

Washington State Road Usage Charge Steering Committee

Meeting #7

Meeting Notes | September 12, 2013

Attendees

Steering Committee Members

Tom Cowan, Vice Chair, WSTC Commissioner
Curt Augustine, Alliance of Automobile Manufacturers
(by phone)
Kurt Beckett, Port of Seattle
Senator Andy Billig
Rod Brown Jr., Cascadia Law Group PLLC
Pete Capell,
Scott Creek, Washington Trucking
Representative Jake Fey
Don Gerend, City of Sammamish Councilmember
Anne Haley, WSTC Commissioner
Representative Linda Kochmar
Representative Ed Orcutt
Janet Ray, AAA Washington
Charley Royer, WSTC Commissioner
Neil Strege, Washington Roundtable

Washington State Transportation Commission Staff

Reema Griffith
Noah Crocker
Paul Parker

Washington State Department of Transportation Staff

Jeff Doyle

Consultants

Jeff Buxbaum, Cambridge Systematics
Jocelyn Hoffman, Cambridge Systematics
Matthew Dorfman, D'Artagnan Consulting
Travis Dunn, D'Artagnan Consulting
Jack Opiola, D'Artagnan Consulting
Allegra Calder, BERK Consulting

Other Attendees

Jim Whitty, Oregon DOT
Jeff Finn, Volt
Alison Helberg, Association of Washington Cities
Doug Klunder, ACLU
Beth Redfield, JTC
Dana Quam, Republican Caucus
Andrew Russell, House Transportation Committee
Carl See, Department of Licensing
Mark Matson, House Transportation Committee
Jackson Maynard, Republican Caucus
Dave Munnecke, House Transportation Committee
John Niles, Global Telematics

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.

Italics are used to reflect comments or questions from the Steering Committee members while bullets denote consultant team responses.

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.

He also summarized a Transportation Forum that he and Paul Parker, WSTC staff, attended in Vancouver, British Columbia. Before the Forum, they had the opportunity to meet with Mayor Walton of North Vancouver. Mayor Walton chairs a Mayor's Council of 21 representatives who are interested in road usage charging due to declining revenues. The Council is considering putting road usage charging to a vote of the people.

Tom Cowan and Paul Parker presented what we are doing in Washington State and lessons learned to date to the Transportation Forum. Forum participants were clear that they are eager to discuss road usage charging to address declining revenues and broader social objectives (e.g., reduce congestion). Tom and Paul suggested that the Council work with their Legislature. Tom and Paul also discussed a pilot project and its importance, but that it would need to be phased in over time.

Public Comment

Tom Cowan provided an opportunity for public comment. One comment was offered by John Niles of Global Telematics.

John noted that he is a global consultant looking at how wireless innovation influences transportation and also the Research Director for [Center for Advanced Transportation and Energy Solutions](#). The Center has funding from the University of Michigan to assess automated electric vehicles. He encouraged the Committee to keep an eye on how wireless innovation (e.g., automated electric vehicles) influences transportation as the share of electric vehicles grows. He also commented that he had looked at the Puget Sound Regional Council model that was used for the 2040 Transportation Plan, and noted when you model a system with the goal of improving traffic flow; it has a big impact on transit. He suggested that modeling account for future revenue scenarios at a state or national level to have broader public discussion about choices and tradeoffs and to provide some options to the Legislature.

Commissioner Comments - July Meeting

Jeff Buxbaum of Cambridge Systematics presented a project update to the Washington State Transportation Commission in July. He focused on the three operational concepts proposed for the business case evaluation, the goals and guiding principles developed by the Steering Committee in June, and the project schedule. Individual Commissioners asked three questions that warranted a written. A detailed response provided in a memorandum to the Commission was reproduced as Section 6 of the [Briefing Materials](#) provided in advance of this Steering Committee meeting. Below is a summary of the three questions with brief responses.

1. Why wouldn't we consider government as a potential certified service provider?
 - We have not ruled out government as a potential service provider, but will use that assumption for purposes of the business case evaluation.
2. Why have we not included a pay-at-the-pump option in our three operational concepts?
 - When Oregon did its first demonstration in the mid 2000s there was a device that measured where you drove and the information recorded was uploaded at participating gas stations. This model makes sense in a transition phase where drivers still pay a gas tax. Our analysis assumes an end state, where we only have the road usage charge. There are many ways to transition and the schedule for this effort does not permit exploration into those issues. If there is a positive business case to be made, more work on the transition can be done, and that could include a pay-at-the-pump model.
3. Shouldn't we be working towards the quickest possible implementation of a road usage charge pilot or demonstration?
 - There is some tension around this issue. Some think we should do a pilot now, and others believe we don't know what "it" is yet so we need to take it slow. The Legislature was clear that this should be slow - proposals from this Committee suggested a more aggressive schedule, but there is no funding for outreach or a pilot.

Questions

Did the Legislature slow it down because of funding or to intentionally slow it down?

The Legislators on the Steering Committee answered this question. Funding was part of it, but there was also some hesitation because there is a lot that is unknown. We wanted to get a better handle on how the project was going and that is why there are more Legislators participating on the Committee now.

Oregon Legislative Update

Jim Whitty, Manager of the Office of Innovative Partnership and Alternative Funding at Oregon's Department of Transportation, provided an overview of the history and current status of Oregon's road usage charge program. The presentation is [available here](#).

Discussion

How much did the 5,000 person pilot cost?

- \$2.8 million including staff time and everything.

Why did you not include an odometer reading system?

- I recommended it as an alternative, but there were concerns about the accuracy and the cost and we decided not to do it. We know we want the system to go to electronic eventually, so we decided to keep working towards that.
- Oregon has 5,000 volunteers but we really want more because the revenue problem doesn't stop at 55 miles per gallon (mpg). We want movement in other states. New Mexico is moving forward and as other states move forward Oregon will have an easier time decreasing the mpg to cover more vehicles under the charge. Oregon has a very strong interest in Washington's success.

How did you think about congestion pricing?

- Congestion pricing was an add-on in the first pilot because we had Federal money and they asked us to add it. The current rate was selected as an average rate that someone pays in gas tax – Washington's would be higher because you pay a higher gas tax. The price was decided by the Legislature.

There is a perception that rural motorists will pay more, is this true?

- There were surveys done of driving habits and comfort with technology and they showed that on average there was not that much difference in the average miles driven by urban and rural motorists. However, if you only look at eastern Oregon the disparity is greater.
- We also asked the question, do rural drivers choose more fuel efficient vehicles now to pay less gas taxes? We looked at vehicle registration statistics and found that there are more fuel efficient vehicles in urban areas.
- Because rural drivers tend to have less fuel efficient vehicles, they are already paying more per mile than their urban counterparts under the gas tax.
- However, adopting a flat per mile rate for all vehicles will lead to some vehicles paying less than with the gas tax. To prevent this, in Oregon, fuel inefficient vehicles (those with fuel efficiency less than the average fuel efficiency used to compute the 1.5 cent-per-mile rate) will probably just remain under the gas tax and the road usage charge should be reserved for fuel efficient vehicles. Because many rural residents have less efficient vehicles, many will remain on the gas tax.

Does Oregon have a ferry system or toll roads and high occupancy toll (HOT) lanes?

- No.

Jack Opiola of D'Artagnan Consulting commented that there are several Committee members in the room that participated in the Oregon pilot. He asked them to comment on their experience.

Committee Comment #1: Putting the dongle in a 1998 Subaru was tough for me, but it was right there. It was a very easy system to understand. I get about 27 mpg and would have paid around 75 cents or \$1.50 more in a month.

Committee Comment #2: I live in Walla Walla and have a large 2000 Ford Explorer. I chose the GPS model because we drive to Portland and Vancouver and I wanted to test the out-of-state feature. It also measured unpaved farm roads. In terms of the difference, I was owed 75 cents in the first month and 27 cents in the second. It was very similar to the fuel tax.

Committee Comment #3: It took me some time to find the dongle port. I drive into Portland regularly and the statement showed the credits.

Committee Comment #4: It was easy and I forgot about it. I also would have received a refund. It makes me wonder how the math would work out if so many of us were getting refunds. In terms of ease of use, it was simple.

Committee Comment #5: I had some technical issues. I had maintenance done on my car and the dongle got knocked out. I wasn't aware this had happened and then I got my bill and it showed I'd barely driven. There was no communication about the unplugged dongle. In this case, I was not trying to evade the system.

- Jim Whitty Response: The vendor didn't feel an obligation to inform people of situations like this because it wasn't explicit in the contract. That's a lesson learned that we would do next time.
- The rate will determine whether you have credits. With some drivers the amount was so small it did not make sense to bill monthly.

Committee Comment #6: The OBD II Dongle did not work on my old 1999 Ranger, so I moved it over to my wife's car and it worked fine, but now I have a Nissan LEAF.

- Jim Whitty Response: We envision that automobile dealerships will help people sign up for the process and installations could happen right there.

Operational Concepts

Jeff Buxbaum introduced the topic area emphasizing that there are no answers or conclusions to be drawn yet, but we are thinking through the questions related to the operational concepts. Jack Opiola began the presentation on the three operational concepts for business case evaluation.

Questions/Discussion

Why not pay at the end of the year rather than before you have driven the miles?

- Government tends to prefer prepayment, but post-payment could be considered.
 - Nothing is off the table. We are showing the Committee three hypotheticals for purposes of the business case evaluation.

Do we need quarterly payments? We paid once per year with the old motor vehicle excise tax. Do lower income people drive less?

- Worldwide there is some evidence that transit systems often serve the middle classes, with lower income people driving more because of where they live and the type of work they do.

Matthew Dorfman of D'Artagnan Consulting then walked through each of the three concepts that will be used in the business case evaluation.

Questions/Discussion: Time Permit

In border counties like Whatcom and Clark there are a lot of out-of-state drivers that would far exceed the 2 percent average for the State (referring to prior analysis that 2 percent of VMT in Washington is by out-of-state drivers). There could be greater operational costs. For example, shopping mall counts in Arlington showed that 75-80 percent of the parked vehicles were from out-of-state.

- For purposes of modeling we've assumed that out-of-state vehicles would continue to pay the gas tax, but yes there are externalities

If people had to stop and buy a permit before crossing the border, I think it could negatively impact the Washington economy. Retailers could be really opposed to this.

- One thing that is beneficial is that we have experience with other places where borders are involved, like Europe. People that cross the border regularly buy a longer time period (6 month, 1 year) and it does not appear to affect the GDP of those bordering nations.
 - It may eventually be possible to quickly download a permit on a smartphone.

Setting up a system with multiple payments could be expensive, I like the idea of one payment and I like the flat fee because I believe there are some fixed costs like a utility.

- We are not necessarily advocating for an installment plan, but it may need to be an option.

- The transaction fee associated with the buying miles is intended to recoup the costs, but you could decide not to do this.

Have you investigated whether there are any constitutional issues with doing this? You could be requiring them to pay to enter your state.

- None of us are lawyers, but my understanding of the Commerce Clause is that if you are charging your own residents as well as out-of-state residents there is no differential treatment.
 - There are probably several issues that cut across all three scenarios, but until we know whether road usage charging is worth pursuing further we will put this topic in the parking lot.
 - If other states/provinces/jurisdictions were doing road usage charging, we could have reciprocal agreements.

Questions/Discussion: Odometer Charge

What is your estimate of how many people would not pay? In my area, uninsured and unregistered vehicles make up a significant number. Now we would be adding people not paying the gas tax equivalent.

- The penalty for non-payment would have to be high enough to deter this behaviour.

I would recommend looking at unregistered vehicle data to understand the magnitude of this potential problem.

Questions/Discussion: Differentiated Distance Charge

Reconciling the difference with what is charged at the pump seems monumental. What are your thoughts?

- We won't look at the period of transition; we will look at the end state (this is for modelling purposes).
- In Oregon, pilot refunds were done at the fuel station and it was very transparent. The refund was part of the actual transaction at the pump so there was no issue of reconciling the difference with what is charged.
- The Federal gas tax would remain even if Washington replaced its State gas tax. Federal and State gas tax collection systems are two different systems.

There are a lot of people who drive out-of-state and would want a refund, so I think we need to have some combination of these options so that refunds are even possible.

If you used the odometer method and drove a lot out-of-state with a low mileage vehicle, could you get a refund for miles driven out-of-state?

- Without GPS you would not get a refund. With the odometer model you do not know where someone is driving and therefore you cannot offer a refund.

How do you know where they bought the gas? People in Clark County could buy all their gas in Oregon and then ask for a refund based on miles driven.

- That is why we are looking at the end state where there is no gas tax.

Administrative Concepts

Travis Dunn of D'Artagnan Consulting provided an overview of the administrative functions by agency to explore what capabilities already exist and what processes are already in place that might be leveraged in the event that Washington implemented a road usage charge.

Questions/Discussion

What would an analogous universal relationship be for certified service providers - like rate payer relationships, or public/private utilities?

- Utilities are a good example. Insurance is a requirement, but lots of people do not have it.
- There probably would not be one, but several. For example, an electric utility company could be one of many.
- Providers could be national; they don't need to be limited to Washington.

Did you talk to ferries at DOT? Ferries have customers.

- We didn't talk to that Division during these recent interviews we conducted.

A single outsource vendor manages Good To Go! on behalf of DOT so it's not really DOT.

- We talked to the people who oversee the vendor and the accountants who reconcile the charges.

You are not getting the full picture from the vendor, because they could be capable of more, but they just haven't been asked to do it.

- Yes, but you also don't know if the vendor is capable of doing what he represents he can do.

Enforcement for tolling happens at the tolling point whereas road usage charging covers about 80,000 miles of roadway so enforcement is different.

- True, but the backend enforcement could look similar.
- Interoperability with tolling would be a consideration.

Will you roll capitalization costs into the model?

- Yes.

Could a road usage charge assignment be part of an IT upgrade for DOL?

- Yes, and the way that DOL put it to us was that a road usage charge would not be the only impetus for modernization; it would be one of many. They are already working on a modernization effort.

The more players you get, it seems like the more policing you need.

- In a perfect world, you would want to put a road usage charge system under the umbrella of one organization, but for customer and other reasons it might make sense to use multiple agencies.

Business Case Model Framework

Jeff Buxbaum introduced the business case model framework discussion, noting that the objective is to describe how the consultant team plans to evaluate the three operational concepts - this is the business case. He cautioned that there will be tradeoffs, but at the next meeting there will be a lot more information to share about what we found.

Travis Dunn explained that the quantitative analysis will look at the costs and revenues of a road usage charge and the gas tax. He noted that the consultant team has begun to build the model and will incorporate any feedback from Committee members today.

Questions/Discussion

Right now people have input on what taxes are levied and they vote on increases. If a road usage charge was implemented, who would set the rates?

- All good unresolved questions. We have been silent on rate-setting so far, but this will be a huge issue. Are we trying to replace the gas tax or exceed current revenues? Either way, inflation will not go away.

If we were to do nothing, what does that look like? That is the number Legislators will want to know.

- We have made an assumption that there is a 37.5 cent gas tax now and in the future. We are not assuming any increases.
- If what you are expecting is that the gas tax will be eroded due to higher mpg vehicles, then if you take an equivalent to the gas tax at one point in time it is revenue neutral for one year only, but you wouldn't have the same erosion problems going forward.
- Miles driven should stay the same or increase, so switching completely from the gas tax to the road usage charge system would result in one year of revenue neutral. It won't be the same in 2030 as it would have been under the gas tax.
- We have to make some policy assumptions so the model will be revenue neutral in the first year, and then the rate will be fixed. However, we will do some sensitivity analysis to test key variables.

If we assume that we have a combination of concepts, the rates would probably have to change for different concepts and people will gravitate towards the rate that benefits them the most.

- We will have one rate for each concept that keys off of the 2015 number. We are not building in a disincentive to choose the time permit, but we are not assuming that everyone will choose a particular concept.

How do you know what share of the population would choose any one option?

- For combinations we'll have to make some assumptions. We can vary the numbers to get a sense of the impacts. For example, looking at the cellular market we know that 38 percent of the population uses smartphones so we might assume that share would use a differentiated charge.
- We are also looking at the State as a whole and there will be variation. But we are taking a State average and will assume everyone drives the same amount and gets the same mpg. Again, the sensitivity analysis will help isolate some important factors.

Jeff Buxbaum noted that the qualitative analysis will be based on the policy objectives developed at the June Steering Committee meeting. The consultant team is in the process of determining an approach to this aspect of the analysis and how best to present it. It is not only about the cost when it comes to the policy objectives, and we will try to make the trade-offs as clear as possible.

Should the business case include an analysis of whether people are going to want to use this system?

- Choice is built into the business case analysis. For Concepts A and B, you could easily say to everyone there is no more gas tax and there is a once a year charge and that would be easy. For Concept C, it's more complex and there will be a lot more people that do not want to do that.
- The likelihood that someone will like something will be higher after a pilot - we don't have a sense of where public perception and attitudes are right now.

- One thing we've heard from Oregon is that GPS did exclude out-of-state travel and that saved them money over the un-differentiated choices. To receive this savings, you have to be willing to use the location based technology option.

We have had trouble at the local level when we are highly dependent on one revenue source. Here we are setting up a situation where we have only one road source. Tolling is a classic user charge, how does that factor in? How do the other revenue sources contribute to a better system?

- We have multiple funding sources now, and we would have multiple funding sources moving forward.

There is some interest in system tolling. Over the next 15-20 years we might see it implemented.

- We are looking at light vehicles only and the question of gas tax versus a road usage charge. We are not looking at toll revenue, diesel revenue, registration etc. These will all remain as revenue streams.

Isn't the goal to provide a sustainable revenue source and not a road usage charge? I'm saying that there are other ways to get to a sustainable revenue source.

- The legislation asked the WSTC and DOT to look at the transition from gas tax to road usage charge. Funding sources have been studied a lot in the State, but the focus has been broader. We were given a narrower charge to study road usage charging only.

When you talk about a revenue forecast, if it is wrong you have real problems. Do you have any fail safe checks to make sure the state doesn't lose money?

- No. We don't have a crystal ball. There would need to be a legislative decision to be made about whether you want to set triggers where, for example, if revenue drops below a forecast, you raise the rate. For the sake of the modelling to be done, we are not considering such triggers because we cannot pre-judge future legislative actions.
- Any major disruption to vehicles mile travelled would impact both a gas tax and a road usage charge.

If an energy provider had to shut down a customer's electricity due to non-payment, they would put a lien against the property, would the State?

- There a lot of detailed administrative issues to be worked out.

Would transit pay for a road usage charge?

- You might be paying as part of the ticket.

Will there be language in the report around ways to do congestion pricing or geographic pricing? The Puget Sound Regional Council (PSRC) 2040 Transportation Plan addresses these things and contemplates system wide tolling as a way to fill the gap.

- It will be the Committee's report so it is up you to decide that. So far, the policy directives have focused on a sustainable revenue source that might also address other policy goals (e.g., energy, environment, etc.).

Summary of Action Items and Next Steps

Jeff Buxbaum reiterated that today's meeting objective was to brief the Committee on the operational concepts and to get approval to move forward with the business case evaluation as described.

Next Steering Committee meeting is October 14.

The meeting adjourned at 3:00 pm.