



## WASHINGTON ROAD USAGE CHARGE STEERING COMMITTEE MEETING

May 2, 2019 | Meeting Summary

### ATTENDEES

#### Steering Committee Members

Chair Joe Tortorelli, WSTC Commissioner

Rep. Jake Fey, Tacoma (D)

Rep. Ed Orcutt, Kalama (R)

Tom Hingson, Public Transportation

Doug Vaughn, WSDOT

David Burnett, Chehalis Tribe

John Koster, Counties

Sharon Nelson, Consumer Representative

Mayor Mary Lou Pauly, Cities

Jason Richter, Office of the State Treasurer

Beau Perschbacher, Department of Licensing

Judy Clibborn, Public member

Hester Serebrin, WSTC

Ted Trepanier, INRIX

Frederick Wade, Department of Licensing

Tom Walrath, Trucking

Chris Herman, Ports

Neil Strege, Business

Brian Ziegler, Freight Infrastructure

Janet Ray, Motoring Public (AAA of Washington)

#### 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.

### 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 presented slides showing the Steering Committee's consideration of issues relevant for their final Pilot Project report, including findings made to date by the Committee.

Jeff reported that final data analysis and survey results with cross-tabulations is nearing completion; the Committee will receive the information at the June 27, 2019 meeting.

Jeff walked through what the consulting team believes the Committee has decided to date (starts on Slide 8). Extensive discussion on the Committee's findings to date ensued.

### **Discussion**

The wording of the Committee's finding and position on the potential use of RUC revenue for purposes different than how the gas tax is currently used does not capture what the majority of the Committee intended to say. Simplify the finding to a statement about what the legislature directed – a replacement for the gas tax – and how it can be accomplished. Leave discussion about structuring options in white papers. Be careful not to suggest other uses. There is no need to say that this is the legislature's prerogative; that is self-evident.

It was noted that there must be some form of replacement for the gas tax if the assumption is that it might someday go away, given that there is \$5.3 billion in outstanding gas tax bonds and potentially more to come.

The Committee questioned whether authority should be granted to WSTC to adjust RUC rates (after the legislature sets the initial rate). A question was asked how this would work when the legislature is trying to fund a package of projects. It was also noted that if there will be differential rates for policy reasons (for example, a low-income discount), it may not be appropriate for the WSTC to effectively set these policies. Members felt strongly that delegating rate adjustments to WSTC should not be a pilot finding, and that instead, the Committee should extend current practice under the gas tax (where the legislature makes all decisions on rate increases) to a future RUC system. This finding will be re-written to reflect the Committee's direction.

Concern was raised over a finding that current gas tax refund policies should remain in place under a RUC system. It was agreed that the Committee should signal that this may no longer be appropriate under a RUC system, even if the practice is continued for a transitional period of time.

There was much discussion about the potential effective dates for a RUC system, and how a transition might take place. Jeff said this is the primary topic for the very last Steering Committee meeting on September 10, once all other data, policy analysis and Committee discussion has shaped the direction of a potential RUC for Washington. The Committee continued to discuss whether and how a transition from the current gas tax to RUC might happen; many pointed out that starting with those vehicles that pay little or no gas tax currently may make sense. Concern was raised about how this will all be communicated with the public, since the basic messaging has been "one tax method will replace the other." The reality of the legal requirement to keep the gas tax in place for at least 10-25 years will affect how the system is explained to the public. Paying the gas tax and then receiving a credit for it against any RUC owed is a much more complicated message. A concern was expressed that the cost of collections for any replacement system must be analyzed and reported. Jeff replied that this would be done in the context of the business case evaluation, which won't happen until WSTC settles on its recommendation to the legislature on what a RUC system might look like.

The Committee asked that some of the findings be re-written to avoid double-negatives. Jeff said he would work over the lunch hour on revised findings and report back to the Steering Committee at the end of the day's meeting.

## PRELIMINARY TECHNICAL DATA FROM THE LIVE PILOT TEST

Roshini Durand of D'Artagnan presented preliminary data from the pilot related to drivers' mileage and RUC mock charges incurred during the live test.

### Discussion

How did the project team determine the MPG for the vehicles? Roshini said that for those who used plug-in devices, the precise MPG for that vehicle is calculated. For other mileage methods, the combined city/highway MPG rating assigned by EPA is used to calculate an implied MPG, which may slightly differ from actual on-road driving due to various factors. One Committee member reported that when he switched from one method that used the EPA rating to a plug-in device, his MPG actually increased. How common was this situation? Jeff said they would need drivers to proactively mention this in surveys or to the help desk to get an idea of how common.

In looking at the data, it was noted that even though rates were set to be revenue neutral on average, the pilot project actually collected more money in RUC by \$81. Roshini explained that this is likely because the vehicles participating in the pilot collectively had higher MPG than the par rate MPG assumed for the pilot test. A member noted that this means higher MPG vehicles are paying more than average or low vehicles; another member replied that this is the whole point of RUC, to ensure equal per-mile payments across all vehicle types. Finally, it was pointed out that because this average MPG was calculated back in 2014, it will need to be recalculated before a RUC goes forward, to update it for current fleet composition if the legislature's policy is to keep the rate at gross revenue neutrality.

## PRELIMINARY RESULTS OF INTEROPERABILITY TEST WITH OTHER STATES

Travis Dunn of D'Artagnan Consulting presented some preliminary results of the interoperability test with others states.

### Discussion

A question was asked about how tax proceeds would be handled in Washington, compared to Oregon. Travis reported that Washington and other states usually manage these situations through policy, and that Oregon's interpretation of their requirements is unique.

One issue not accounted for in the interoperability test was how to determine where gasoline was actually purchased, so that a RUC system wouldn't be giving credits to drivers for gas tax paid when they may not have even purchased the gasoline in Washington. It was noted that this issue remains unresolved (operationally).

## RUC EVASION TABLE TOP EXERCISE

Matthew Dorfman of D'Artagnan Consulting presented the results of the tabletop exercise conducted to identify possible ways to evade RUC payment.

### Discussion

Use of a picture to take picture?

*Fraud detection on images was turned down a lot. Would need to be turned up in a real system. Submission of multiple suspect photos could incite an audit*

## RUC EXEMPTIONS IN A FUTURE PROGRAM

Travis Dunn of D'Artagnan Consulting presented how RUC exemptions might be carried forward in a future program.

### Discussion

A question was asked why the need to talk about exempt vehicles, instead of exempt miles. Travis explained the rationale and that this all relates to how to carry forward gas tax exemption policies to RUC, wherever relevant.

One member noted that vehicles used off-road can currently buy tax free (dyed) fuel, and this might be hard to replicate for RUC.

*Question: by exempt, do you mean exempt or refund? Or just not subject?*

Yes, you could just not subject certain vehicles to the RUC. Statutes granting refunds are generally tied to the fuel tax, therefore no need to carry over into a RUC system.

*Question: is fuel sold on military bases exempt from taxation?*

No, that fuel is sold at retail and taxed.

## COMMUNICATING WA RUC PILOT RESULTS AND NEXT STEPS

Ara Swanson of EnviroIssues presented an update on current and future communications activities.

### Discussion

When you start going on these road shows, can we (SC) get a list of where you are going? We don't want to have anyone show up in our districts unannounced.

Yes.

## RECENT LEGISLATIVE ACTIVITIES AND PROVISIONS THAT MIGHT AFFECT RUC

Reema Griffith, Executive Director of the WSTC discussed Commission budget provisions of interest to the Committee. Mathew Dorfman discussed national interest in a pilot.

### Discussion

On the proviso and possible future research, a request was made to share the draft STSFA grant proposal (or at least the key aspects of it) at the next Steering Committee meeting.

It was requested that the STSFA grant proposal include exploration of impacts of RUC on rural communities, in addition to under-served communities.

Another idea was proposed: we may want to also weave in the importance of statewide deployment of broadband to ensure maximized connectivity to a RUC system that could use GPS as the mileage collector.

## SURVEY RESULTS FROM DOL SUBAGENTS ON THEIR WA RUC EXPERIENCE

Steve Morello of D'Artagnan presented the results from surveys of the private vehicle licensing offices that participated in the pilot.

## DOL IT SYSTEM CAPABILITIES AND NEEDS FOR SUPPORTING RUC

Matthew Dorfman of D'Artagnan presented several scenarios for how RUC might be deployed and the impacts on the Department of Licensing. This assessment was conducted with substantial input from Department of Licensing.

### Discussion

Could we also get information on OreGo's costs?

*Yes, it's worth trying if we can get support for this request from Washington State agencies.*

## EQUITY IMPLICATIONS OF RUC IN LIEU OF GAS TAX

Allegra Calder of BERK Consulting presented several definitions of equity in light of the most recent proviso along with some data on vehicle fuel efficiency, average age, and driver behavior.

### Discussion

The gas tax has been so easy to collect and invisible but of course it's becoming insufficient. Yet, it's complex to implement any discounts/exemptions based on income. Utilities have used voucher systems.

This group (Steering Committee) is affluent and not that diverse. We don't know how the RUC program will impact disadvantaged groups of whom we are not members. The new legislative proviso clearly calls us to consider how the system will impact these groups.

It's very hard to integrate income data into the DOL system for purposes of determining eligibility for low-income rate discounts. And of course, this state doesn't have an income tax so the Department of Revenue doesn't have good income data.

It just doesn't seem like this is an area (transportation taxation) that we should start combining with income status. Very concerned with cost of collection. Don't have a single pickup in my fleet that gets over 20 mpg.

Lots of governments provide discounts on utilities or property taxes for low income folks. But it really complicates 100 years of history of equity on the gas tax. So, I'm torn.

We should ask people—we can't assume we know how they respond to equity.

Another aspect of equity is What's the cost of the road you're running on? Should you pay the same amount for driving on \$1M/mile vs \$10M/mile?

We've had lifeline rates in the utilities and telecommunications world – flat fees and metered rates and then technology solved some of this We implemented discounts based on eligibility for other programs, food stamps, children getting subsidized lunch. But road damage is road damage and I understand that. How to be fair is a big challenge.

We do need to hear from people who are directly impacted and there should be a process to do this.

Needs to have a broader approach to how we consider these things, especially with new technology, cost of collection. How does transportation as a service factor into this?

## **OUTLINE OF STEERING COMMITTEE WA RUC PILOT PROJECT REPORT**

Jeff Doyle of D'Artagnan Consulting previewed the outline for the final report and the presented the revised language as discussed earlier in the meeting by the Committee. The Committee made some more changes. Jeff will implement these changes and share the final proposed language at the June 27 meeting.

## **ADJOURN**

Chair Tortorelli adjourned the meeting at 2:50.