

Washington State Road Usage Charge Steering Committee

Meeting #8

Meeting Notes | October 14, 2013

Attendees

Steering Committee Members

Tom Cowan, Vice Chair, WSTC Commissioner
Curt Augustine, Alliance of Automobile Manufacturers
Representative Judy Clibborn
Scott Creek, Washington Trucking
Don Gerend, City of Sammamish Councilmember
Anne Haley, WSTC Commissioner
Tom Hingson, Everett Transit
Senator Curtis King
Representative Ed Orcutt
Secretary Lynn Peterson
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
Travis Dunn, D'Artagnan Consulting
Jack Opiola, D'Artagnan Consulting
Allegra Calder, BERK Consulting
Gary Simonson, BERK Consulting

Other Attendees

Jeff Finn, Volt
Mary Fleckenstein, JTC
Carl See, Department of Licensing
Mark Matteson, House Transportation Committee
Jackson Maynard, Republican Caucus
Andrew Russell, House Transportation Committee

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 reflect comments or questions from the Steering Committee 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.

Public Comment

Tom Cowan offered the opportunity for public comment. There were no public comments.

Overview

Jeff Buxbaum of Cambridge Systematics provided an overview of the project schedule, the project work plan status, and the 2013 Legislative directive.

Questions

Can we compare this business case evaluation of a road usage charge to continuing with the gas tax?

- The business case is built around comparing a range of road usage charging scenarios with the gas tax, and an attempt to make a conservative “apples to apples” comparison of the gross and net revenues between the two. Overall, we have provided conservative estimates ensuring that we do not underestimate road usage charging costs or over-estimate revenues for road usage charging.

Forecasts of Vehicles, VMT, Gas Consumption and Tax Revenue

Travis Dunn of D'Artagnan Consulting discussed the forecasts of vehicles, vehicle miles travelled (VMT), gas consumption, and tax revenue, looking at various alternative scenarios.

Questions/Discussion

Why are you only showing the low scenarios, and not the high ones?

- In line with our conservative approach, we're focusing on showing the delta between the State forecast and the low forecast. We've chosen not to use a high forecast because that could potentially inflate the delta. The one exception is fuel efficiency, where we looked at a higher forecast due to the already very low fuel economy calculated from the State forecast. In this case we used Global Insight's forecast for future fuel economy of the vehicle fleet, which we cross referenced with the US Energy Information Agency (EIA) estimates and considered these more consistent with the growth of fuel economy of the future fleet.

What is the assumption about replacement of the fleet?

- That assumption is built into the fuel efficiency forecast used by the State. They typically assume 12 years to turn over the fleet. In this case, between 2015 and 2040 the future fleet is forecast to turn over twice (2027 and 2039).

What percentage of the fleet doesn't qualify for the expected miles per gallon?

- The actual performance on the road is lower than the CAFE standard, and the estimates used and turnover assumption reflect that. With our conservative approach, we've tried to capture that in our analysis.

How is the overall forecast incorporating types of fuels like compressed natural gas, which is less expensive?

- Because we are not looking at trucks, which are the likely big users of compressed natural gas and liquefied natural gas in the time period of our analysis, trucks were not considered. Our analysis focused on all non-diesel vehicles.

Operational Concepts/Business Case Evaluation Overview

Jeff Buxbaum provided a review of the operational concepts used to get a range of operating costs for the simplified business case. He noted that, in order to simplify the evaluation, the consultant team assumed that a government organization would handle all aspects of administration—a change from the private service provider concept described in earlier meetings. Travis Dunn pointed out that any consideration of a service provider would only be under the condition that the private service provider could perform portions of the work at a lower cost than government.

Jeff Buxbaum also provided an overview of the business case evaluation, including the criteria, high-level assumptions, and a summary of findings.

Questions/Discussion

Did you consider or incorporate proof of exception for miles driven out-of-state?

- No. The business case evaluation assumed that Concept B would charge Washington drivers for all miles driven, regardless of where they were.

Given public concern about privacy, it seems that it should be the first criteria listed.

- Our list is not weighted and the order of the concepts has no bearing on their relative importance.

We should consider labeling the “non-financial criteria” as values and the “performance criteria” as issues. Also, several of these criteria seem to fit under the broader category of Equity.

- That's a fair point, but keep in mind that equity as a concept can get fairly complicated. It is an element in nearly all of the issues we are looking at and will affect different populations in different ways.

Did you account for the diesel-related collection costs and somehow segregate them from fuel tax costs?

- The split we used was 50/50 because we don't have information yet from the DOL about the actual costs for collecting diesel vs. gas tax.

Did you choose 2015 because there was good data available?

- Yes, because it's relatively close to the present data set and we have more confidence in our short-term predictions.

Keep in mind that there will always be a Federal gas tax collection cost, so that will not go away.

- Federal and State gas tax collection systems are two different systems. The Federal gas tax is collected by the IRS from fuel distributors. There are no costs to the State to collect the Federal gas tax.

Does the five year ramp-up period reflect the upfront cost? Is five years a reasonable number to assume in terms of when the money will be recovered?

- A road usage charge is expected to outperform the gas tax over the long-term, but there will be upfront implementation costs that result in net revenues for road usage charging being less than net gas tax revenues for the first several years. Concept A is the least costly implementation concept, followed by Concept B. Concept C is the most costly implementation concept due to the cost of the technology and implementation of that technology to the State.
- The exact amount of time it takes for net road usage charge to exceed net gas tax depends on the assumptions. Five years emerges from the evaluation for the state-forecast scenarios, but it may take longer depending on the specifics for each operational concept.

If we choose a combination of concepts for the road usage charge, will there be higher start-up costs?

- Yes, when compared to the stand alone costs of Concept A or Concept B.

Business Case Evaluation – Financial

Travis Dunn presented the financial aspects of the business case evaluation.

Questions/Discussion

Will you build in audits for the evasion piece?

- All of the scenarios assume 1% of accounts will be audited on an annual basis, which is a substantial cost.

Last time we discussed the importance of choice for the customer. That seems like a value we need to look at. The more we can get “choice” into the language, the better. From what I understand, there is not a large difference in the long-term related to the costs of providing multiple options.

- The most significant cost is in Concept C, since the State would potentially have to pay for the devices to go into the cars. On the account management side, the costs would not be affected significantly.

The reason choice is so attractive is that it addresses the privacy issue. While Concept C has many benefits, we all recognize that there will be a significant number of people who refuse to have a device that monitors their location. It would be a detrimental situation if government was forced to keep up with the technology associated with Concept C. Involving the private sector seems like a better solution.

- In New Zealand they turned to the private sector, since they felt the private sector could more efficiently invest in upgrading and distributing the technology than government.
- However, while the private sector can help with the technology and portions of account management, there are other aspects that the government has to do itself.
- There are potentially some big name companies that would be interested in getting involved. In Oregon there are some high profile private providers coming to the Road Usage Charge Summit in November 2013 to discuss a possible role in the roll out of their system. It's also worth noting that some private companies have better credit ratings than the government.

What effect does customer choice of various operational concepts have on the results?

- The range of net present value for road usage charging is from about \$16.6 to 18.2 billion.

Business Case Evaluation – Qualitative

Jeff Buxbaum presented the qualitative part of the business case evaluation, highlighting the benefits and disadvantages of each option.

Questions/Discussion

I question calling privacy a perception issue, when in fact there are legitimate privacy concerns that need to be addressed.

- There is always the potential for privacy to be infringed and that should be addressed. However, we call out perception because the general public is more suspicious of technology-based methods of capturing information.
- Privacy is in the eye of the beholder. Individuals have a different notion of when their privacy is being violated. That is why we place such an emphasis on choice – if an individual prefers, they can choose an option they believe to be less invasive.

Illustrative Examples of Effect of Tax Change on Drivers

Jeff Buxbaum described the ways that motorists of different types of vehicles are affected under the gas tax and road usage charge.

Questions/Discussion

If a road usage charge is more equitable towards bigger, older vehicles (which are more common among rural drivers), that appears to at least partially offset the urban/rural equity concern.

An important correction: The document claims that the \$100 electric vehicles currently pay in lieu of the gas tax is considerably less than they would pay under the gas tax or an RUC. This is not accurate.

- We will make the correction.

Steering Committee Discussion

Allegra Calder of BERK facilitated a discussion around several key questions, including outstanding issues/questions (i.e. the “parking lot”), operational concept preferences, a pilot program, and timing related to outreach activities, and a future work plan. The consultant team also provided a “non-binding secret ballot” to get a sense of where the Steering Committee is leaning in terms of which concepts they would like to include in the a pilot program. An identical ballot was given to members of the public in the audience.

Outstanding Issues/Questions Related to the “Parking Lot”

Committee members identified the following outstanding issues/questions that they would like to see addressed.

- *There is an equity issue with respect to a vehicle’s weight/number of axles.*
- *There should be further exploration of the notion of a road usage charge as a way to address congestion and reduce pollution.*
- *One issue that is important to rural drivers is the argument that there should be a differential in urban vs. rural price per mile because urban infrastructure costs more to build.*

- *However, rural roads may cost more to maintain due to studded tires and other factors.*
- *Public communication is an important parking lot issue. Consider interim steps, such as requiring the DOL to register odometer readings, to get the public prepared for the switch to a road usage charge*
- *We need to determine whether there will be a performance-based request for proposal (RFP) that goes out to the private sector for a response, or whether the work will be done in-house to develop the specifications. A performance-based RFP makes sense for Option C (the technology-based option), but the State could probably manage the other two options.*
- *Other important parking lot items include the 18th amendment, gas tax bonds, and out-of-state drivers.*

Two additional comments were provided with respect to parking lot issues:

- *We need to stick to messaging that emphasizes that a road usage charge is a replacement for the gas tax, which is a failing revenue sources. We could also note that it would eventually be a replacement for tolling. If we focus too much on secondary goals or issues we will likely have less success persuading lawmakers and the public that a road usage charge is a good idea.*
- *These parking lot questions should be addressed soon. They speak directly to the “how” of a road usage charge and are the types of questions the Committee needs to address in the next phase of work.*

Operational Concept Preferences

A tally of votes for the non-binding secret ballot on operational concept preferences revealed that seven out of the 12 Steering Committee members who voted said they would like to see all three operational concept options (time permit, odometer reading, and technology-based) explored further as part of a road usage charge. Of the remaining five, four chose a permutation that included Concept C, with only one member selecting an option that didn't include Concept C. Of the seven attending members of the public who voted, four said they would like to see all three operational concepts, two chose a permutation that included Concept C, and one selected “none of the above”.

Allegra Calder stated that since no Committee members chose “none of the above”, it could be assumed that there was support for a road usage charge in general. Jeff Buxbaum stated that he was surprised by how much support Concept C received given the significant privacy concerns raised about placing on-board units in vehicles. Following the announcement of the tally, a couple of questions and comments were provided.

I don't have an issue with Concept C because it would likely not be the first concept introduced. The other two operational concepts may not be as effective as Concept C, but they give us a chance to educate the public and transition people into the program. Also, ultimately you could incentivize Concept C, but having all three operational concept options available means no one is forced to place an on-board unit in their car.

- *Incentives are a good idea, but it's important to recognize that there are some people who will never allow a data collection device into their car, no matter what incentives are provided.*

I see Concept A as a motor vehicle excise tax “light”, and I'm not sure why we would want to include that.

- *It's more like the license fee, since it's not based on the vehicle. Providing additional choice is more likely to garner support, and someone who drives 20,000 miles a year may prefer to pay a flat fee.*

Pilot Program

Committee members expressed a range of opinions regarding the timing and structure of a potential pilot program.

- *The next step should be a transitional education piece, followed by a real feedback effort, and then a pilot program. It could be detrimental to jump into a pilot program right away.*
- *It's important to start thinking about a pilot ASAP. The pilot could serve as an educational campaign and help raise awareness and understanding.*
- *It may confuse the conversation to raise the gas tax while talking about transitioning away from it.*
- *There are some important questions to consider: What will a campaign educate about and what will be tested? Will it be branded as a pilot or a transition?*
- *Some people will automatically assume that a pilot indicates that a road usage charge will definitely happen and that it will look exactly like the pilot. If a pilot is implemented, all three operational concept options should be available and tested.*
- *It may take public agencies and the private sector a long time to prepare to run a pilot that includes all three operational concept options.*
- *A "go slow" approach may be most productive. This would entail asking the Legislature to review the business case and provide the Committee with the authority to design a pilot program and then come back to the Legislature for approval before implementation.*
- *I wouldn't make the case for a road usage charge to my constituents, but if there was a pilot project I would participate and recruit some of my rural constituents to take part. However, it will be important to design a good pilot before we authorize implementation.*
- *A real pilot will require a lot of time for the DOL to get prepared. If the pilot is to be an honest test of a road usage charge system, it's important that the DOL is involved and that the timeline is realistic for this to occur.*

Some additional questions and comments were also provided during the discussion.

How long would it take to prepare to implement a pilot?

- Oregon DOT and its consultants have told WSDOT that that we could tap into their existing contracts and do a limited duration small pilot within nine months. But that would only work if piggy-backing on Oregon's pilot assumptions meets the needs of Washington.

Is Oregon doing another pilot?

- ODOT is doing a voluntary program that's seen as more of a transition than a pilot. Oregon's pilot is managed by ODOT, since their DOL is integrated into ODOT.

I see a lot of reasons not to rush this. Getting ready will cost money and this needs to be affordable.

- In Washington, DC there are potential bills under discussion that may provide funding for road usage charge pilot tests, but the actual outcome will not be known until next spring/summer. . Thus, there may be Federal money available at some point.

Could we use a pilot to do things like test software or service providers?

- You can use a pilot to test software, but a service provider would be more difficult. We could also utilize the results of other pilot programs instead of testing everything first-hand.

Timing of Outreach

Jeff Buxbaum asked the Steering Committee if outreach should occur within the next year or if it should wait until the program is better defined and more details are fleshed out. The following comments were provided.

- *The timing is important given how it might affect other transportation issues. There is currently tolling going into place. If a road usage charge is introduced immediately afterwards it could be confusing and potentially upsetting to the general public.*
- *There are currently several transportation funding packages on the table and the introduction of the road usage charge may distract from or negatively impact support for a package.*
- *While it's important not to negatively affect other transportation issues, there should be some outreach effort to inform and get feedback from the public about the program. Otherwise, it would be difficult to come to the Legislature with a plan that is complete and appropriately vetted.*
- *There is currently no defined product to talk to the public about. There are operational concepts and a business case that demonstrates that a road usage charge would preserve revenue relative to the gas tax. But that's not enough for full outreach to the public.*
- *It would be more effective to begin with an educational campaign that provides facts about what is occurring with the gas tax, as well as describing the potentially negative impacts to transportation infrastructure if another funding stream is not secured. However, speaking directly about a road usage charge while key transportation packages are on the table would not be wise.*
- *There will be no "good" time to begin a road usage charge outreach campaign. There will always be risk involved.*
- *There are people who will view reducing the price at the gas pump followed by a sudden implementation of a road usage charge as bait and switch.*

Work Plan

Jeff Buxbaum asked the Steering Committee what they would like to have done by June 2014 and June 2015. He noted that the consultant team would provide a work plan for discussion at the November meeting.

We should get approval from the Legislature in 2014 to design a pilot that would launch in 2016.

Other Comments and Questions

What impact would a road usage charge have on bonds, since the State has bonded against the gas tax? What does it do to the bond purchasers?

- We have identified this issue, but do not have an answer yet. This is certainly an issue that will have to be addressed.
- Bond agencies are already extremely nervous about the decline of gas tax revenue.

There is a strong business case for a road usage charge, so the issues now are around how it will be done and public acceptance. The Transportation Commission could help gauge public opinion through polls and surveys.

- The "how" question describe our next set of challenges.

Are the State's projections realistic? There have been examples of State forecasting being too optimistic.

- It's good to be sceptical of all projections and there is certainly good reason to look at alternative futures with any forecast.

Have you considered indexing the road usage charge to inflation?

- For an apples to apples comparison we didn't index a road usage charge in the business case evaluation because the gas tax is not indexed. However, indexing it may be a worthwhile analysis.
- The gas tax is not indexed partly because of lobbying by the oil industry, but this would not be an issue with a road usage charge. It would be beneficial to see what the difference would be during implementation.

An online calculator could be a critical tool to help us explain costs to the general public. They could provide their inputs and get an estimate of yearly or monthly costs.

- The Western Road Usage Charge Consortium has an online calculator in their work plan, which will hopefully be funded and delivered by 2014. Each state could adapt the calculator to their own specifications.

Next Steps and Adjournment

Jeff Buxbaum discussed next steps, including updating the Commission, developing a final report and providing the report to the Steering Committee Subcommittee. He also noted that recommendations would be finalized during next Steering Committee meeting.

Next Steering Committee meeting is November 18.

The meeting adjourned at 2:20 pm