



Washington State Road Usage Charge Assessment

Transportation Commission Briefing

July 30, 2013



Washington State Transportation
Commission



Washington State
Department of Transportation



QUICK RECAP

Transportation Commission's Road Usage Charge Assessment - Timeline

Spring 2012 - Legislature directs:

- > Transportation Commission to “assess the feasibility of transitioning from the fuel tax to a road user assessment method”
- > Department of Transportation to evaluate “operational feasibility”

Outcome:

- Finding: Road Usage Charging is Feasible
- Commission recommends 2-year work plan to get to “ready to implement”

Spring 2013 - Legislature directs:

- > Transportation Commission to evaluate the business case for road usage charging, and report by December 15, 2013
- > Department of Transportation to continue operational investigations

Current evaluation:

- Develop operational concepts
- Develop business case model
- Develop policy research

2013 Legislate Directive¹

Work to be done

- **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...**

¹*ESSB 5024 Section 205(3)*

2013 Legislative Directive¹

Committee and Deadlines

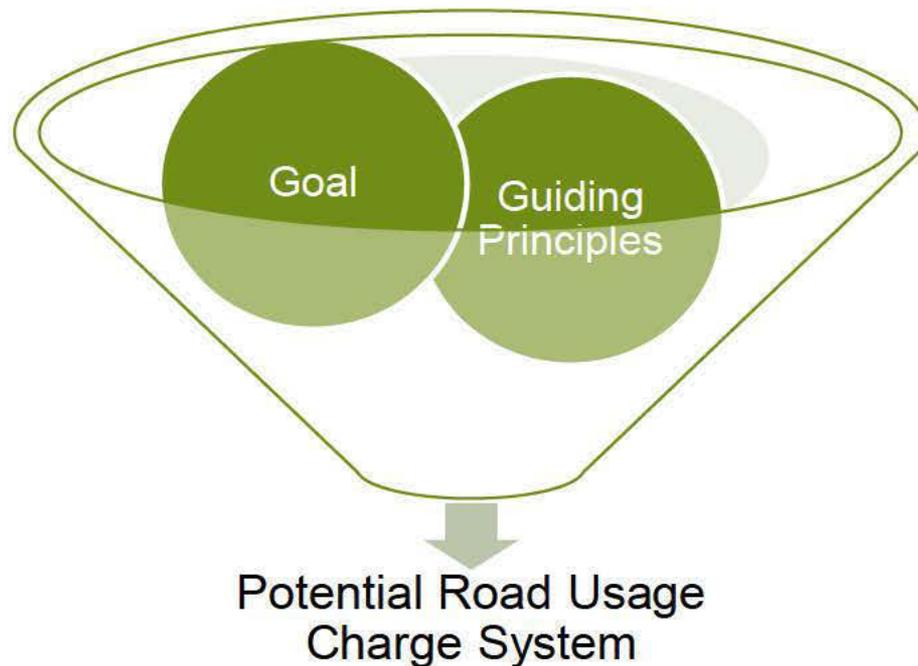
- **Committee membership remains intact**
 - » **Added Joint Transportation Committee executive members (House & Senate Transportation Committee Chairs and Ranking Minority members)**

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

¹*ESSB 5024 Section 205(3)*

STEERING COMMITTEE POLICY GUIDANCE

Steering Committee's Recommended Policy Framework



Recommended Goal:

- **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

- **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.

Recommended Guiding Principles (continued)

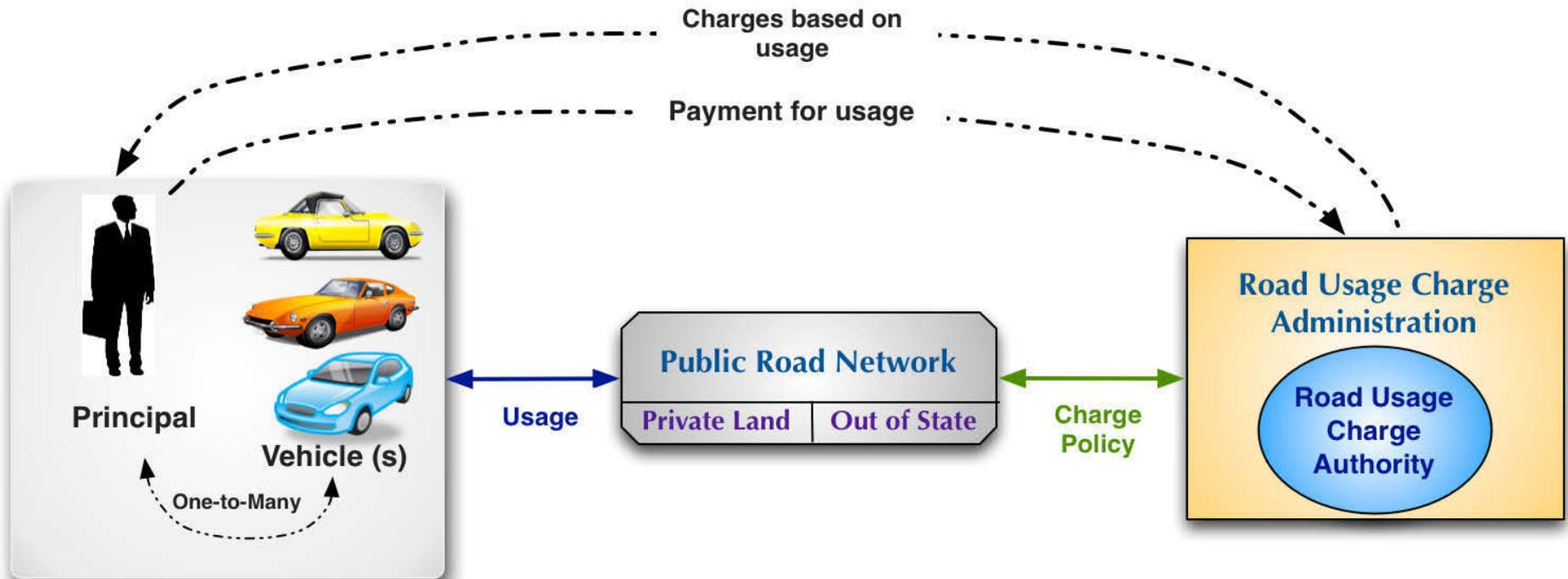
- **Data Security.** A road usage charge system should meet applicable standards for data security and access to data should be restricted to authorized people.
- **Simplicity.** A road usage charge system should be simple, convenient, transparent to the user, and compliance should not create an undue 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.

Recommended Guiding Principles (continued)

- **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.

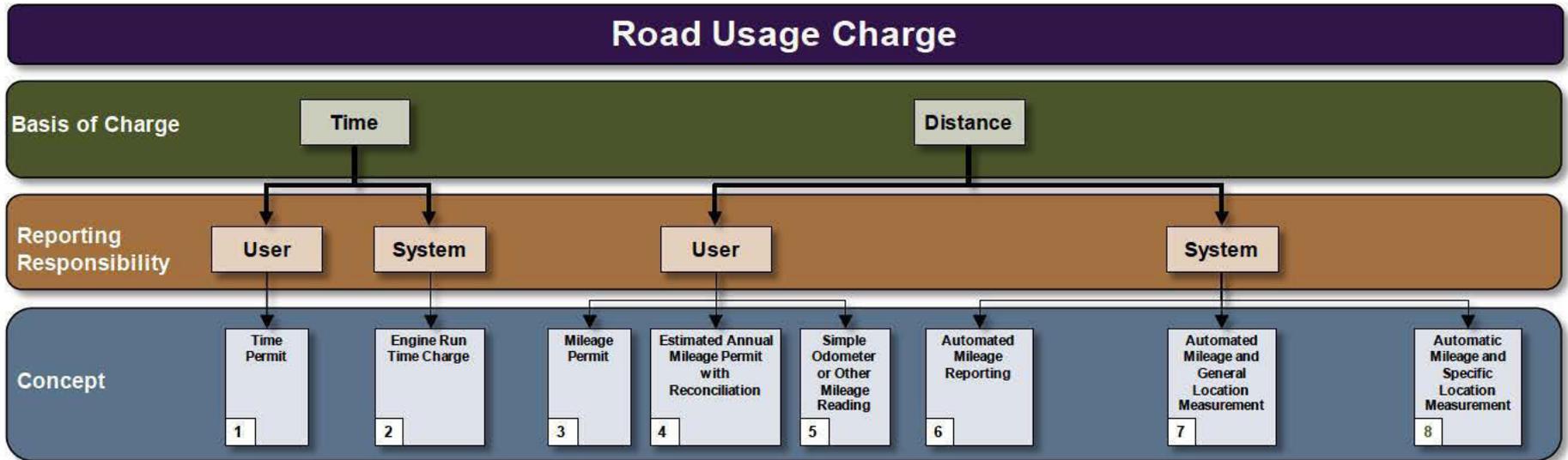
REVIEW OF OPERATIONAL CONCEPTS COMPONENTS

Generic Operational Concept



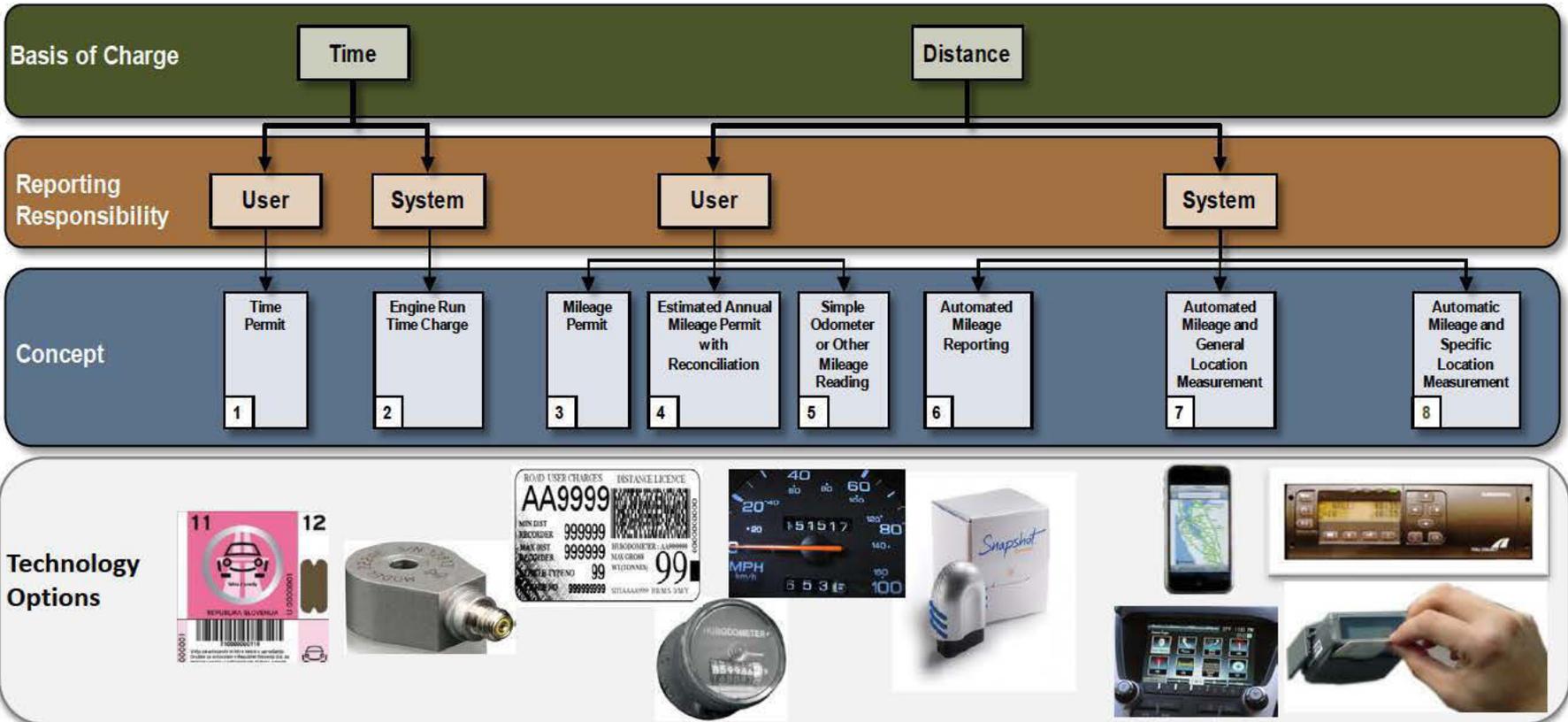
Framework for Operational Concepts

- **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.**

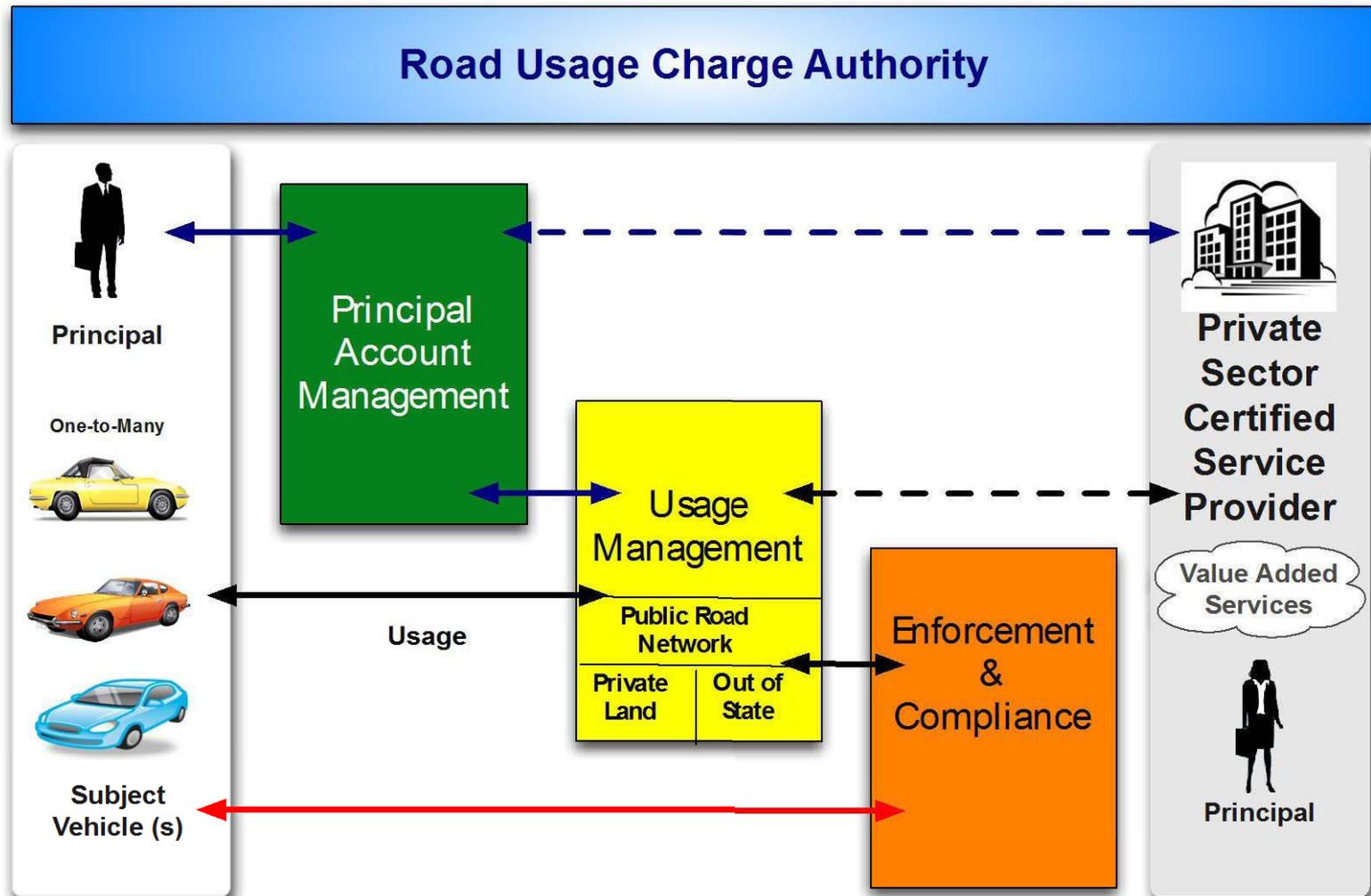


Framework with Enabling Technologies

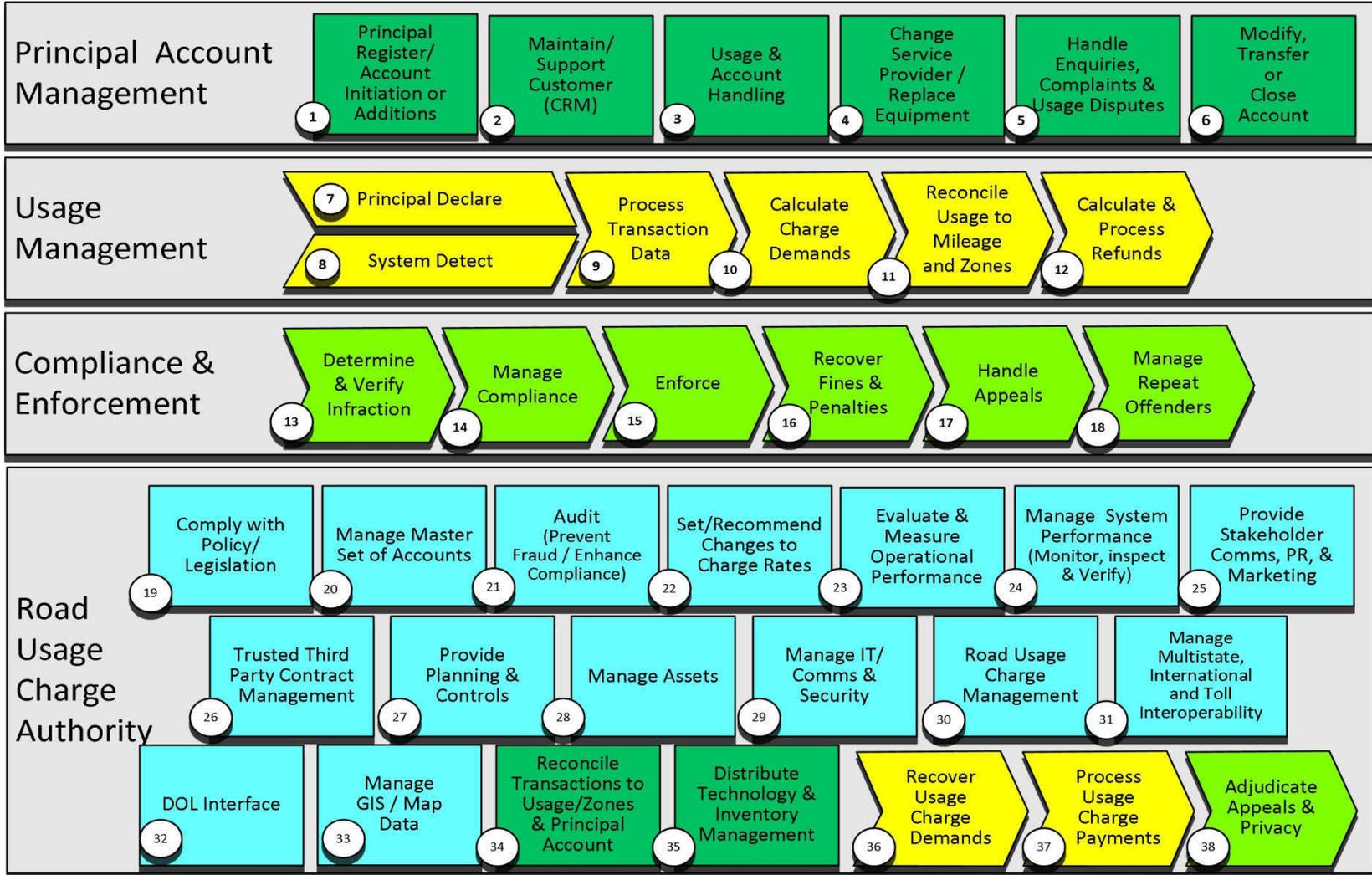
Road Usage Charge



Operational & Administrative Relationships



Overview of Administrative Functions: Detailed Functions



OPERATIONAL CONCEPTS FOR BUSINESS CASE EVALUATION

Proposed Operational Concepts for Business Case Evaluation

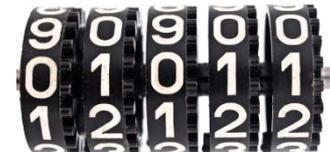
- **A. Time Permit**

- » Permit for unlimited road network access for a given period of time.



- **B: Odometer Charge**

- » Prepay for a standard amount of miles, and then reconcile actual miles



- **C: Differentiated Distance Charge**

- » In-vehicle device records miles driven inside and outside State borders and charges accordingly



- **Plus, combinations - A&B; A&C; B&C; A+B+C**

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

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

Differentiated Distance Charge Operational Concept

- **Based on a range of technologies**
 - » **Could integrate with existing services such pay-as-you-drive insurance, in-vehicle telematics, and telecommunications**
- **Rely on certified service providers for account management and tax collection (like sales or hotel taxes)**
- **Principal registers with a certified service provider that also provide other value-added services**
 - » **Certified service providers maintain account lists**
 - » **Providers invoice collect charges**
 - » **Principal can change providers**
 - » **Providers remit revenues to the road usage charge authority**
 - » **Government does not compete with Certified Service Providers.**

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

Comparison of Concepts

Comparator	A. Time Permit	B. Odometer Charge	C. Differentiated Distance Charge
Basis for charge	Time	All Miles	Miles in Washington
Proportional to use?	No	Yes (but includes out-of-state miles)	Yes
In vehicle device?	No	No	Yes
Burden to Motorist	Minimal	Moderate	Minimal to Moderate
Enforcement Options	<ul style="list-style-type: none"> • Visual (vehicle tab or out-of state vehicle vignette) • Automatic license plate recognition • At vehicle registration 	<ul style="list-style-type: none"> • Visual (vehicle tab) • Random audits • Reconcile amount when vehicle is sold 	<ul style="list-style-type: none"> • Detect equipment disconnections and other fraud indicators • Random audits • Reconcile when vehicle is sold
Able to capture out of state drivers	Yes, with vignette	No, unless paired with time permit	No, unless paired with time permit
Able to distinguish out of state travel	No	No	Yes

**WORK PLAN
FY 2014**

Work Plan Background

- **Develop and evaluate the business case for the transition from the current motor fuel tax system to a road usage charge system as the basis for funding the state transportation system**
- **Built around key deadlines as defined in SB ESSB 5024**
 - » **November 1, 2013 – Progress Report to the Governor and Joint Transportation Committee**
 - » **December 15, 2013 – Final Report to the Governor and Transportation Committees of Legislature**
- **Work began in June 2013 and will continue through February 2014**
- **Appropriation is for FY2014 only**

Work Plan Task Detail

Task	Description
1 - Develop Road Usage Charge Policy Statements	Develop road usage charge policy statements for use in refining road usage charge concepts in Task 2.
2 - Refine Operational Concepts	Develop operational concepts that reflect the policies developed in Task 1.
3 - Evaluate the Business Case	Evaluate the value proposition of potential road usage charging systems developed in Task 2 compared to the existing gas tax.
4 - Documentation and Budget Preparation	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.

Steering Committee Meeting Schedule

June 2013 through February 2014

Date	Topic
June 11, 2013 (SeaTac)	Policy writing and operational concepts.
September 12, 2013 (SeaTac)	More detailed operational concepts and cost estimates
October 14, 2013 (SeaTac)	Review business case and policy/other issues
November 18, 2013 (SeaTac)	Draft report and draft proposed workplan/budget for next year, potentially including a pilot

● **Steering Committee, Subcommittees**

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

Transportation Commission Briefing Schedule

Date	Topic
July 30, 2013 (Olympia)	Policy and operational concepts.
October 15 or 16, 2013 (Olympia)	Review business case and policy/other issues.
December 10 or 11, 2013 (Olympia)	Draft final report – approve for submittal to Legislature and Governor.

QUESTIONS??

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