

Washington State Road Usage Charge Steering Committee

Meeting #6

Meeting Notes | June 11, 2013

Attendees

Steering Committee Members

Tom Cowan, Vice Chair, WSTC Commissioner

Curt Augustine, Alliance of Automobile Manufacturers

Rod Brown Jr., Cascadia Law Group PLLC

Cynthia Chen, University of Washington

Representative Judy Clibborn

Don Gerend, City of Sammamish Councilmember

Anne Haley, WSTC Commissioner

Tom Hingson, Everett Transit

Sharon Nelson, Consumer Representative

Janet Ray, AAA Washington

Neil Strege, Washington Roundtable

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

Allegra Calder, BERK

Gary Simonson, BERK

Other Attendees

Jim Dutton, Washington Trucking Associations (on behalf of Scott Creek)

Jeff Finn, Volt

Mary Fleckenstein, JTC

Clare Gallagher, Port of Seattle

Doug Klunder, ACLU

Carl See, Department of Licensing

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 Committee members introduced themselves. Tom Cowan reviewed the purpose of the meeting and discussed the agenda.

Public Comment

Tom Cowan provided an opportunity for public comment. There were no public comments.

Legislative Update and Work Plan

Jeff Buxbaum of Cambridge Systematics noted that the Legislature provided a \$400,000 State appropriation for Fiscal Year 2014 only through Engrossed Substitute Senate Bill 5024, Section 205(3). The purpose of the appropriation is the development of a business case for the transition from the gas tax to a road usage charge system, as well as to continue to address administrative, technical, and conceptual operational issues related to road usage charge systems.

Jeff Buxbaum reviewed the Steering Committee schedule and highlighted key deadlines:

- November 1, 2013 – Progress Report to the Governor and Joint Transportation Committee; and
- December 15, 2013 – Final Report, including a proposed budget and work plan for fiscal year 2015 to the Governor and Transportation Committees of the Legislature.

It was also noted that three Subcommittees of the Steering Committee would be formed to focus on: the operational concepts, the business case model, and the final report. The three Subcommittees will meet separately by telephone or web conference. Steering Committee members volunteered to participate in each of the Subcommittees.

Questions

- Does the Bill suggest that the gas tax will be eliminated?
 - No, but it provides a sense that there will be a transition away from the gas tax, although that is not yet defined.
- What type of work will the Subcommittees do?
 - Subcommittees will be asked to review materials provided by the consultants, participate in a web conference, and provide direction on the details of the work. .

Proposed Road Usage Charge Concepts for Business Case Evaluation

Jack Opiola of D'Artagnan discussed the framework for the operational concepts of a road usage charge, highlighting how the basis of a charge (time or distance) and reporting responsibility (user or system) corresponds with each of the three different concepts and associated technology options. He described the various operational and administrative relationships, and provided a detailed overview of the administrative functions.

Jack Opiola described the operational concepts that are proposed for inclusion in the business case evaluation: Time Permit, Odometer Charge, and Differentiated Distance Charge. Jack Opiola also described potential combinations.

Questions/Discussion

Third-Party Service Provider

- You used the word “contractor” when describing the third-party collector of the charge, which implies they would be compensated for their work. Would the collector receive benefits or would the construct be a mandate, similar to a sales tax?
 - Either one of those two options could work. The Operational Concepts Subcommittee will discuss whether it should be mandated or whether the contractor should receive benefits.
- There is also the potential that an authority could collect the charge, similar to how tolls are collected.
 - There is an enormous difference in scale when comparing a road usage charge and tolling. A road usage charge would affect every car on every road so the same principles may not apply. In addition, although a private contractor would have to collect the charge at a cost, they could offer value-added services, which would provide a profit to the collector.
- We need to have a new construct in terms of charge collection because there is no “service provider” for mileage. It is a fundamentally different tax than those recovered from hotels or restaurants because it is not a tax on a direct service being provided by a third-party entity.
 - Pay-as-you-drive insurance providers are a service provider to some extent.
- A better analogy is the electric utility companies, where the private provider collects those fees and gives them to the State. In those cases, there is no choice.
 - Since the road network is a utility, that analogy makes sense. It is also worth noting that the issue of third-party collection is only important to the Differentiated Distance Charge concept. It is not relevant for the Time Permit or Odometer operational concepts.

Comparison of Proposed Operational Concepts

- In our evaluation of the choices, are we only looking at convenience of use or are we also interested in how much revenue it brings to the State?
 - This work directly feeds into the business case evaluation. The simplified business case evaluation will compare net revenues over the next 25 years between the gas tax and a road usage charge.
 - Revenue depends on rate and we will not be determining rates at this point in our work plan. Our business case evaluation will necessarily make assumptions when comparing a road usage charge to the gas tax.
- We also have to think about the sustainability of the architecture of the system and durability over time. An issue with the Distance Differentiated Charge is that it relies on technology, which can change rapidly.
 - The business case evaluation will have to take into account technology updates and changes and how often these would have to take place. With the Time Permit and Odometer Charge, the cost is probably small, while the Differentiated Distance Charge may be substantial.

Time Permit

- Isn't the Time Permit similar to a registration fee?
 - They have different purposes. A registration fee is for the vehicle to be legally registered in Washington State, while the Time Permit is explicitly for road usage. But from the perspective of the public, it would likely be viewed as another registration fee, and functionally it could be rolled into the registration fee to avoid placing additional burden on the user.
 - It would be important to message to the public that a Time Permit is part of a transition from the gas tax, and to emphasize.
- The Time Permit flat fee seems regressive since it does not consider the size of the car, the vehicle value, or other factors.
 - That is a consideration that will have to be made across all three operational concepts. A classification system could be added to the payment structure.
- Since the other options are based on usage, they appear less regressive.
 - These are the types of policy tradeoffs that will need to be discussed
- Could we allow people to purchase daily or monthly passes if they only drive during certain times? Transit passes, for example, allow for daily, monthly, and yearly passes.
 - There is a transaction cost every time a pass is purchased, so there is a cost consideration in allowing this. Also, different durations of passes complicate the system.
 - This is another tradeoff that will need to be discussed further.
- Aren't there additional enforcement costs for a Time Permit?
 - If you roll it into registration, there would be no need for additional enforcement outside of what is currently being done. However, it gets more complicated with a quarterly or monthly pass.
- A potential disadvantage is the capital cost of collecting the out-of-state vignette. A way to reduce that would be to make the vignette system self-serve. In that case, enforcement would be based on identification of out-of-state license plates.
 - That approach has worked in Europe. But, we should not assume that enforcement or compliance is always a cost. If the fine is severe enough, enforcement can become a revenue source (since the fine itself pays for enforcement costs).
- However, it is worth noting that enforcement costs will be higher here than in Europe because we do not have border crossings (although most European border crossings no longer have immigration or customs control).
- A Time Permit will likely require self-service kiosks on the side of the road.
- Even with the Time Permit, I think we have to provide some choice, such as a daily or monthly pass.
 - Choice can be built into the Time Permit and that is something that needs to be considered.

Odometer Charge

- It is important that the charge reflect distance driven. For example, you expect that your utility bill correlates to how much you use that utility. The Time Permit could be part of a broader system that allows other options, but you need to have something that accounts for behavioral incentives.
 - Determining whether that tradeoff is worth it will depend on the costs identified through the business case evaluation.
- Isn't the Odometer Charge option susceptible to tampering or fraud?
 - Odometer fraud will always be a potential issue with this option. Fortunately, there are odometer tampering laws currently in place. Also, aberrations in people's habits can also be used to identify potential fraud.
- A mileage-based system provides greater transparency and greater equity, since those who use the roads more will pay more.
- A mileage-based system does not account for peak demand, since it does not capture the time of day that the road user is driving. Since peak demand is typically the reason behind expensive capital investments, it would make sense to try to use this system for demand management by providing incentives for people to drive during off-peak times.

Differentiated Distance Charge

- Can the technology distinguish between a highway and a parallel frontage road? Also, is it possible in the future that the technology could distinguish a HOT lane from other lanes on the same highway?
 - Probably not given today's technology. In 10+ years when all the systems are aligned it might be possible.

Additional Comments

- The more coordination between states the easier it would be for all.
 - That is what the Western States' Alliance is currently doing. They are trying to establish interoperability in terms of how payments are made and revenues are transmitted back.
- In terms of out-of-state enforcement, it would be helpful if all states had similar or standardized systems for easier compatibility.
 - That is correct, but there will likely be a transition period where that will not be the case.
- Given the relatively small gap in current versus needed funding, as well as the relatively small additional amount we would need to obtain per car (\$15 per month) to close that gap, wouldn't it be more feasible to just raise the gas tax? I'm not certain creating an entirely new system instead of using the existing mechanism is really necessary.
 - That is the purpose of the business case evaluation – to explore whether a road usage charge makes sense for Washington relative to the gas tax.
 - In the coming decades, as vehicles become more efficient, the gap in funding provided by the gas tax could grow, so the business case evaluation will project into the future as well.

Develop Policy Statements

Jeff Buxbaum provided an overview of why policy statements are being developed, citing language from Senate Bill 5024. He noted that the Steering Committee would be developing an overall goal (or goals) for transitioning to a road usage charge system, as well as developing principles to guide how the goal(s) would be achieved.

Based on a draft document of policy statements produced by the project team to prime the discussion, the Steering Committee developed the following goal, guiding principles, and additional considerations. Allegra Calder of BERK facilitated the discussion with the Steering Committee.

Recommended Goals (or—Why are We Doing This?)

- **Sustainable Revenue Source.** Identify and develop a sustainable, long-term revenue source for Washington State's transportation system to transition from the current motor fuel tax system.

Recommended Guiding Principles (or—Guidelines for How We Would Implement This)

- **Transparency.** A road usage charge system should provide transparency in how the transportation system is paid for.
- **Complementary policy objectives.** A road usage charge system should, to the extent possible, be aligned with Washington's energy, environmental, and congestion management goals.
- **Cost-effectiveness.** The administration of a road usage charge system should be cost effective and cost efficient.
- **Equity.** All road users should pay a fair share with a road usage charge.
- **Privacy.** A road usage charge system should respect an individual's right to privacy.
- **Data Security.** A road usage charge system should meet applicable standards for data security and access to data should be restricted to authorized people.
- **Simplicity.** A road usage charge system should be simple, convenient, transparent to the user, and compliance should not create an undue burden.
- **Accountability.** A system should have clear assignment of responsibility and oversight, and provide accurate reporting of usage and distribution of revenue collected.
- **Enforcement.** A road usage charge system should be costly to evade and easy to enforce.
- **System Flexibility.** A road usage charge system should be adaptive, open to competing vendors, and able to evolve over time.
- **User Options.** Consumer choice should be considered wherever possible.
- **Interoperability and Cooperation.** A Washington road usage charge system should strive for interoperability with systems in other states, nationally, and internationally, as well as with other systems in Washington. Washington should proactively cooperate and collaborate with other entities that are also investigating road usage charges.
- **Phasing.** Phasing should be considered in the deployment of a road usage charge system.

Important Considerations

These are some things that the Steering Committee thinks are important, but were not in a position to incorporate into a principle until the business case work was completed:

- **Ability to Distinguish Between Travel on Washington Public Roads and Other Roads** (out-of-state roads and private roads).
- **Ability to Charge Non-Washington Residents.** [*The more complex systems may not be able to charge non-Washington residents. The simpler systems may make this easier. Should a potential system have to be able to collect revenue from out-of-state drivers?*]

Discussion Points

As the Committee worked through the policy statement exercise, the following policy points emerged:

- Should “choice” be its own principle? Or would choice inevitably be an outcome of other principles?
Some Committee members felt that is important to include “choice” for political reasons (since it has been identified as key for public acceptance) and that it could serve as a guiding principle at various decision points. Others believed that providing choice is only appropriate for certain aspects of a road usage charge and that including it as an across the board principle could overcomplicate and add substantial cost to the program. The group eventually agreed to a “User Option” principle where consumer choice is considered wherever possible.
- There was some discussion around whether stating that a road usage charge would be a revenue source for the State’s transportation system is too broad. Steering Committee members agreed that it should be clear that the charge would fund the same facilities as the gas tax.
- In laying out the policy statements, the Committee agreed there should be a set of defined assumptions up front to reduce confusion about the meaning of key terms (such as “road users”).

Summary of Action Items and Next Steps

Jeff Buxbaum described the goals and charges of the three subcommittees in more detail and Committee members in attendance volunteered to participate. He then discussed next steps, including the next full Committee meeting on September 12th, to discuss more operational concepts and cost estimates.

The meeting adjourned at 2:30 pm.