WELCOME AND INTRODUCTIONS
What We Need to Accomplish Today

- Review new legislative direction and work plan
- Review proposed road usage charge concepts for business case evaluation
- Develop policy statements
PUBLIC COMMENT
LEGISLATIVE UPDATE AND WORK PLAN FOR JUNE-DECEMBER 2013
Engrossed Substitute Senate Bill 5024, Section 205(3)

**Funding and Purpose**

- $400,000 State appropriation for FY2014 only

**Purpose**

- **Transportation Commission** - “…solely for the development of the business case for the transition to a road usage charge system as the basis for funding the state transportation system, from the current motor fuel tax system.”

- **WSDOT** - “…continue to address administrative, technical, and conceptual operational issues related to road usage charge systems…” [Sec. 214(1)]
Engrossed Substitute Senate Bill 5024, Section 205(3)

Key Points

- Prior efforts “represent an important first step in the policy and conceptual development…”
- “…but that the governance for the development needs clarification”
- “…significant amounts of research and public education are occurring…and that these efforts can and should be leveraged…”
- “The legislature intends, therefore, that the commission and its staff lead the policy development of the business case for a road usage charge system, with the goal of providing the business case to the governor and the legislative committees of the legislature in time for inclusion in the 2014 supplemental omnibus transportation appropriations act.”
Engrossed Substitute Senate Bill 5024, Section 205(3) Specifics

- Develop preliminary road usage charge policies that are necessary to develop the business case, as well as supporting research...
- Develop the preferred operational concept(s) that reflect the preliminary policies
- Evaluate the business case….must assess likely financial outcomes
- Identify and document policy and other issues that are deemed important to further refine….to gain public acceptance.
  » Should form the basis for continued work…
Engrossed Substitute Senate Bill 5024, Section 205(3)

Steering Committee and Schedule

Committee membership remains intact
  » Added Joint Transportation Committee executive members

Key deadlines
  » December 15, 2013 – Final Report to the Governor and Transportation Committees of Legislature
  » November 1, 2013 – Progress Report to the Governor and Joint Transportation Committee
## Work Plan

### June 2013 through February 2014

<table>
<thead>
<tr>
<th>Task</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - Develop Road Usage Charge Policy Statements</td>
<td>Develop road usage charge policy statements for use in refining road usage charge concepts in Task 2.</td>
</tr>
<tr>
<td>2 - Refine Operational Concepts</td>
<td>Develop operational concepts that reflect the policies developed in Task 1.</td>
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<tr>
<td>3 - Evaluate the Business Case</td>
<td>Evaluate the value proposition of potential road usage charging systems developed in Task 2 compared to the existing gas tax.</td>
</tr>
<tr>
<td>4 - Documentation and Budget Preparation</td>
<td>Document the findings resulting from the work conducted in Tasks 1 through 3, culminating in a final report from the Commission to the Governor and Legislature, including a workplan and budget for the next year.</td>
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Meeting Schedule
*June 2013 through February 2014*

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 11, 2013 (SeaTac)</td>
<td>Policy writing and operational concepts.</td>
</tr>
<tr>
<td>September 12, 2013 (SeaTac)</td>
<td>More detailed operational concepts and cost estimates</td>
</tr>
<tr>
<td>October 14, 2013 (SeaTac)</td>
<td>Review business case and policy/other issues</td>
</tr>
<tr>
<td>November 21, 2013 (SeaTac)</td>
<td>Draft report and draft proposed workplan/budget for next year, potentially including a pilot</td>
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</table>

**Steering Committee, Subcommittees**

- To meet by web conference on three topics
  - Operational Concepts – August 2013
  - Business Case Concept Model – September 2013
  - Final Report – November 4-8, 2013 (week of)
Proposed Steering Committee Subcommittees

To meet by web conference on three topics:

» Operational Concepts – August 2013
» Business Case Concept Model – September 2013
» Final Report – November 4-8, 2013 (week of)
PROPOSED ROAD USAGE CHARGE CONCEPTS FOR BUSINESS CASE EVALUATION
Generic Operational Concept

Charges based on usage
Payment for usage

Principal
Vehicle(s)
One-to-Many

Public Road Network
Private Land  Out of State

Usage

Road Usage Charge Administration
Road Usage Charge Authority
Charge Policy
Framework for Operational Concepts

- **Basis of the charge** - Either distance or time (potentially including congestion or environmental factors).

- **Reporting responsibility** - Either declared by the user or detected by the road usage charge “system,” including any component technologies.

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**Road Usage Charge**

- **Basis of Charge**
  - **Time**
  - **Distance**

- **Reporting Responsibility**
  - **User**
  - **System**

- **Concepts**
  - **Time**
    - Time Permit
    - Engine Run Time Charge
  - **Mileage**
    - Mileage Permit
    - Estimated Annual Mileage Permit with Reconciliation
    - Simple Odometer or Other Mileage Reading
    - Automated Mileage Reporting
  - **Distance**
    - Automated Mileage and General Location Measurement
    - Automatic Mileage and Specific Location Measurement

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*Washington State Road Usage Charge Assessment*
Framework with Enabling Technologies

Road Usage Charge

Basis of Charge

- Time
  - User
  - System

- Distance
  - User
  - System

Reporting Responsibility

- User
- System

Concept

- Time Permit
- Engine Run Time Charge
- Mileage Permit
- Estimated Annual Mileage Permit with Reconciliation
- Simple Odometer or Other Mileage Reading
- Automated Mileage Reporting
- Automated Mileage and General Location Measurement
- Automatic Mileage and Specific Location Measurement

Technology Options

Washington State Road Usage Charge Assessment
Operational & Administrative Relationships

Road Usage Charge Authority

Principal Account Management

Usage Management

Usage

Public Road Network

Private Land

Out of State

Enforcement & Compliance

Private Sector Certified Service Provider

Value Added Services

Principal

Subject Vehicle (s)

One-to-Many

Principal
Overview of Administrative Functions: Detailed Functions

- **Principal Account Management**
  - 1. Principal Register / Account Initiation or Additions
  - 2. Maintain / Support Customer (CRM)
  - 3. Usage & Account Handling
  - 4. Change Service Provider / Replace Equipment
  - 5. Handle Enquiries, Complaints & Usage Disputes
  - 6. Modify, Transfer or Close Account

- **Usage Management**
  - 7. Principal Declare
  - 8. System Detect
  - 9. Process Transaction Data
  - 10. Calculate Charge Demands
  - 11. Reconcile Usage to Mileage and Zones
  - 12. Calculate & Process Refunds

- **Compliance & Enforcement**
  - 13. Determine & Verify Infraction
  - 14. Manage Compliance
  - 15. Enforce
  - 16. Recover Fines & Penalties
  - 17. Handle Appeals
  - 18. Manage Repeat Offenders

- **Road Usage Charge Authority**
  - 19. Comply with Policy / Legislation
  - 20. Manage Master Set of Accounts
  - 21. Audit (Prevent Fraud / Enhance Compliance)
  - 22. Set / Recommend Changes to Charge Rates
  - 23. Evaluate & Measure Operational Performance
  - 24. Manage System Performance (Monitor, inspect & Verify)
  - 25. Provide Stakeholder Comms, PR & Marketing
  - 27. Provide Planning & Controls
  - 28. Manage Assets
  - 29. Manage IT / Comms & Security
  - 30. Road Usage Charge Management
  - 31. Manage Multistate, International and Toll Interoperability
  - 32. DOL Interface
  - 33. Manage GIS / Map Data
  - 34. Reconcile Transactions to Usage/Zones & Principal Account
  - 35. Distribute Technology & Inventory Management
  - 36. Recover Usage Charge Demands
  - 37. Process Usage Charge Payments
  - 38. Adjudicate Appeals & Privacy
Proposed Operational Concepts for Business Case Evaluation

A. Time Permit (Concept 1 from Report 2).
   » Permit for unlimited road network access for a given period of time.

B. Odometer Charge (Concept 4 from Report 2).
   » Prepay for a standard amount of miles, and then reconcile actual miles

C. Differentiated Distance Charge (Concept 7 from Report 2)
   » In-vehicle device records miles driven inside and outside State borders and charges accordingly
Potential Combinations

- **A (time permit),**
  - simple solution to replacing the declining value of the gas tax
  - But no difference for how much you drive

- **A + B (odometer charge),**
  - allows motorists to be charged by the mile
  - does not distinguish in-state versus out-of-state travel.

- **A+B+C (differentiated distance charge)**
  - accomplishes all of the above
  - distinguishes in-state versus out-of-state travel.

- **A, or A+B at the outset, with C following at a future time.**
  - For example, the State would wait until the market is able to provide C at little or even no cost.
Time Permit
Operational Concept

- Purchase a 1 year permit with vehicle registration
  - Same as today’s registration process: in person, online, License eXpress, or mail
  - Annual, quarterly, or monthly payments are possible

- Valid vehicle tabs mean “you’ve paid”
  - Enforcement just like today for registration

- Out of state motorists
  - Purchased online or at kiosks near border crossings
  - Window stickers and/or license plates recorded in a database
Time Permit Compliance and Enforcement

- Enforce time permits just like enforcing registration
- Spot checks for out of state vehicle decals
  - Or automated enforcement with license plate scans
- Enforcement challenge: officers must determine if a given vehicle is subject to charge (e.g., if only a subset of vehicles is subject) in addition to having a valid time permit
- Un-renewed time permits can be detected in back office
Time Permit
Advantages and Disadvantages

**Advantages:**
- Simple to comply
- Low cost of administration
- Can be used for Washington residents and out of state motorists

**Disadvantages:**
- User costs do not reflect usage
- Relies on roadside enforcement
Time Permit
Issues for Discussion

- Time permits do not link road usage to distance traveled
  - How important is it that road usage charging reflect *distance* rather than time?

- Time permits create a viable way to charge visitors from out of state
  - How important is it to charge visitors?

- If road usage charges apply only to efficient vehicles (as proposed in Oregon), visual enforcement is difficult. Does this present a challenge for phasing in a time permit?
Odometer Charge
Operational Concept

- Vehicle odometer is legal distance measuring device
- At start, principal reports odometer reading and prepays for an estimated annual distance or a set amount (e.g., 12k miles)
- At end of first year, principal must:
  - Report new odometer reading via self reporting or odometer inspection (can be integrated with tab renewal process)
  - Reconcile previous payment via refund, account credit, or additional payment
  - Prepay for next period (based on actual miles during 1st year)
- Payment required for all miles, regardless of where traveled
- Visitors from out of state not charged
- Reconcile account at sale of vehicle
Odometer Charge
Compliance and Enforcement

Display of valid tabs indicates compliance
  » Roadside enforcement as with registration and time permits

Risk of odometer tampering, mis-reporting, under-reporting
  » Odometer tampering is a crime punishable by both federal and Washington state laws
  » Conduct spot audits and use analytics to conduct targeted audits
  » Odometer records (e.g., CARFAX, sales records, service records) can be used for analytics and audits
  » If Principal underestimates and underpays:
    – Supplementary payments can be made before the end of year
    – If no supplementary payments made, assess penalties for distance traveled over the estimate (e.g., 3x rate per mile over prepaid amount)
Odometer Charge
Advantages and Disadvantages

Advantages:
» Simple to comply
» Low cost of administration

Disadvantages:
» Difficult to detect odometer fraud
» Depending on reporting method, inconvenient for motorists
» Cannot capture out of state motorists
» All miles charged regardless of location of travel
Odometer Charge
Issues for Discussion

- Odometer charges cannot capture visitors from out of state.
  - Is that acceptable, or is this best bundled with a time permit for out of state motorists?

- An alternative concept is to sell mileage blocks.
  - Is that more or less attractive than the concept presented here for Washington residents? For out of state motorists?

- Odometer charges do not allow automated refunds for out of state travel, but could allow for paper-based refund claims.
  - Is this acceptable or desirable?

- Are third-party agents such as CARFAX acceptable agents for odometer records?

- Are odometer charges best as a standalone option or when combined with time permits and or differentiated charges?
Differentiated Distance Charge
Operational Concept

- Based on a range of technologies
  - Could integrate with existing services such as pay-as-you-drive insurance, in-vehicle telematics, and telecommunications

- Rely on third-party commercial entities for account management and tax collection (like sales or hotel taxes)

- Principal registers with a private account manager ("certified service provider") that collects road usage charges in addition to providing other value-added services
  - Certified service providers send list of accounts to road usage charge authority
  - Providers periodically invoice customers for services and collect road usage charge
  - Principal is free to change providers at any time
  - Providers remit revenues to the road usage charge authority
Differentiated Distance Charge
Supporting Technologies

- Technology options for measuring road usage
  - GPS
  - Inertial Navigation System
  - Cell Phone Triangulation
  - Combinations of the above are normally employed

- All require digital mapping whether in the OBU or back office

- Telematics are emerging as an option
Differentiated Distance Charge Compliance and Enforcement

Certified service providers guarantee payment
  » Collection is an issue between service providers and principals

The certified service provider has the right to refuse principals
  » If refused by a service provider, principal would be made to choose time permit or odometer charge administered by the state

Road usage charge authority verifies compliance of:
  » Certified service providers, via technology certification and business process audits
  » Principals, via summary analysis of reports from certified service providers, targeted audits, and spot audits
Differentiated Distance Charge
Advantages and Disadvantages

**Advantages:**

» Charges matched to usage

» Rely on private sector for technology and operations → reduce costs
  
  – Bundle road usage charging with other services
  
  – Guaranteed payment by service providers
  
  – Technology evolves with the market
  
  – Motorists opt in to a service provider relationship

**Disadvantages:**

» Higher level of active management required by users

» Market for bundled services may not mature for several years

» Location technology may cause privacy concerns
  
  » Must be paired with time permit or odometer reading to cover whole population
Differentiated Distance Charge
Issues for Discussion

- What is the level of comfort with a system that *requires* location-based technology, versus one that *allows* it?

- Differentiated charges cannot capture all out of state visitors
  - Is this acceptable, or is this best bundled with a time permit for out of state visitors?
  - Frequent out of state visitors could sign up for an account with a certified service provider to avoid purchasing time permits.

- What is the level of comfort with third-party commercial entities handling reporting and tax collection, instead of government?

- What is the best combination of this option with time permits and/or odometer charges?
## Comparison of Concepts

<table>
<thead>
<tr>
<th>Comparator</th>
<th>A. Time Permit</th>
<th>B. Odometer Charge</th>
<th>C. Differentiated Distance Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basis for charge</td>
<td>Time</td>
<td>All Miles</td>
<td>Miles in Washington</td>
</tr>
<tr>
<td>Proportional to use?</td>
<td>No</td>
<td>Yes (but includes out-of-state miles)</td>
<td>Yes</td>
</tr>
<tr>
<td>In vehicle device?</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Burden to Motorist</td>
<td>Minimal</td>
<td>Moderate</td>
<td>Minimal to Moderate</td>
</tr>
<tr>
<td>Enforcement Options</td>
<td>• Visual (vehicle tab or out-of state vehicle vignette) • Automatic license plate recognition • At vehicle registration</td>
<td>• Visual (vehicle tab) • Random audits • Reconcile amount when vehicle is sold</td>
<td>• Detect equipment disconnections and other fraud indicators • Random audits • Reconcile when vehicle is sold</td>
</tr>
<tr>
<td>Able to capture out of state drivers</td>
<td>Yes, with vignette</td>
<td>No, unless paired with time permit</td>
<td>No, unless paired with time permit</td>
</tr>
<tr>
<td>Able to distinguish out of state travel</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>
BREAK
DEVELOP POLICY STATEMENTS
Why Develop Policy Statements?

- Engrossed Substitute Senate Bill 5024, Section 205(3)
  - (iv) Identify and document policy and other issues that are deemed important to further refine the preferred operational concept or concepts and to gain public acceptance. These identified issues should form the basis for continued work beyond this funding cycle.

- In other words
  - Clearly articulate the overall goal(s) for transitioning to a road usage charge system
  - Develop principles to guide how goal(s) would be achieved

- Then, refine the proposed operational concepts if necessary
Overview of Today’s Work

Write Goals and Principles

Goals

» Full Committee writes together
» Broad statement that expresses the overall direction for a road usage charge system

Principles

» Breakout groups to write
» Guide how the goal would be achieved
» Breakout groups report back to the full Committee
» (Break for lunch partway through writing)
Proposed Organization of Goals and Principles

**Goals**

» Sustainable Revenue Source  
» Transparency  
» Other Potential Benefits

**Groups to Discuss Principles**

» **Group 1**  
  – Cost-effectiveness  
  – Equity  
  – Privacy and Data Security

» **Group 2**  
  – Simplicity  
  – Accountability  
  – Flexibility  
  – Interoperability and Cooperation

» **Group 3**  
  – Ability to Distinguish Between Travel on Washington Public Roads and Other Roads  
  – Ability to Charge Non-Washington Residents  
  – Phasing
Potential Goals

Based on authorizing bill

Revenue generation is the goal:

» “...solely to determine the feasibility of transitioning from the gas tax to a road user assessment system of paying for transportation.”

Therefore, appropriate goal:

» Develop a sustainable revenue source for transportation
Potential Goals

*Based on past Steering Committee discussion*

- Transparency – Provide transparency in how transportation facilities are paid for.

- Consider Other Potential Benefits:
  - Reduce energy usage;
  - Reduce the amount of driving;
  - Reduce greenhouse gas emissions; and
  - Reduce congestion.
Potential Principles

- **Cost-effectiveness**
  - Private sector participation in operations
  - Avoid excessive increase in the size of government

- **Equity**
  - Desire for equity
  - Define equity and/or acknowledge the challenges

- **Privacy and Data Security**

- **Simplicity**

- **Accountability**
  - Difficult to evade and easy to enforce
  - Motorists’ have easy access to information about their charges
Potential Principles (continued)

- **Flexibility**
  - Open technology standards that can be provided by multiple vendors and can evolve over time
  - Change the amount of the charges over time to account for inflation

- **Interoperability and Cooperation**

- **Ability to Distinguish Between Travel on Washington Public Roads and Other Roads**

- **Ability to Charge Non-Washington Residents**

- **Phasing**
WRITE POLICY STATEMENTS: GOALS
WRITE POLICY STATEMENTS: PRINCIPLES (IN BREAKOUT GROUPS)
ACTION ITEMS AND NEXT STEPS