



WASHINGTON STATE ROAD USAGE CHARGE

Steering Committee Meeting



Washington State
Transportation Commission

September 10, 2019
SeaTac Airport Conference Center
SeaTac, Washington

WELCOME AND INTRODUCTIONS

Joe Tortorelli
WA RUC Steering Committee Chair,
Washington State Transportation
Commission

- Steering Committee member self-introductions

PUBLIC COMMENT PERIOD

- Please try to keep all comments limited to 5 minutes or less

OVERVIEW OF REMAINING WORK, THROUGH 2019

Jeff Doyle
Project Manager
D'Artagnan Consulting

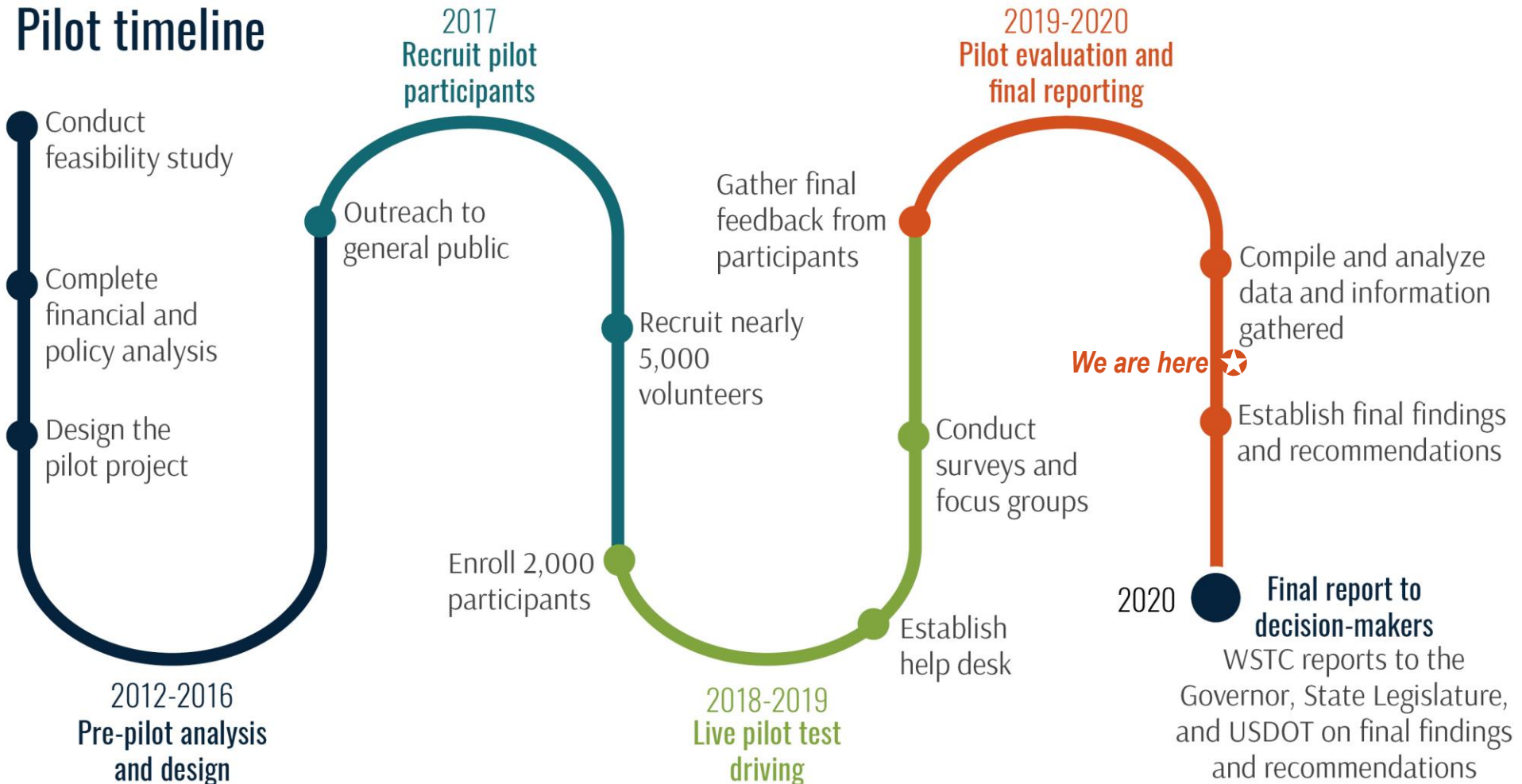
- Today
- After today

2019 STEERING COMMITTEE POLICY WORK PLAN

September 10, 2019 meeting:

- Review of draft report
- Transition options - vehicles subject to paying RUC and financial effects (30 year horizon)
- Review and discussion of findings

WA RUC ASSESSMENT AND PILOT PROJECT TIMELINE



STAGE 3 REMAINING MILESTONES

| 2019

August	September	October	November	December	January
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| 2020

◆ **September 10:** FINAL WA RUC Steering Committee meeting

Steering Committee Pilot Report drafting

STSFA federal grant proposal drafting

◆ **October 15:** WSTC federal grant proposal due

◆ **October 15:** WSTC receives Steering Committee's report; deliberates

Final Report drafting

◆ **December 17:** WSTC adopts Final Report & Recommendations

◆ **January 13:**
First day of
2020
Legislative
session

REVIEW OF DRAFT STEERING COMMITTEE REPORT TO WSTC

Jeff Doyle
Project Manager
D'Artagnan Consulting

- Comments received, Chapters 1-11
- Proposed changes and additions

Comments received and proposed changes

LAYOUT, FORMATTING, ORGANIZATION (KNOWN LIMITATIONS)

To be added:

- Cover page, table of contents, table of figures, section breaks, chapters in proper order, complete list of Appendix documents

To be improved:

- Graphics and page layouts
- Incorporate more visuals to break up large blocks of text (using illustrations, call-out boxes, photos where appropriate)

OVERALL READABILITY

To be improved:

- Look to reduce the size of the report. Rely more on supplemental materials in the Appendix to provide further details.
- Eliminate areas of repetition.

EXECUTIVE SUMMARY

- **Concise** summary (15 pages max), including graphics:
 - Only lightly covered: background, design of the WA RUC system, technical details, methods of implementing the pilot (2 pages max)
- **Place emphasis on:**
 - Pilot performance and key operational and technical learnings (2 pages)
 - Results of the research: findings and conclusions, including insights from test drivers on issues related to public acceptance factors (6 pages)
 - Areas or issues that must be corrected, improved or resolved before RUC can be considered a useful revenue mechanism capable of wide deployment (4-5 pages)
 - Next steps (1 page)
- **Use quotes and call-out boxes** to draw attention to key issues and findings

CHAPTER 1: WASHINGTON'S EXPLORATION OF A ROAD USAGE CHARGE

Main comments:

- Beef up the description of the interdependence of the greater Portland-Vancouver region and implications for cross-state travel and roadway tax policies.

To be added, deleted or improved:

- Obtain updated vehicle and driver data facts from DOL.
- Add a graphic showing the distribution of PEV and hybrid vehicle fees.

CHAPTER 2: GOALS AND GUIDING PRINCIPLES

Main comments:

- None received.

CHAPTER 3: DESIGNING AND TESTING THE WA RUC PROTOTYPE

Main comments:

- Make the descriptions of the companies and their mileage reporting offerings more clear.
- Reference where in the report the usefulness of the HUB for multistate RUC is discussed, instead of focusing only on its limitations.

To be added, deleted or improved:

- Add graphics that show the mileage reporting options (with illustrations to help readers better understand the options).

CHAPTER 4: RECRUITMENT, ENROLLMENT AND SUPPORT FOR OVER 2,000 WASHINGTON PILOT TEST DRIVERS

Main comments:

- Improve the clarity of the Conclusions section.

To be added, deleted or improved:

- Awkward sentence in Conclusions section to be re-written for clarity.

CHAPTER 5: PILOT EVALUATION PLAN: MEASURING ATTITUDES AND SYSTEM PERFORMANCE

Main comments:

- This chapter appears out of order in the body of the draft report – should follow chapter 4.
- Tell the reader up front that this chapter is about the plan for measuring – not the results of the measures.

CHAPTER 6: LIVE PILOT OPERATIONS AND DRIVING DATA

Main comments:

- This chapter is where the results of the pilot are reported. Make this more clearly distinguished from the prior (preparation) chapters.

To be added, deleted or improved:

- Replace subjective or judgmental terminology with objective or descriptive terminology (e.g., “popular” mileage reporting methods to be replaced with “most often selected” mileage reporting methods).
- Add clear breaks between the major parts of the report, using Part 1, Part 2 and Part 3 designations.

CHAPTER 7: RESULTS: PILOT PARTICIPANT SURVEYS, FOCUS GROUPS, AND HELP DESK FEEDBACK

Main comments:

- Quotes from test drivers helped make the results more interesting. Consider using these or others in the Executive Summary.

CHAPTER 8: PUBLIC ACCEPTANCE FACTORS: FINDINGS, CHALLENGES & OPPORTUNITIES

Main comments:

- Make sure the grey boxes (section captions) are written distinctively from each other and written to draw readers' attention to main purpose of the section.

To be added, deleted or improved:

- Rewrite section captions to ensure there isn't repetition between other sections of the report.

CHAPTER 9: LEGAL & POLICY RELATED ISSUES: FINDINGS, CHALLENGES & OPPORTUNITIES

Main comments:

- On September 10, the Treasurer's Office is selling the first issuance of Connecting WA bonds. The financial structure of the bonds calls for RUC to be implemented (if at all) in the form of a Vehicle License Fee. This new information should be added to the body of the report in section 9.1.
- If the Legislature makes RUC revenue available for non-highway purposes, this would conflict with the current Connecting WA bond authorization structure, which has significant implications for [the state].
- Call-out box (on p. 129) may go too far in opining that cities should de-couple their congestion pricing ambitions from RUC. Perhaps take the position that cities must bear the burden of becoming compatible with a RUC system.
- The Steering Committee takes no official position on the use of revenue; it only reports the likely effects.
- Avoid language that may appear to recommend strategies for RUC adoption. Any political sentiments and strategies should be avoided.

To be added, deleted or improved:

- Add sentence: "The SC takes no position on the other potential uses of RUC revenue (p.133 conclusions, end of the first bullet).
- Update the description of Option 2 (RUC as an "in lieu of" tax) to point out that it may not conform to the recent Connection WA bond authorization.
- Delete references to "registration fees" – this is a euphemism for a vehicle license fee.

CHAPTER 10: FINANCIAL ISSUES: FINDINGS, CHALLENGES & OPPORTUNITIES

Main comments:

- Chapter 10 and 11 are out of order.
- “Cost effectiveness” cannot be determined based on the pilot. Perhaps this section 10.2 should be given an “incomplete”.

CHAPTER 11: OPERATIONAL ISSUES: FINDINGS, CHALLENGES AND OPPORTUNITIES

Main comments:

- The writing style of this chapter does not match the style of the other chapters.
- Some sections feel unnecessarily long and detailed.

To be added, deleted or improved:

- Re-write the Chapter Introduction (Abstract).
- Reduce word counts and/or number of pages of the longer sections.
- Re-write the Chapter Conclusions to match previous style of report.

SCENARIOS FOR INTRODUCTION OF RUC

Travis Dunn
D'Artagnan Consulting

UNDER CONSTRUCTION –
WILL BE PROVIDED AT
MEETING

COMMITTEE DISCUSSION

CHAPTER 12: STEERING COMMITTEE FINDINGS & CONCLUSIONS

Jeff Doyle
Project Manager
D'Artagnan Consulting

ROLES IN DELIVERING THE PROJECT AND FINAL REPORT

WA RUC Steering Committee **MEASURES...**

- Oversee all research to ensure it is thorough and accurate
- Identify issues of importance or concern for in-depth research (“parking lot”)
- Design a RUC demonstration to test operational approaches and measure public acceptance
- Present information and options to fairly reflect the full range of viewpoints
- Provide guidance on technical and operational issues

Transportation Commission **RECOMMENDS...**

- Receive the Pilot Project Report from the Steering Committee
- Decide whether to make recommendations on issues

Legislature **DECIDES...**

- Receive the Final Report and Recommendations from WSTC
- Decide whether (or how) to implement a RUC

STEERING COMMITTEE'S OPERATING PROCEDURES (GROUND RULES)

- “The Steering Committee will operate by consensus. The goal will be to reach unanimous consensus – meaning that all members can support, or live with, the Steering Committee recommendations. If unanimous consensus cannot be reached, the majority opinion as determined by vote will be conveyed as the Steering Committee recommendations, with differences of opinion noted and included as part of the Steering Committee's final recommendations.”
- “Interim and final reports will be written in a manner that fairly and accurately reflects the findings, recommendations and opinions of the Steering Committee. Where clear differences of opinion remain on important issues, the final report will properly capture and convey divergent views.”

STEERING COMMITTEE'S CONSIDERATION OF KEY ISSUES

Before the pilot:

- ✓ **[O]** How to operationalize the RUC mileage reporting approaches
- ✓ **[O]** Whether and how to charge out-of-state drivers
- ✓ **[P]** Exemption from RUC charges
- ✓ **[P]** Refunds of RUC charges

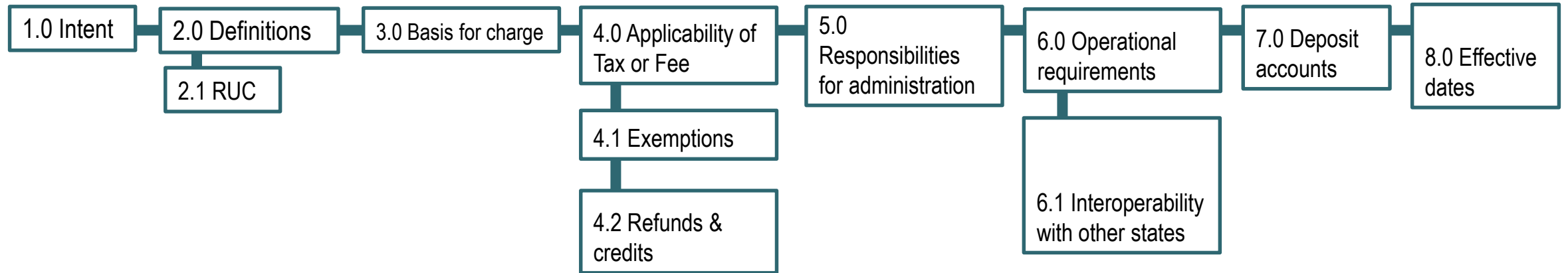
Anytime:

- ✓ **[O]** RUC compatibility with tolls
- ✓ **[L]** Commerce Clause impacts on RUC
- ✓ **[L]** 18th Amendment impacts on RUC
- ✓ **[F]** Per-mile rate setting
- ✓ **[L]** Motor fuel tax bond requirements
- ✓ **[P]** Permanent exemptions from RUC
- ✓ **[P]** Use or dedication of RUC revenue
- ✓ **[F]** Rate-setting basis for time-based permit
- ✓ **[O]** Interoperability of RUC with other states

After the pilot:

- ✓ **[P]** Whether and how best to use private sector service providers
- ✓ **[P]** Drivers' reaction to the proposed RUC system
- ✓ **[P]** Public understanding and acceptance of a RUC system
- ✓ **[O]** State IT needs to support RUC
- ✓ **[O]** Institutional roles in implementing a RUC system
- ☐ **[F] Transition approaches: which vehicles would pay RUC, how, and when**

CONTEXT FOR STEERING COMMITTEE'S FINDINGS & DECISIONS



ASSUMPTIONS AND LIMITATIONS

1. The Steering Committee has conducted the pilot project and analysis consistent with a strict interpretation of its legislative direction to investigate RUC as a full replacement for the gas tax.
2. A Road Usage Charge (RUC) is a pay-by-the-mile system, with the charges based on a per-mile rate.
3. RUC payments owed will vary by vehicle, based on the number of miles driven by that vehicle on taxable roadways.
4. The Steering Committee's work reflects the legislative prescription that RUC is intended only for light duty vehicles. These vehicles are defined as those weighing 10,000 lbs. or less.
5. The Steering Committee has not considered whether a mileage "bracket" system should be employed to implement RUC.
6. The Steering Committee did not specifically test compliance and enforcement of RUC payments.
7. A pilot project is not a good model for estimating potential implementation and operational costs of a RUC system.

LEGAL STRUCTURE FOR RUC

- To carry forward the same legal and fiscal attributes as the gas tax, RUC would need to be structured and administered consistent with the Washington state constitution. The effect of this structuring is that RUC revenue would need to be restricted for highway purposes.
- If implemented consistent with legislative direction given to the Steering Committee, RUC would be imposed as a revenue source intended to be used solely for highway purposes, consistent with Amendment 18.
- To most closely mirror the attributes of the gas tax's ability to leverage state-issued bonds, RUC would need to be implemented as a variable-rate vehicle license fee (VLF). Connecting Washington bonds have already assumed this approach.
- Due to legal restrictions and financial constraints, RUC cannot fully replace the current gas tax and would need to be implemented gradually, over a period of time necessary to ensure that sufficient gas tax revenues exist at all times to repay all outstanding Motor Vehicle Fuel Tax (gas tax) bonds.

RUC RATES AND IMPACTS

- The RUC rate is based on a cents-per-mile fee. The Steering Committee conducted the pilot test using a rate of 2.4 cents per mile. However, in a real RUC system, the actual rate would be set and adjusted by the Legislature.
- Other rate factors are possible: vehicle weight, MPG (or MPGe) rating, emissions rating, etc. The Steering Committee has not further explored the effects of setting the per-mile rate based on any of these factors.
- At the outset of this work, the Steering Committee defined “equity” as drivers paying a fair share based on how much they use the roads. The Steering Committee recognizes numerous dimensions of equity exist and future work in this area remains, particularly related to potential disparate impacts of RUC on lower-income households, communities of color and displaced communities. The legislature has now directed a deeper exploration of this issue.

MILEAGE REPORTING METHODS

- To account for the wide variation in drivers' preferences and abilities, a RUC system should include both high-tech and low (or no) technology options for mileage reporting. An option for in-person assistance with mileage reporting should be further investigated if RUC is widely implemented.
- A RUC system must also include at least one option to pay for road use without reporting any mileage information. Therefore, a Time Permit should be offered (a high flat annual fee to drive unlimited miles during the period – month, quarter or year).
- At least one mileage reporting option should allow out-of-state miles to be deducted.
- During a transition period, out-of-state vehicles would continue to pay Washington's gas tax in lieu of RUC.
- An interoperable RUC system as demonstrated in Washington should allow out-of-state vehicles paying RUC in their home state to opt in to pay Washington's RUC instead of the gas tax. Coordination with Oregon and other states implementing RUC should continue in pursuit of this option.

CHARGEABLE MILES IN A RUC SYSTEM

- Only vehicles registered in Washington would be potentially subject to RUC during a transition period.
- Until RUC is more widely adopted throughout the Pacific Northwest region, the most cost-effective way to collect roadway taxes from out-of-state drivers is for them to continue to pay the Washington gas tax. During a transition period, out-of-state vehicles may continue to pay Washington's gas tax in lieu of RUC.
- An interoperable RUC system (as demonstrated in Washington) would allow out-of-state vehicles paying RUC in their home state to opt in to pay Washington's RUC instead of the gas tax.
- The Steering Committee has not considered whether a mileage "bracket" system should be employed to charge RUC to drivers.

EXEMPTIONS, REFUNDS AND CREDITS

- The Steering Committee assumes that all vehicles currently exempt from paying the state gas tax would continue to be exempt from paying RUC.
- During a transitional period from the gas tax, the Steering Committee finds that current state policies allowing refunds of gas taxes for non-highway use should be extended to RUC.
- Once a transition to RUC is complete and the gas tax is fully repealed, allowing a distribution of RUC revenue to programs that were originally created to provide funds for non-highway programs should be re-evaluated.
- Vehicles subject to RUC should be credited for any amounts already paid in gas taxes.

ROLES AND RESPONSIBILITIES FOR IMPLEMENTING RUC

- A new state agency is not required to implement RUC. All functions can be carried out by existing agencies with some support from private vendors. DOL is best suited to implement and operate RUC.
- Private sector firms can help minimize technology delivery risk and more affordably provide select services in a RUC program, particularly related to mileage reporting.
- Private Vehicle Licensing Offices (subagents) and similar small businesses should be considered for providing walk-in service to vehicle owners needing to report mileage or pay RUC.
- During a transitional period from the gas tax system, independent evaluation of RUC should be continued through WSTC, which can provide policy and performance advice to the Legislature.
- RUC per-mile rates should be set and adjusted by the Legislature.

INVOICING AND PAYMENT OF RUC

- Methods of periodic RUC payment (including "pay-as-you go") should be further explored. This would allow drivers to potentially having to pay a lump sum RUC bill at the end of the year (or quarter). This issue was identified as a potential obstacle to lower-income households.

PRIVACY AND DATA SECURITY

- Privacy protections specific to RUC should be enacted in law, particularly related to use of location-related information.
- “Value-added” services (such as vehicle safety scoring, or “find-my-parked-vehicle” capabilities) should be completely optional. Where these services are offered, the optional nature of these services must be better communicated to drivers. Better driver controls are needed over apps or devices that offer these features.
- Strong data security measures, expanding upon those used in the pilot, should be used in any potential future RUC program.

INTEGRATION WITH OTHER SYSTEMS AND INTEROPERABILITY WITH OTHER STATES

- RUC and tolling should remain separate systems, just as the gas tax and tolling are separate. Coordination between the programs is needed to ensure best levels of customer service for each.
- During a transitional period, out-of-state motorist should pay for their roadway use as they do today – through the gas tax. This will provide at least 10 years (likely more) for RUC systems in Washington and other states to mature to provide seamless interoperability between jurisdictions.
- The RUC “Hub” system designed and tested in the pilot worked well and should be further developed in collaboration with other states that are moving toward implementing RUC systems.

USE AND DEPOSIT OF REVENUE

- If RUC is structured to retain the characteristics of the gas tax, the revenues must be deposited into the Motor Vehicle Fund (restricted to highway uses).
- Additionally, through June 2025 when the incentive program expires, RUC should be structured so that it does not impact a newly-enacted law requiring special fees collected from plug-in electric and hybrid vehicles to be deposited into the Electric Vehicle account. This account provides incentives for alternative fuel vehicle purchases and clean fueling infrastructure.
- During a transitional period, gas tax revenues attributable to off-road vehicle use should continue to be deposited into accounts that support boating and other outdoor recreation programs.

COMPLIANCE, EVASION AND ENFORCEMENT

- Pilot testing revealed mileage reporting loopholes that present RUC evasion opportunities and will require implementation of effective counter-measures before certain mileage reporting methods can be widely deployed in a RUC program. Additional work is required in the areas of compliance and enforcement.

RUC REVENUE AND SYSTEM COSTS

- When tax rates are frozen (held constant) for both, a gradually introduced RUC is expected to offset declining per mile gas tax revenue over the next 20 years.
- There are lingering concerns about the potential complexity and cost of a RUC system applied to all registered vehicles in Washington. The issue of cost of collection must be more fully explored before RUC can be widely implemented.
- A pilot test is not a reliable method for testing potential costs to administer a RUC program (except insights into potential start-up costs). More work is needed.
- RUC cannot fully replace the state's gas tax until all outstanding bonds that pledged the gas tax have been paid off. The soonest this could happen would be in 10 years, provided the State Treasurer is able to refinance (or "call due") outstanding gas tax bonds at a cost that makes sense for the state. The longer time horizon is 25 years from the date the last gas tax-pledged bond is sold to investors. While the state's reliance on the gas tax can be reduced within the 25 years, RUC (or other sources) must still provide sufficient revenues to meet transportation spending needs.

TRANSITIONING FROM THE GAS TAX TO RUC

- There must be a transition period of at least 10 to 25 years where the gas tax and RUC would each be collected (although vehicles subject to RUC would only owe RUC). Vehicles would owe one or the other, but not both.
- The rate of change in fleet MPG must be taken into account, as this will continue to affect gas tax collections for the state.
- RUC advancements in other states, nationally and within private industry may also influence when RUC might be capable of being widely applied to all vehicles in Washington state.
- [Reserved for any additional findings decided by Steering Committee on September 10]

Approval of Steering Committee report

- What Final Report represents
- Next steps

QUESTION PRESENTED FOR STEERING COMMITTEE

Does the draft Final Report of the Steering Committee accurately and fairly represent what was observed in the Pilot Project and learned through a discussion of issues related to RUC?

If “Yes”, the report (as amended) will be transmitted to the WSTC for their consideration.

Important:

In issuing this Final Report, the Steering Committee is not taking the position that RUC should be implemented. The Steering Committee is reporting what it found to be most acceptable if the Legislature decides to transition to RUC, and what issues require more work before RUC is ready for wide-scale implementation.

FINALIZING THE STEERING COMMITTEE'S WA RUC REPORT

Today: review proposed changes (summary level); discuss and decide any issues that are unresolved in the draft; amend and approve Steering Committee's report.

September 11 – October 10: Project team incorporates all changes into a final version of the Steering Committee's approved report.

October 15: Steering Committee's report is presented to WSTC for their consideration.

THANK YOU!

Questions? Contact: Reema Griffith, Executive Director
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Consultant support provided by:

