



WASHINGTON ROAD USAGE CHARGE STEERING COMMITTEE MEETING

November 29, 2018 | Meeting Summary

ATTENDEES

Steering Committee Members

Chair Joe Tortorelli, WSTC Commissioner

Rep. Jake Fey

Sen. Phil Fortunato

Chris Herman, Ports

Tom Hingson, Transit

Roy Jennings, WSTC

John Koster, Counties

Meg McCann, Department of Licensing

Sharon Nelson, Consumer Representative

Rep. Ed Orcutt (by phone)

Mayor Mary Lou Pauly, Cities

Janet Ray, AAA Washington

Jason Richter, Office of State Treasurer

Hester Serebrin, WSTC

Neil Strege, Washington Roundtable

Ted Trepanier, INRIX

Bryce Yadon, Environmental

Brian Ziegler, Freight Mobility Strategic
Investment Board

WSTC Staff

Reema Griffith, Executive Director

Paul Parker, Deputy Director

Carl See, Senior Financial Analyst

NOTE: Presentation materials are available on the Washington State Road Usage Charge website (<https://waroadusagecharge.org/about/steering-committee/>). What follows is a summary of the discussion that followed the presentations. Responses to questions and comments are in *italics*.

WELCOME & INTRODUCTIONS

Chair Tortorelli called the meeting to order and introduced Barb Rhode from the Mileage Based User Fee Alliance. Barb noted that there are eight pilots around the country including Utah which is not currently federally funded. She commented on how impressed she is by this pilot and mentioned there is interest in a national pilot. Finally, she noted that the US Senate Committee on Environment and Public Works held a hearing yesterday and there appeared to be consensus that the gas tax should cede to a mile travelled fee.

PUBLIC COMMENT PERIOD

Doug Levy presented public comment on behalf of the Recreational Boating Association (RBA) of Washington. RBA has been around since 1956 and a first act was to deed Sucia island to the state as a park. It has since grown to be a \$4 billion per year sector. Boaters buying gas are exempt from the gas tax and are eligible for refund as they are not using the gas for highway purposes. About 93% of the time,

those refunds don't occur. In the 1960s, voters created a recreation resource account and boating facilities account that estimates the unclaimed refunds and allocates a portion of gas tax receipts to be used for boating facilities.

RBA is agnostic on RUC and understands the legislature will have to make policy decisions. They are not agnostic on whether the accounting for the recreation resource account is carried over – this is very important to them and they want to make sure this funding gets carried over. One percent (1%) of gas tax proceeds are presumed to be marine fuel and under our laws when the gas tax is adjusted, the marine fuel proceeds are also adjusted. Under the 2003 and 2005 gas tax rate increases, that corollary money was not carried over into the accounts. It was done with the 2015 gas tax increase. Rep. Orcutt worked on HB1738 that will in 2031 refund the percentage that wasn't funded in the earlier gas tax increases.

RECAP OF HOW WE GOT HERE (AND WHERE WE ARE GOING)

Jeff Doyle of D'Artagnan Consulting noted that the Steering Committee is in a transition period with departing and new members and the fact that we have been working on this since 2012. Jeff provided a recap of RUC in Washington state starting in 2009. As part of this, he summarized roles: the Steering Committee measures, the WSTC recommends, and the Legislature decides.

Jeff walked through the essential elements of RUC policy and noted that the report will be organized by these elements to ensure the research is useful for decision making.

PREPARING FOR THE END OF THE LIVE TEST DRIVE

Matthew Dorfman of D'Artagnan Consulting discussed the operations schedule for the end of the pilot including the final invoices and wrap up activities for participants and the project team.

Ara Swanson of EnviroIssues presented an update on the communications aspects of the pilot. She started by summarizing recruitment and the pilot participant pool. She then discussed the communications coming in to the help desk over email or phone and website analytics. Finally, she summarized upcoming communications activities.

Discussion

The help desk is critical, and I've used it a lot, what do we know about getting to scale?

We know it's a really high touch activity and it is helpful. At the end of the pilot, we will look at cost ranges. We also know from the pilot that costs will be most significant up front as people enroll and get started.

Will the email list be retained for any future communications?

Yes, it started out for those interested in project updates, so we will retain that aspect and allow people to opt out at any time.

Having a list of people that participated is valuable down the road if we were to roll this out.

PILOT EVALUATION ACTIVITIES REPORT

Allegra Calder of BERK Consulting presented on the results of the mid-pilot participant survey.

Discussion

The two slides show different numbers of responses.

The correct number is 1602 total responses.

Did you follow up with 5% who said they were not paying enough?

No.

I wanted to ask, “Would you prefer this if this were double/triple the cost?” The purpose is to get more revenue so shouldn’t we ask about more.

We (the Steering Committee) were asked to compare with gas tax.

But people think gas tax is easier, so we should ask whether they would be interested in paying double.

We (the Steering Committee) have been asked about whether this is feasible compared to the current gas tax.

How many complaints do you get about the gas tax? Probably very few. What complaints do Apple or Nordstrom get every month? This is a compulsory tax-not a volunteer shopping experience. If you ask people whether they want to pay more tax they’ll say no. But the point of the RUC pilot has been to educate the public that the gas tax is declining, and it’s succeeded in that.

But if the legislature enacts a RUC and then raises the rate two to three times then people will complain if we use survey info to imply that people are OK with a RUC.

There are no plans to point to the survey data (2,000 volunteers) and extrapolate for the whole state.

We’re not talking about doubling or tripling gas tax or RUC. The purpose of the RUC is to replace revenue because the gas tax is declining.

Everybody knows that’s not the case. I need \$50M for bridges in my district. We need more revenue. Legislature will consider a mileage rate. Will need to consider more revenue, not the same revenue.

There’s a privilege in driving an EV, and there aren’t enough charging stations. Not enough at SeaTac this AM. I would like to pay for road usage.

We are changing the system based on the 2-3% of Electric Vehicles. Let EVs pay RUC. I want to keep paying gas tax. Let sales tax from sale of motor vehicles be put into gas tax account, charge EVs mileage tax and plug-ins half mileage tax. There is a bill being drafted, along with Constitutional amendment to protect revenues.

Related to concerns about accuracy—was there a correlation to reporting method?

We’re going to look at that in the cross tabs.

Allegra then presented on the six **focus groups** held in September and October.

Discussion

There is a project at the Discovery Institute called ACES (Automated, Connected, Electric, Shared). Technology is driving this. I remember when we were concerned about RUC invading privacy. But with my cell phone, I’ve given up my privacy. The future is coming fast. GM is closing plants to concentrate on EVs and trucks. By 2025 there will be a lot more EVs on the road. The committee needs to make a recommendation to the legislature, and it’s up to the legislature to sort out the details.

Why is Spokane so aware of gas tax?

Possibly because it’s so close to Idaho. However, you could know the price per gallon but be unaware of how much of that is the gas tax.

On recommendations, was there nobody that said we should implement this for EVs, and phase it in over time?

I don't think the respondents were thinking in terms of phasing.

Equity means a lot to a lot of different people. Who are we talking equity for? Is there a chance to figure that out—what is and what isn't regressive? Who is getting priced out?

Remember the saying “Don't tax you, don't tax me, tax the fellow behind the tree.” The gas tax is great because it's invisible.

Most likely we're going to look at something in the neither/both column—we need to ensure trust that the system is safe and secure.

Equity, and what equity means, has been brought up before. We don't have a paper on it yet but we will add it as a work task.

From a bond perspective at the treasurer's office, we're going to have motor fuel tax bonds for 25 years. Transition conversation is important. We won't be able to turn one system off and switch the other on. Maybe it can be shorter than 25 years, but it will take time.

We're concerned about how this program will affect transportation funding, but we're not talking about inflation. It's a relatively static funding source. We need a funding source that accounts for inflation and that's the sales tax.

POLICY DEVELOPMENT PROCESS

Travis Dunn of D'Artagnan opened up the discussion of the policy papers being presented today starting with the framework for policy papers.

POLICY ISSUE: PRIVACY PROTECTIONS IN A RUC SYSTEM

Jim Whitty of D'Artagnan presented on the topic, including a model privacy policy.

Discussion

Shouldn't privacy be included in a statement of legislative intent?

Yes, it could be included, possibly with other principles as well.

Did you consult with any of the lawyers in the state AG's office?

No.

None of this would apply if we just registered vehicles and had people pay once per year. It's because of a third party.

Some people care about that information and in this case, it would be held by an agency.

Most of this is recorded except for mileage unless there is a title change.

If corrected under the registration process are protections already in place?

I think so. DOL was releasing information to ICE and that got them in trouble.

We've been working with DOL on legislation related to data stewardship. There is a desire and thought that we were protecting people's data but more work is needed. This is a place where we are collecting more data. If it's the same agency we still have some work to do.

DOL is taking the privacy of customers very seriously and have changed what goes to law enforcement.

We need to know what data used in a RUC system exists already with the DOL. This seems like an integration question and I don't want it to be a bigger issue than it needs to be since work has been done already.

DOL may have legal protections for the early parts of this data. But if this is then accessed by another agency you need to protect that as well.

This is an agency to agency privacy issue that needs to be looked at more. I'm not sure that we need a specific piece of legislation just to deal with RUC, unless there is a third-party company managing it.

The point in the paper is that agencies have their own privacy protections. Each has their own policy (many of them different), and many have personally identifiable data. Because only ten states have general privacy protections, it makes sense to do a specific RUC policy on privacy. UTC used to provide all kinds of proprietary information – we said we will keep your data under seal and won't release it unless there is a request and it goes to the courts. Courts are better at adjudicating privacy rights than agencies. This will require more consultation than we have around the table right now.

We are recommending an exemption from public records request.

Didn't we learn from Oregon that we have to provide options? Would all residents of Washington want options beyond DOL? You would have to go to a third party and would they be bound by the same laws as the agency?

That is the purpose of the paper. We could provide a table that shows what is needed for a RUC, what DOL already collects and is under their privacy protections and then identify any gaps.

This is an excellent paper. Thank you. It needs to be adjusted for our state. Our AG has some latitude that others do not.

HAWAII'S RUC PILOT PROJECT

Ging Ging Fernandez of D'Artagnan Consulting presented on Hawaii's RUC demonstration project.

Discussion

What does a typical resident pay in gas tax?

About \$80

It looked like there were two big increases, was that on top of the \$80?

Yes.

Are you looking to keep it revenue neutral?

Yes, it's under 1 penny per mile for the state portion.

POLICY ISSUE: IS RUC COMPATIBLE WITH TOLLING POLICY AND SYSTEMS?

Travis Dunn of D'Artagnan Consulting introduced Colum Lynch of Arup who presented on the policy paper related to compatibility of RUC and tolling.

Discussion

Tolling here has not gone well and it seems that technology, especially when it touches government can get very costly. And now we are talking about trying to integrate. What is your assessment?

I tend to agree with your assessment and history has shown a lot of IT cost overruns. Complexity and cost are real. I'm not necessarily recommending it needs to be done. It could be done, and I think that collaborating (the lowest cost, lowest complexity approach) could get you 50% of the way. People would get a better service and both RUC and tolling could be more effectively run.

The one service approach could be run by a third-party provider (and therefore not touch government). The Automatic® device already can pay tolls in other markets and has been demonstrated for RUC here, so there is some evolution that could take place in the private market.

We should distinguish between customers and users. With tolling there is some choice (customers) but RUC won't be voluntary (users). Agency roles is a huge parking lot issue. Our state government has not had the best success with transitioning to new technological systems.

There are also differences in how tolling deals with customers versus managing the obligations to pay a tax. You don't want to confuse things

What would the back-end entail with a one account system? Would it preclude a third-party getting involved?

There are two different models – sign up an account provider who pays fees on your behalf. That account provider could add RUC easily. The other model is a service provider who is effectively contracted to RUC and WSDOT and that would typically be the model seen in Europe. You get a back-office system that the provider is connected to. It could be a hub with information coming from the two systems. There are payment flows, reconciliation, and other things we don't see with the current Good To Go! system.

POLICY ISSUE: EFFECT OF WA CONSTITUTION'S 18TH AMENDMENT ON RUC

Jeff Doyle of D'Artagnan Consulting presented on the 18th amendment and restrictions on RUC revenues. As part of this he provided a history of the 18th amendment and then presented five options that would require RUC to be used exclusively for highway purposes.

Discussion

The state has three gas tax authorizations. Nickel and TPA only cover the motor vehicle fuel tax, but Connecting Washington authorized other fees. There was some contemplation of other, future fees.

Yes, it's good to know there may be some ground work the legislature can build from.

The real solution would be to say that any charges get deposited into the account. If you do it legislatively you can undo it the same way.

We haven't seen anyone do that. Treasurer's office presented an option to structure RUC as a license fee.

Once you start pledging revenue to bonds you can't make changes. Does that mean you can't use other funds to pay off the bond or does it have to be gas tax revenue?

It's a long answer, but it's yes it needs to be the original revenue source.

But if you don't have the money to pay the bond, you would be paying with general funds.

But if there are insufficient funds there the state would get downgraded and be out of compliance with the bond covenants.

So, we must keep the gas tax in place for the nickel and TPA.

Our bonds extend up to 25 years. There is some restructuring that could be done but it's likely without prepayment that the gas tax would remain.

Jeff noted that We are going to spend more time on this issue at our next meeting so that

Have other states run into this problem?

No.

I just hope we can find a way for the legislature to look to the future.

POLICY ISSUE: WHAT ARE THE OPTIONS FOR REVENUE FROM A RUC SYSTEM?

Travis Dunn of D'Artagnan Consulting presented on the options for revenue. He started by noting that 55% of state transportation revenues are from the fuel tax and that 78% of state transportation expenditures are on highway purposes. He introduced a framework for revenue restrictions from more restrictive to more flexible.

Discussion

Designating funds based on volume of travel would hurt counties. Heavy trucks are damaging county roads where they are falling apart, and we don't have enough volume to raise money.

You didn't consider the Hawaii model where they can use the money for general fund. Are you restricting this because of your charge?

Yes, we've tried to keep this narrow to draw out the questions and distinctions.

If we were looking at an alternative revenue source, transit would want to broaden that definition. Enough buses on the road can help you to not need to widen it, but we do know it provides some wear and tear as well. This seems like an opportunity to look at the whole system and understand what is needed. Sometimes it's needed for roads, but sometimes others.

How we label this is how we use this? I understand why we are focused here but there are a lot of other (non-transportation) uses that could be funded. Is the distinction between a tax and fee part of the issue?

For example, in Texas 25% of gas tax goes to schools.

We had some discussion that the purpose of the RUC is a replacement for the gas tax and not in addition to. I've been trying to explain this to my constituents. It's not supposed to do anything else and now I'm hearing that we want to open this up to change how the money is used. There should be no discussion at all with how the money will be used. We are way off the topic.

That is why up to this point we have focused on it as a replacement. We also heard there was a desire for discussion on the uses.

I think we are on the track for a replacement.

For CRAB if it's a replacement we want to make sure we don't get any less than we've had. For 18 years we've been flat and right now the property tax is raising more money than our gas tax and that's a real inequity. Gray's Harbor has 187 bridges that need replacement and what we are doing is not working. Counties are in the system and our roads are falling apart.

I agree that we've gone afield. And we now seem to agree that the technology will be in the hands of the private sector. I was surprised to see this paper because I felt it was a legislative decision. It's legitimate to look at this and legislators can ignore it if they want.

For the bond question, the passage of Connecting Washington has already started a path. There is a huge amount of money going to projects that relies on MVFT and fees and if these fees are not there we need another source or Connecting WA will have to be implemented on a slower schedule.

There is value in this group going through some of the technical issues. On this issue, it's pure policy and I'm not sure we provide any value. The parking lot is in the legislature.

To recap, I'm not hearing interest in pushing this any further. Raise your hand if you disagree.

The committee agreed that the work was complete.

Travis then went through four gas tax revenue categories – marine refund, nonhighway and off-road vehicle accounts, snowmobile accounts and aeronautical accounts.

Discussion

This is largely so we don't forget about these sources.

Yes.

I'm a big supporter and if we went to a full replacement of gas tax with the RUC. If they were no longer paying, I would be concerned about the refund.

All of these vehicles pay other fees which might be a way to backfill.

Doug's point is that people are not refunding so only a small amount is going to the people that filled out the paperwork and he is asking for another source to fund the account.

UPCOMING ACTIVITIES AND FEBRUARY 2019 SC MEETING

Jeff Doyle of D'Artagnan presented on upcoming activities and let the committee know that a February meeting is proposed along with three other meetings in 2019. The pilot will end in February 2019. It sounds like there is some interest in moving ahead on the organizational assessment and we will do that in early 2019.

Discussion

The rate setter probably should not be the same agency as the beneficiary.

Yes, governance structure will be addressed first. Ultimately the legislature is the rate setter, though they can delegate it.

What is the final recommendation from the Committee to the WSTC?

Reema noted that this is yet to be decided. Today, we wanted to see if everyone agrees on certain topics. There is the opportunity for this group to vote on certain issues to make a recommendation or you can present the options to the WSTC to make a choice if you would rather not take a stand or can't get to agreement.

I agree that you probably need a hybrid. Operating procedures say consensus, but you could have a majority preferred alternative with a minority report.

ADJOURN

Chair Tortorelli adjourned the meeting at 2:50.