL get it done but that we COULD get it done;
- Fairness;
- Transparency in terms of accountability and rate;
- Public acceptance ;
- Private sector involvement and buy-in and help with implementation and technology;
- Convenience to user;
- Confidence in expected revenue ;
- Collections, enforcement and compliance issues;
- Ability to handle out of state travelers;
- Technology that allows us to do this; and
- Privacy options.

Question: What do we want to know after January 2013?

- What is the rate based on, and who decides? How is it adjusted? Can we unbundle the charge like a utility bill so that people know exactly what they are paying and to whom?
- Does it differ by vehicle type, fuel type, etc.?
- How do we integrate this with the tolling system?
- How to allocate revenue?
- Cost/benefit analysis might be needed to assess how long it takes to see the benefit.
- How simple should we make this? Smaller may not necessarily be more feasible. There will only be one opportunity with the voters and it will be a huge effort, so maybe it's better to put a lot in there. We'll need to talk about this more.
- What about the ferry system?
- Should there be any exemptions?
- Who owns the data?
 - If I'm tracked, can I see the data (similar to Smart Energy systems that show your usage)? Are there benefits to tracking?
- Who adjudicates what is a privacy issue and what isn't? Is there a hearings board?
- How do we view this as a holistic, multi-modal system?
- We will need to demonstrate that the system is broken and that this is an effort to move to a more equitable system.

Question: Are there issues specific to Washington that we should consider?

- Washington State's Initiative process is a risk.
- How does the 18th Amendment affect a road usage charge? What are the implications?

- Urban/rural issues.
- Freight mobility - trucking, ports, etc.
- Western states partners (and British Columbia) are potentially an asset.
- Keep transit in mind - whatever we come up with, do no harm.
- Washington has a strong technology sector that can help us move forward
- Revenue package this session could be followed by messaging related to this project about lack of funding from the gas tax. How do we educate the public on the huge need?
- Don't want to lose sight of the local roads and the backlog of deferred maintenance.
 - > Do we know whether the local taxing capacity is being used?

Next Steps

Jeff Buxbaum stated that at the October 30 meeting the consultant team will present some conceptual ideas for how to accomplish road usage charges in Washington based on the feasibility criteria discussed today. The Steering Committee will then have an opportunity to discuss what they like and do not like about these conceptual proposals. He emphasized again the short time-frame, noting that we are one-quarter of the way through the task, with only three more meetings to go before issuing our recommendations. We should have a draft preliminary meeting report by the December 4 meeting.

Tom Cowan asked the group for feedback on the day's process and then adjourned the meeting.