



WASHINGTON ROAD USAGE CHARGE STEERING COMMITTEE MEETING

June 27, 2019 | Meeting Summary

ATTENDEES

Steering Committee Members

Chair Joe Tortorelli, WSTC Commissioner
Judy Clibborn
Rep. Jake Fey
Chris Herman, Washington Public Ports Association
Roy Jennings, WSTC
Sen. Curtis King
John Koster, Counties
Rep. Ed Orcutt
Meg McCann, Department of Licensing
Janet Ray, AAA

Sen. Rebecca Saldana
Hester Serebrin, WSTC
Ted Trepanier, INRIX
Doug Vaughn, WSDOT
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.

PUBLIC COMMENT PERIOD

Craig Kenworthy, Executive Director of the Puget Sound Clean Air Agency urged members to include externalities that do not get captured when we talk about vehicle type – gas versus electric and alternative gases – climate change and greenhouse gases. Need to account for costs associated with these vehicles as we also think about raising revenue. Water quality is the other thing – pursuing a clean fuel/low carbon fuel standard this year for adoption later this year. We believe electric vehicle adoption is likely to accelerate under this standard. Our hydro power and other clean sources will create an incentive for electric vehicles.

RECAP OF DIRECTION PROVIDED BY STEERING COMMITTEE

Jeff Doyle of D'Artagnan Consulting summarized issues addressed to date. He also highlighted what will be shared in September – Transition Strategy, review and discussion of findings, discussion of technical or operational requirements, and review of draft report.

DRIVER REACTION TO THE WA RUC SYSTEM: RESULTS OF SURVEYS

Allegra Calder and Sherrie Hsu presented the results of Survey 3 with some comparisons to the earlier surveys and a discussion of the open-ended comments.

Discussion

Impressed with high response rate.

Will the report show demographic splits on the questions?

Yes, by vehicle type and reporting method. Responses by region and location (urban/rural/suburban) did not show any meaningful difference. We did not ask age, income, ethnicity for the surveys (we asked that information only for recruiting purposes).

The fact that there's not much disparity by location is surprising.

Yes, but recall there are a lot of "rural" participants in the Western half of the state.

UPDATE: FINAL DRIVING DATA FROM WA RUC LIVE TEST DRIVE

Roshini Durand of D'Artagnan presented on the final driving data showing the results by geographic region.

IMPACT OF RUC ON ELECTRIC VEHICLE OWNERSHIP

Jeff Doyle, D'Artagnan Consulting presented. The questions for the Steering Committee are: Does RUC represent a significant barrier to consumer adoption of PEVs in Washington? If so, what can be done? Would mitigation measure constitute acceptable public policy trade-offs?

Discussion

Are PEVs zero emission vehicles?

For ZEV states, plug in electric vehicles are zero emission vehicles and so are hydrogen electric vehicles.

When we look at trends we tend to use straight lines because it's safe and easy, but it seems highly likely that in 2050 you won't be able to buy a car that isn't electric. We are two battery cycles away. We need to consider that in our thinking.

We have charts later that show the cross over point where EVs become the same or less in terms of price.

Toyota said it won't make anything but EVs by 2040.

What do you think the impact will be when EVs have to pay their fair share? Is there a hiccup when they have to pay the 2.4 cents/mile.

We will walk through an exercise that looks at that.

I'm seeing a lot of electric automobiles coming out but not a lot of four-wheel drive vehicles and if you look around there are a lot of trucks and SUVs. People want more than sedans. I haven't explored an EV myself because I'm not hearing about all wheel drive. How will this affect sales?

We have a slide on this. 70% of all automotive sales are SUV, cross overs, and trucks so right now the availability of choice is a big issue.

Do we know that people do what they say they will do? Do they actually purchase an EV when they realize there is charging infrastructure?

We can't prove causation.

Are WA and DC non-ZEV states?

Yes.

If there was no requirement to provide more types of vehicles, what would happen? The fact that these states require it affects the ability of other states to get them. There is limited production capacity so the manufacturers go where the demand is. Would they go to other states or not make as many models if these requirements were not in place?

I don't know the answer to that. Maryland has all the models and a low adoption rate, but I can't say with certainty what would happen.

\$100 of that \$150 is in lieu of gas tax, the other \$50 is for the charging infrastructure so that shouldn't be included in the RUC calculations –we should only be considering the \$100.

To that point, some of those other states might be doing a similar thing – it would be helpful to look at the split in other states.

We'll look at that.

WA RUC COMMUNICATIONS UPDATE

Ara Swanson of EnviroIssues presented an update on current and future communications activities and shared a video highlighting participant experience that will be released in July.

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.

Reema noted that there continue to be many requests for briefings from groups that want to know what happened with the pilot and what did we learn.

SURFACE TRANSPORTATION SYSTEM FUNDING ALTERNATIVES GRANT

Anthony Buckley of WSDOT discussed a possible national trial. Mileage Based User Fee Alliance (MBUFA) is still working with Congress to communicate what the states would like to see in a trial. MBUFA has emphasized that the federal government should leverage the work of the states that have undertaken pilots. Congress has been contemplating a 50,000 person trial that would be run by an insurance company. Hoping to use remaining money that was appropriated under the FAST Act.

Discussion

Why insurance companies?

Hoping to leverage the technology they have already developed to track driving behavior.

Is this only aimed at the federal tax?

Yes, only for the federal gas tax.

Reema Griffith, Executive Director of the WSTC discussed the Proviso from the State Budget. It was discussed last time, but clarification was needed. FHWA has not yet issued its notice of funding announcement and it's expected any day. The proviso directs the Commission "to include recommendations for necessary next steps to consider impacts to communities of color, low-income households, 38 vulnerable populations, and displaced communities." This will be included in the federal grant proposal and then we could do some deeper work.

Forward Drive is the proposal and includes: New Mobility and RUC; Equity analysis; Updated mileage reporting methods; detailed phase-in plan.

Discussion

Wasn't the original federal allocation \$97 million?

It was \$95 million over 5 years, there is \$40 M remaining – 2 years of \$20 M.

Our pilot hasn't examined how rural and urban poor would be affected so there might be a way to test this. It's not only income, but how people do their financial transactions to understand if this will work for everyone. Reporting and payment methods should also be explored. I've seen people buy \$5 of gas because that is all they can afford.

The proviso language was around the fact that as the rail infrastructure has come people are moving further out and some people are driving more. The answer may be that it's about the way the current gas tax impacts communities. We want some analysis of this. It might be that the RUC would be better for some households. We may also want to think about workforces, for example, janitorial work force could test something out.

There was a slide that showed income of participants, is there a way to look at the pilot results by income?

We collected income during recruitment but not in the survey, so we'd have to match up by common identifiers.

Could we follow up with those that we know are low-income and see what their thoughts on the RUC were.

INSTITUTIONAL ROLES IN IMPLEMENTING A FUTURE RUC SYSTEM

Paula Hammond of WSP and Travis Dunn of D'Artagnan presented several scenarios related to the state agencies that would be involved in a future RUC system.

Discussion

What is meant by calculation of the RUC – one time or ongoing?

This is about the invoice, not the per mile rate. Rate setting was not included as a function since it's a legislative function.

You mentioned the transition period, what did you expect for transitions?

Tried to look at it from an in-state perspective, internal coordination among agencies would be ongoing. The design for a RUC program is going to have a lot of involvement from all the agencies and the Commission having led this since 2011 has a lot of knowledge. The legislature has a lot of policy issues to resolve as this gets set up – solidify roles of agencies and determine reporting and accountability.

In any of the scenarios was there any research done on collection cost?

We will come back in September with an updated business case with updated cost estimates (and revenues).

USE OF PRIVATE SECTOR ACCOUNT MANAGERS IN A FUTURE RUC SYSTEM

Jim Whitty of D'Artagnan presented on the use of private sector account managers.

Discussion

If you start with a single entrant does that give them enough of a competitive advantage that someone would find it difficult to enter later?

A single provider creates the system, but an entrant must abide by already established rules. It would help as they would have worked through bugs in the system and created marketing materials, but as the market grows they would have to ramp up and others would enter the market as well. You could start with two as Oregon did but it's more complex to manage. It's probably a question of when you add the second one.

We've talked about this being phased in. so if it's phased in with limited participants that might argue for not having multiple providers since you are trying to test things and more providers would complicate things.

You pointed to the hole in the paper – we have the beginning and the final end state but it's the middle where there are unlimited possibilities. Does it have the flexibility to evolve itself to the final end state.

Do you know how Utah is doing it?

Utah's objective (stated by DOT) is for an open market but they are starting with a single provider. Recruiting one service provider with open standards. A single contract that will last for 5 years. The procurement will change depending on number of people in the program.

We are having difficulties with private provider transitioning our tolling to new vendors because there aren't that many vendors in the marketplace. But the State doesn't have a great track record of IT implementation – is there a third way to do this?

OreGO is operating adequately and other pilots have been successful so it could be that RUC reporting is less complicated than tolling.

If we think about a transition with a small share of the fleet we could try some things and there might be a way to mitigate the risks and learn from Oregon. There could be some steps taken to learn from tolling and Oregon.

DOL has had success with modernization efforts – example of Drive on time and on budget. Regardless of the number of cars at launch, we have to build the system and the technology will change quickly. Fewer cars won't change the cost of the build.

The system design could influence this - maybe it would start as only with odometer reading. It's how you are going to collect those miles, not just number of cars, and then what levers is the legislature going to

use. There are multiple dimensions which is more complex than many other state projects. The technology complexity is a reason maybe you think about having the private sector develop the technology.

Some of this will depend on how we do this. If DOL does this then you are at 6 million vehicles. If we go through two private sector companies collected the information and reporting to DOL then DOL is getting data from two sources not 6 million.

When we talked about this several meetings ago, we talked about benefits to the scale of operation, we had discussed what neighboring states are doing to make it a larger, more attractive market to vendors.

Getting back to national and multi-state discussions, all states are looking to leverage the work of each other so that everyone can learn. How the state sets up contracts with vendors really matters and we've learned that on tolling – the State needs the expertise to protect our interests as well.

SCENARIOS TO BE MODELED FOR RUC TRANSITION OPTIONS

Travis and Jeff walked through proposed scenarios.

Discussion

The additional EV charges – the \$50, and the \$75 were not analogous to the gas tax so we should only deal with the \$100 as the in lieu of gas tax.

I will change scenario 1b to cap at \$100 and then in 2025 we need to account for the fact that all revenue will then go to motor vehicle fund.

If there is a hope that we might do something in the next six years, this might not be the category of vehicles to do this with. EVs could feel like they are being singled out again.

One possibility to consider is that it could be a voluntary system in lieu of the fee. The challenge there is that if it's voluntary we don't have a good way to project who will opt in.

Bifurcating the dollars, if it was voluntary and I had to pay \$225 and had the option to do a per mile charge and I don't drive that much, I might go with the lowest price with no concern for how the money is split between the State's accounts.

I wouldn't mind modeling at \$225 but I also want to see it at \$100 because I do know the differences between the accounts and what they are paying for. We want to be fair to EV and all drivers.

This would give the opportunity for the State to explain what the money is going for in terms of building out the EV charging infrastructure.

I agree. My only thought is that I would just pay the \$100 rather than a RUC.

Sure, but some people will decide the RUC is a better deal if they don't drive that much.

What if we did all new car purchases?

Scenario 3 is a future model year and assume that RUC applies starting that year for new vehicles.

Sure, but I wouldn't include the EV and hybrids.

Is that a new registration or someone moving?

It's new vehicles.

If you go with gas powered cars you have to deal with the refunds.

You could do credits.

But it's supposed to be revenue neutral. This is probably too detailed and there are a lot of options.

We undertook this study to replace the gas tax that we know is declining and the current method is really easy. Have we considered the cost of collection and do we need to add to the rate to account for this?

If you had all vehicles switch suddenly and you wanted the net revenue to be neutral you would have to use a higher rate, but if you are just trying to make up for lost revenue then anything you collect is better than the current situation.

We are going to model the scenario that Rep Fey suggested with a future model year.

On the average 20.5 mpg, was that all gas tax revenues divided by all state miles.

Yes.

When we say revenue neutral what do we mean because we are seeing less revenue from the gas tax. In terms of what we need to maintain our current assets we are already \$1 billion short. What are we looking for with this source? What year are we basing revenue neutral to?

That's a policy decision for the legislature – how do you want to set the revenue target? What you need? What you thought you were going to get? We can run different scenarios.

When we presented results 3 years ago we compared 30 years of RUC versus gas tax on all vehicles. The question to ask might be relative to base case (gas tax) how much additional revenue would you derive with these scenarios at the stated rate (never more than 2.4 c/mile).

The 2.4 cents is based on history and it's not enough so what should the number be? We are not generating enough revenue.

The thinking was to stop further erosion. Goal was to be revenue neutral at one point in time and then it would stay steady. The thinking was that those with lower fuel economy would be coming down while high efficiency would be coming up. Some of the people that complained about the \$100 were comparing to 40 mpg vehicles not the 22 mpg vehicles.

If they have to start paying per mile it might change their purchase decisions.

It's important that we look at the 2.4 cents for consistency. The other piece is that anything that clarifies the gap. The big chunk is paying for the gasoline. We will have more money to invest in infrastructure. Oil companies are not investing in the local communities. I think there are ways to message this.

To the point about increasing the amount for EVs from \$100 to a RUC where maybe they pay \$150. It might just change the payback period, and not the benefit. I've been irked with some of the reporting by our newspapers saying the incentive is being taken away because the incentive of not buying gas doesn't go away, it's only the tax portion. We need the facts to be reported.

UPDATED OUTLINE OF STEERING COMMITTEE WA RUC PILOT PROJECT REPORT

Jeff Doyle of D'Artagnan Consulting previewed the outline for the final report and noted that an early draft will be sent to the Committee before the September 10 meeting.

ADJOURN

Chair Tortorelli adjourned the meeting at 2:50.