



## WASHINGTON ROAD USAGE CHARGE STEERING COMMITTEE MEETING

March 14, 2019 | Meeting Summary

### ATTENDEES

#### Steering Committee Members

Chair Joe Tortorelli, WSTC Commissioner

Anthony Buckley, WSDOT

David Burnett, Chehalis Tribe

Roy Jennings, WSTC

John Koster, Counties

Sharon Nelson, Consumer Representative

Mayor Mary Lou Pauly, Cities

Jason Richter, Office of the State Treasurer

Hester Serebrin, WSTC

Ted Trepanier, INRIX

Frederick Wade, Department of Licensing

Tom Walrath, Trucking

#### 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 the Committee introduced themselves. Chair Tortorelli noted that the legislators are unable to attend due to session. Three white papers will be discussed today. We are hoping to reach agreement, but any dissenting views will be reflected in the papers. Papers will remain draft until they go to the Commission in the fall.

### PUBLIC COMMENT PERIOD

No members of the public were present and wanting to comment.

### RECAP OF DIRECTION PROVIDED BY STEERING COMMITTEE

Jeff Doyle of D'Artagnan Consulting noted that the data analysis is wrapping up now and the Committee will hear more in May and June. Today is about moving the findings process along. Transportation Commission will receive the final report in late fall and will decide if they wish to make additional recommendations. It will then go on to the Legislature and the Federal Highway Administration (FHWA), the primary funder of this work.

Jeff walked through what the consulting team believes the Committee has decided to date (starts on Slide 8).

### Discussion

I have gone with majority opinion on replacement of the gas tax, but I'd be willing to support this tool for other purposes, for example, congestion pricing. Phase-ins work well in my experience and once people get used to an idea, other things can be added.

My understanding is that this decision was for the legislature to make and we don't want to make a recommendation.

We have rules now around allocations with local governments and there would be a political impact if that changes.

*Does the Steering Committee want to move the entire topic to the legislature or do we want to say for study purposes we recommend the following?*

It was our working assumption that the legislature didn't want us to decide. Our charge was could a RUC be a replacement for or overlap with the gas tax. If the legislature wants additional work on this, they can ask the WSTC to do that.

## MOTOR VEHICLE FUEL TAX (MVFT) BOND REQUIREMENTS & RUC

Jeff Doyle of D'Artagnan noted that the two primary issues are 1) what can be done if the state wants to adopt a RUC but bonds backed by the gas tax revenue are still outstanding and 2) what is the feasibility of bonding against the revenues of a RUC. He also noted that this paper was developed in close collaboration with the Office of the State Treasurer (OST). Jason Richter of the OST also provided some explanation of the issues.

### Discussion

When we discussed this in 2014, it seemed unlikely that the legislature would have thought they could never change policy, so I was excited to read this report. The path going forward seems more positive.

*One option is to structure, implement and manage RUC as a mileage-based vehicle license fee (VLF).*

*2015 Connecting Washington provides a template for a gradual and orderly transition – increases gas tax revenue plus \$5.3 billion in bonding authorization. VLF are pledged to provide flexibility if MVFT declines/goes away. First series of those bonds might be sold later this year.*

How is the VLF model different than what we've envisioned?

*Largely has to do with the structure of a fee. Restrictions around dedicated uses, collecting an amount to recover cost but not more. Public roadway should be designated a public utility – that would bring the nexus closer in that you should pay a fee to use it.*

If you did this in phases, couldn't you implement with electric vehicles right away because they don't pay gas tax right now?

*Yes, we've been waiting to better understand how they perceived the pilot.*

I think this question is more about how the customer experiences it. I would say this starts to look more like a DOL managed project. This would give the state a few more options for how to transition because the VLF statement could be modified to say now you have the option to do a mileage-based fee. We also need to think about what we do when not everyone has a car. This does start to narrow the options.

To follow up on the customer. When we had the jump in the charges around Sound Transit, we had a huge discussion around payment plans and how to make it affordable. I think this all makes sense, but we are going to have to change the way we deliver this.

*Yesterday, we had a meeting with DOL to explore what are the possibilities with their IT system.*

## PILOT SURVEY #3 EARLY RESULTS

Allegra Calder of BERK Consulting presented on some preliminary results of the final pilot participant survey.

### Discussion

One problem is that we don't know what timeline people were thinking about for a RUC when they answered the question about acceptance of a RUC.

*True. Open-ended comments will help us somewhat with that.*

Can we look at results by provider? We wanted choice and it would be good to understand how people perceived the options.

*Yes, we plan to do this.*

Do we assume respondents thought the revenue would be 18<sup>th</sup> amendment restricted?

*No, some may assume that or hope for that, but others are likely hoping for broader uses. The focus groups asked about this starting with do people know what gas tax revenues can be used for.*

## EFFECTS OF COMMERCE CLAUSE ON STATE-LEVEL RUC COLLECTIONS

Jim Whitty of D'Artagnan Consulting discussed the effects of the Commerce Clause on state-level RUC collections. As part of this he assessed 9 scenarios to show how the four-factor test applies and where there could be concerns.

### Discussion

In summary, if RUC doesn't impose a benefit on resident or a disbenefit on non-residents it's probably OK?

*Yes.*

In the utility world, they call it a test year. We should set it up so that some part of the government watches the rates and adjusts them to keep them roughly equivalent. I think there is a lot of guidance on how to do the rate setting from utilities.

If fuel taxes were less than a RUC would that be an issue?

*No, it's not a purpose of the Commerce clause to protect resident from their own state taxes.*

Can you talk more about the problems with the flat fee?

*Largely cases came out of the trucking industry and trucking firms coming into the state to engage in an activity. If the economic activity is entirely in the state, the commerce clause does not apply, but it does if the activity comes across the border it does because they would be paying a flat fee and driving less miles.*

So a flat fee for residents is probably fine, it's out of state user where it could become a problem?

*Yes.*

## COMMUNICATION UPDATE & NEXT STEPS

Ara Swanson of EnviroIssues presented an update on current and future communications activities. She noted that there are still 6,000 people signed up for the interest list. This group receives e-newsletters.

### Discussion

I do think meeting people where they are is important. It's our job to hear from people and we haven't attracted much public or media attention here, but it would be good to get some raw on the ground data from people ahead of the report going to the legislature.

*We are looking at doing a road show around the state to reach a broader audience. The online webinar is another way we hope to reach people as well. The video is another way to reach people and give a window into participant experience and next steps.*

Now that I'm immersed in the private sector I realize that most people don't know about this. If I went to my local Rotary Club they wouldn't know what it was and would immediately want to know why. We need a succinct description of what it is and what is not.

*We've talked about how to present the information at events and how to tell people how they can get involved whether they love it or hate it.*

A short video keeps the message concise and consistent. It's a good idea.

*The original video is still relevant in terms of the basics.*

## PER-MILE RATE SETTING: CRITERIA, PROCESS & ROLES

Matthew Dorfman of D'Artagnan Consulting presented the findings from the white paper on rate setting. He noted that the purposes of a RUC have implications for the rate and that we have been assuming the purpose is revenue only. This paper is information only for today as there is more to come on this topic.

### Discussion

Tolling costs have been high as 50% so we need to assume cost of collections.

*Yes, agreed and we do have a financial model that was built earlier that we will be able to update with new assumptions about costs of collection.*

Always assume any system can be gamed.

The legislature is not inclined to let an agency set fees nor are they inclined to adjust for inflation.

That's why the utility model works. Because the Legislature doesn't like to take the heat for raising rates.

There was currently an 18 cent differential between Idaho and Spokane so the gas stations raised their prices to get to parity.

## OUTLINE OF STEERING COMMITTEE WA RUC PILOT PROJECT REPORT

Jeff Doyle of D'Artagnan Consulting previewed the outline for the final report. We are hoping to draft the sections where we believe we have finished our discussion so that we can vet that characterization with the Committee. Jeff invited members to send comments via email.

## ADJOURN

Chair Tortorelli adjourned the meeting at 12:56.