

Washington State Road Usage Charge Assessment

*Joint Meeting of the Washington &
California Transportation Commissions*

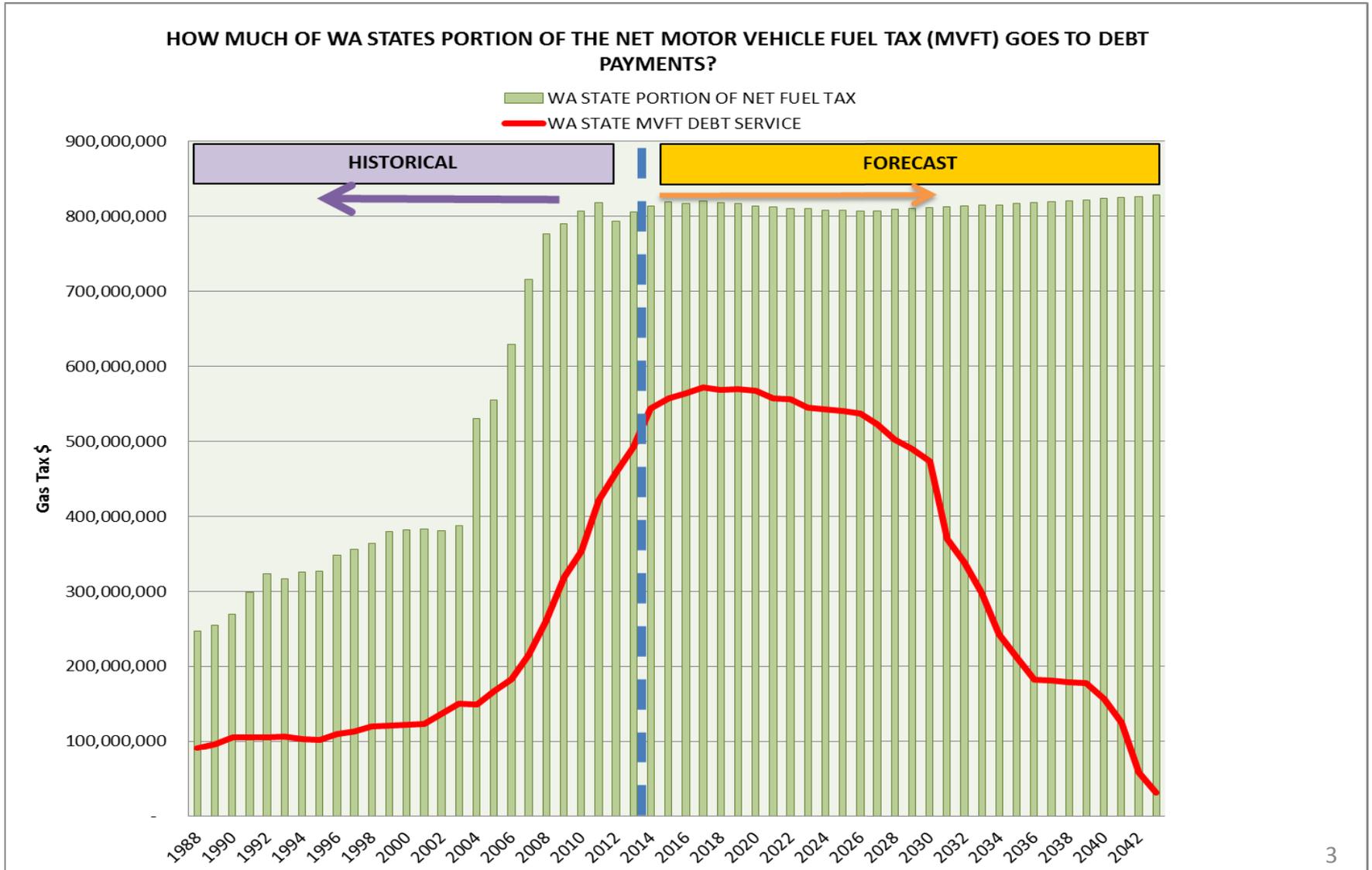
Reema Griffith
Executive Director
Washington State Transportation Commission



August 19, 2014

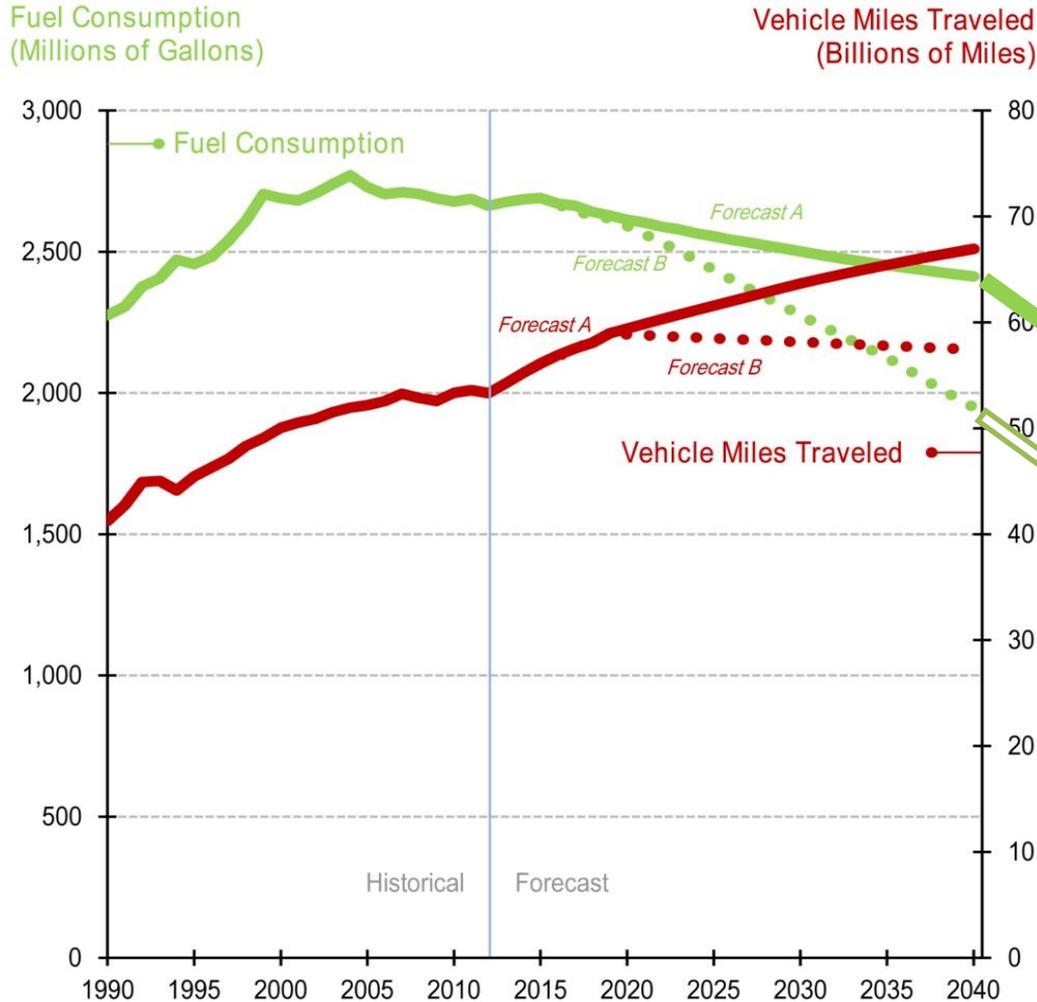
**THE LONG-TERM FUNDING
CHALLENGE IN
WASHINGTON STATE**

Over the next 13 years, approximately 70% of Washington State's current net portion of fuel tax revenue is obligated to pay for the long-term debt associated with financing past transportation projects.



The pace of fuel economy improvements will determine the level of risk associated with doing nothing

It's not a matter of "if" – it's a matter of "when" will we need to make a change



Fuel Economy Assumptions

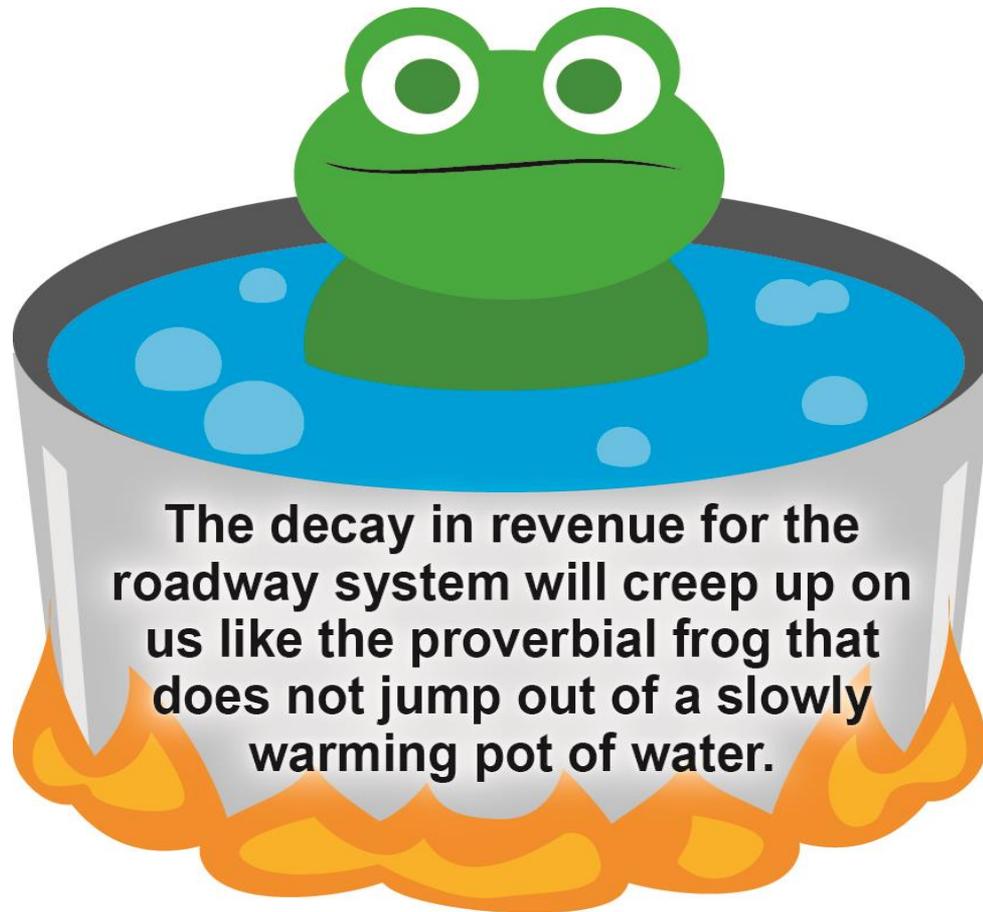
Scenario	2040 Average mpg
2013	19.5
2040 Implied state forecast (A)	27.7
2040 Alternative forecast (B)	34.3

Note:

Implied state forecast = the state forecast of VMT/state forecast of fuel consumption.
The state did not independently forecast mpg.

Alternate forecast based on the US Energy Information Agency and Global Insight forecasts.

**FORESIGHT AND LEADERSHIP IS A MUST WHEN
THE WATER IS NOT BOILING!**



**WASHINGTON MOVES FORWARD IN A
SEQUENTIAL MANNER**

The Sequence, So Far....

2012 Legislature directs:

- Transportation Commission to **assess the feasibility** of transitioning from the fuel tax to a road usage charge – informed by a stakeholder steering committee.



OUTCOME: Road usage charging is feasible; identified a laundry list of policy and fiscal issues to be resolved.

2013 Legislature directs:

- Transportation Commission to **evaluate the business case** for road usage charging – with ongoing guidance from the steering committee.



OUTCOME: The business case for road usage charging was made; a policy framework was developed.

2014 Legislature directs:

- Transportation Commission to **develop a work plan** that: refines & advances the policy analysis; develops a concept of operations; and conducts a financial analysis of the concept of operations. Steering committee continues in its role. Report due January 2015.
- **Washington DOT to work with other western region states** on interstate travel/ interoperability.
- **State Treasurer to assess implications** of replacing or modifying the gas tax .

Why the Transportation Commission?

The Transportation Commission is a seven member body appointed by the Governor and members come from all over the state – four from areas west of the Cascade Mountains (urban/Puget Sound), and three from areas on the east side (rural).

Key Responsibilities:

- Serves an independent and objective role in transportation statewide.
- Advises the Governor & Legislature on transportation policy and fiscal matters.
- Serves as the State Tolling Authority for all tolled facilities – sets toll rates and policies.
- Sets the fares and policies for the Washington State Ferry system.
- Authors the state's 20-year transportation plan.
- Leads statewide public involvement and outreach efforts & conducts regular online surveys of Washington residents.
- Conducts special studies as directed by the Legislature on topics that tend to be controversial and/or complex.

The Challenge of Change

The path of a paradigm shift is long, tedious, challenging, and wrought with misinformation, confusion and fear.

The way to attenuate this is through ongoing education & communication.

Key Political Issues:

- Fairness/ equity
- Privacy
- Choice
- Security
- Cost-effectiveness
- Sustainability
- Interoperability with other states



Education & Communication Approach

- Established a 24-member steering committee comprised of stakeholders representing a variety of interests (ongoing).
- Phased communications approach – talk about what we know:
 - **Phase 1 (current)**: steering committee members represent a cross-cut of major interests and carries the message to their constituencies; “reactive” press interaction.
 - **Phase 2 (in near future)**: conduct statewide survey on urban/rural equity and financial issues; build knowledge with media.
 - **Phase 3 (in future when we have a pilot/transition plan identified)**: focus groups; public meetings, more detailed survey data gathering; active media engagement.
- Focused & detailed one-on-one briefings with legislators (ongoing).

Learning by Planning VS Learning by Doing

There is no “right” way to launch a road usage charge system. Every state has its own dynamics and approaches to assessing change and the need for it.

What’s the difference between “planning” VS “doing” ?

- **Learning by planning is deliberative and methodical** - principally concerned with managing risks and making the case.
- **Learning by doing is acting and responding** - principally concerned with innovation and proof of concept, with each success carried over into the next iteration, and the failures discarded.

The ideal situation is a balance between “planning” and “doing” so study and real experience come together to inform long-term decision making.

The Washington Approach: Learning by Planning – “Doing” Comes Later

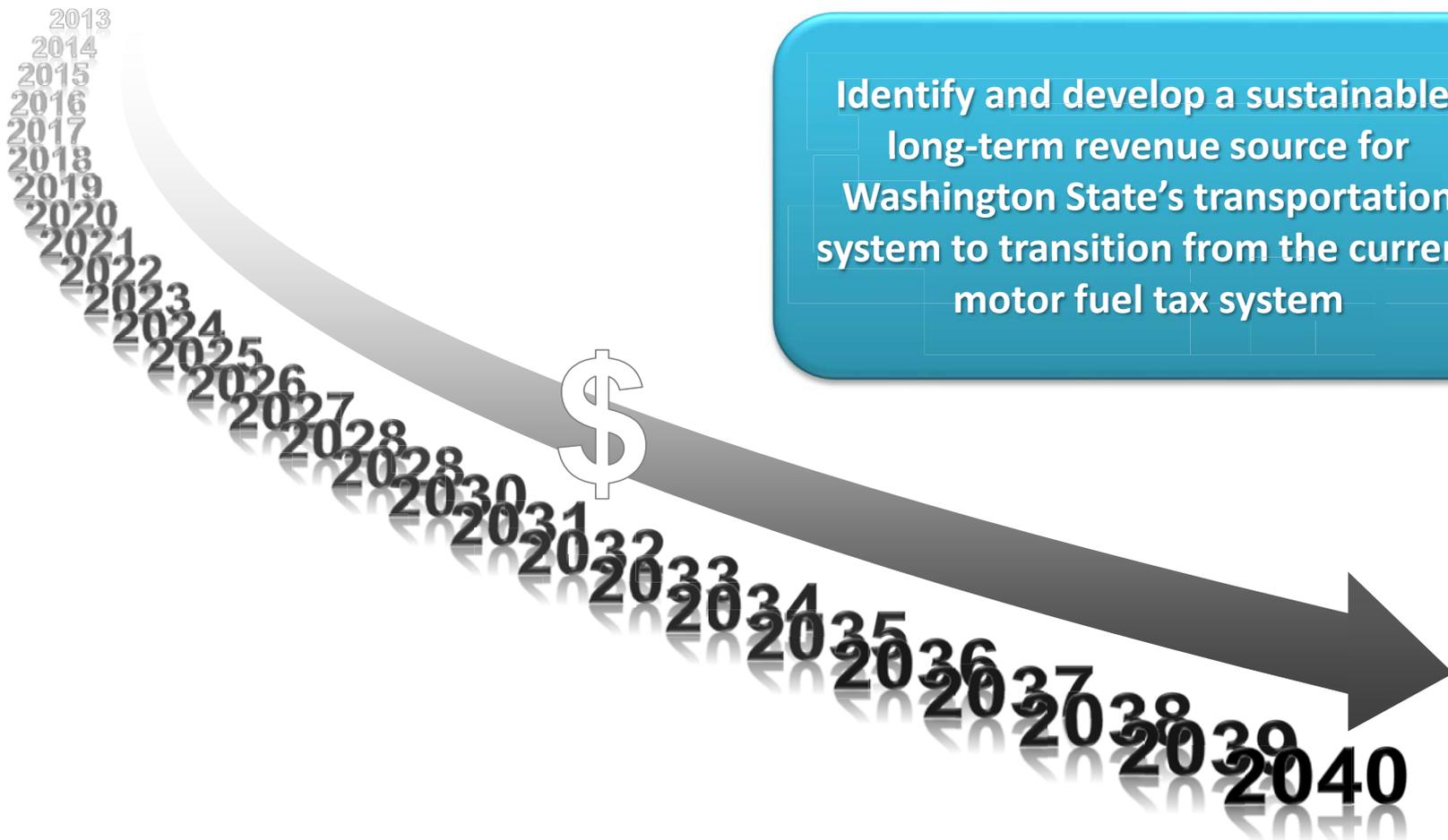
What we have learned from our approach:

- Following a sequential/methodical process in which the first step is building a foundation of knowledge with decision makers and influential stakeholders, allows for smooth progression informed by data & facts.
- Determining “what” we want before we test or transition, allows us to set the policy parameters by which the system will function and operate.
 - *Working out reasonable, functional solutions makes it easier to discuss specifics with the public*
- Assessing the risks, costs, and net revenues as we continually refine “what” the system will be and how it will function, allows for informed decision making at critical stages – thus opportunities to stop it or accelerate it.
- The investment made to date is not a loss – regardless of the outcome.

OUR EVALUATION SO FAR

Overarching Goal of Road Usage Charge (RUC) Assessment

Identify and develop a sustainable, long-term revenue source for Washington State's transportation system to transition from the current motor fuel tax system



Achieving the Goal

To achieve the overarching goal, guiding principles must be developed to address the topics below *(not in priority order)*:

- | | | |
|---|--|--|
| <ul style="list-style-type: none">• Privacy• Transparency• Cost-effectiveness• Complementary policy objectives | <ul style="list-style-type: none">• Equity• Simplicity• Accountability• Enforcement• Data Security | <ul style="list-style-type: none">• User Options• System Flexibility• Interoperability and Cooperation• Phasing |
|---|--|--|

Other important factors to be addressed:

- Whether it is important to distinguish between travel on Washington public roads and other roads (e.g., outside the State)
- Whether people from outside Washington should pay

Operational Concepts Assessed

We winnowed 8 operational concepts to three to determine the range of possibilities of “what could be”

- **A. Time Permit:** a flat fee to drive an unlimited number of miles for a given period of time (month or year).
- **B. Odometer Charge:** A per-mile charge measured by odometer readings.
- **C. Automated Distance Charge:** A per-mile charge measured by in-vehicle technology that can distinguish between in-state and out-of-state travel with periodic billing.

In consideration of user choice, combinations of these options were also considered.



Business Case Analysis

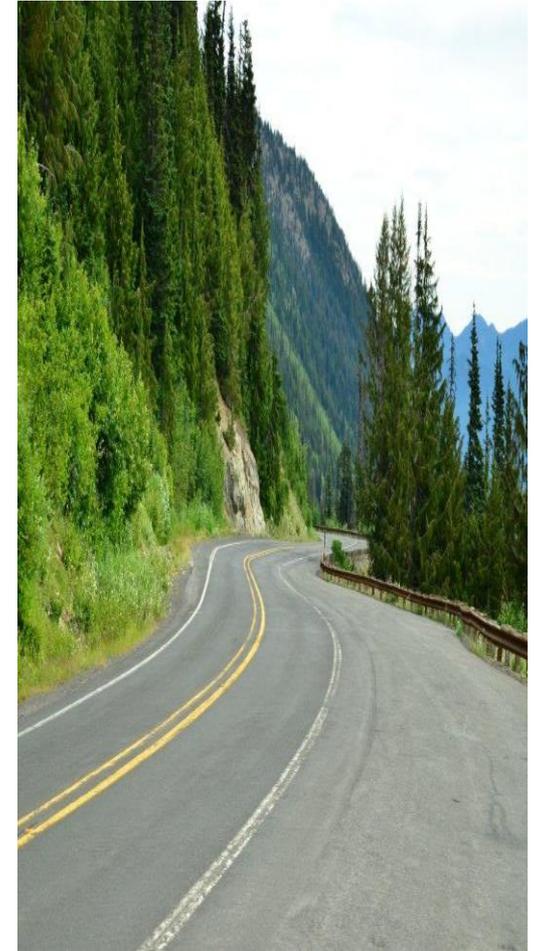
- We looked at financial and non-financial considerations
 - We looked at **both net fuel tax and net road usage charges** over 25 years – doing so gave us a complete picture of the funding & financing potential.
- For purposes of the analysis, four key assumptions made:
 1. Road usage charges would replace the fuel tax in 2015, with no transition.
 2. Used a revenue neutral rate equal to expected gross fuel tax revenue in 2015 (1.8 cents per mile).
 3. Road usage charges would apply to all vehicles that do not use diesel fuel.
 4. Assumed government operation.
- Developed a financial model of costs and revenues.

Note: When considering non-financial criteria, each operational concept had pluses and minuses, but when used together, offered user choice and provided synergy that was not present with any single option.

KEY FINDINGS TO DATE

What Have We Learned So Far?

- It will cost the state more to collect a road usage charge than the fuel tax, but will have greater and more stable net revenue over time.
- Fuel tax increases can raise more net revenue in the short-term than the road usage charges we evaluated, but over the long-term, the fuel tax will continue to erode in value thus requiring frequent increases by the legislature – a politically daunting task.
- Providing drivers with choices as to how they pay a road usage charge will help improve public acceptance and mitigate privacy concerns.



What Have We Learned So Far? (continued)



- A road usage charge ensures everyone pays their fair share for using the roads, regardless of their vehicle's fuel source or fuel efficiency.
- Having a consistent and clear message to the public and media is critical to managing the conversation and keeping it focused on the facts, the needs, and the cost of doing nothing.
- Having an objective and independent body lead the research and assessment provides politicians with a buffer and allows for a fact based, pragmatic discussion with the public that is not tied to politics.

THE NEXT STAGE OF WORK UNDERWAY

Design a Detailed Concept of Operations

- Over the last two years, we evaluated many operational concepts.
 - Helped us refine how the system should operate and gave us a baseline to determine cost estimates and gain buy-in from decision makers on the general policy issues.
- The concept of operations (ConOps) will combine all three of the operational concepts outlined earlier.
- The ConOps will:
 - Document the operational mechanics from a user's perspective.
 - Is a formal systems engineering document.
- Guide system specification/procurement of a demonstration system or pilot/market test.
- Is modifiable as the process advances.



Phasing in Road-Usage Charging

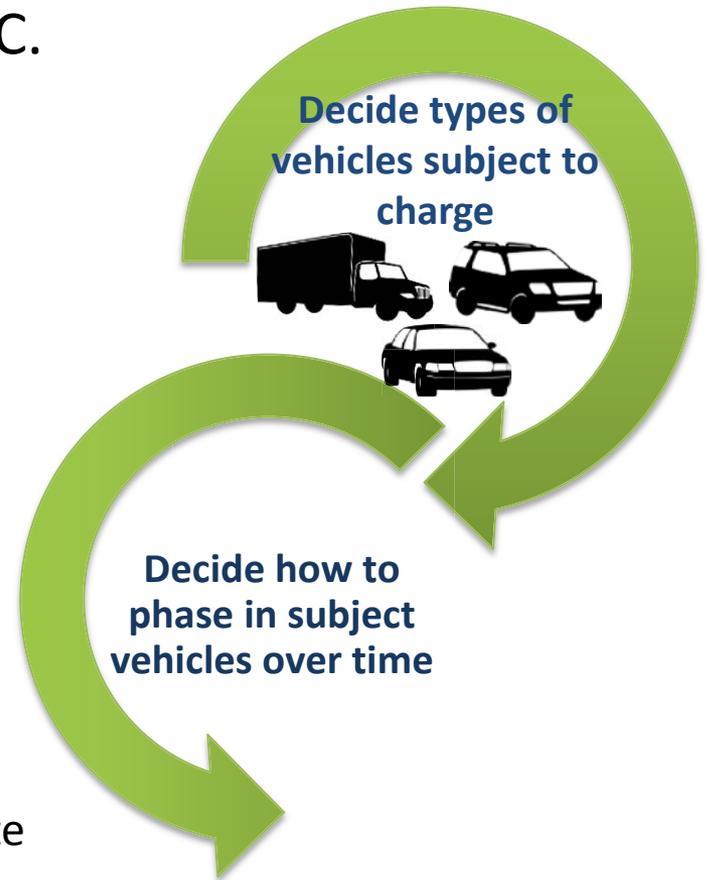
Legislative direction was given to look at phasing options for transitioning to a RUC.

When evaluating the transition, we will consider:

- Net revenue
- Mechanics
- Politics/ acceptability

Potential complications exist with totally eliminating the gas tax due to long-term debt obligations.

- Also problematic if want to charge out-of-state drivers using Washington roads.



Transition Options & Applications

The following RUC scenarios will be assessed:

- Charge only vehicles with greater than “average” fuel economy
(in 2014 this is about 22 mpg)
- Charge all vehicles under 10,000 pounds gross vehicle weight
(all passenger cars and light trucks)

The following transition scenarios to a RUC will be assessed:

- Subject vehicles change over to RUC at annual registration: all vehicles transition within one year.
- Subject vehicles change over to RUC when transfer vehicle title: most vehicles will transition within 10-15 years.

What about the gas tax?

We will assess two approaches:

- 1) removes the gas tax at the end of the transition period.
- 2) retains the gas tax for those not on the RUC system.

Urban/Rural Equity Analysis

We frequently hear concerns regarding the impact a RUC system would have on rural residents who have to travel long distances for basic services.

The Legislature directed the Commission to do an evaluation of this potential impact.

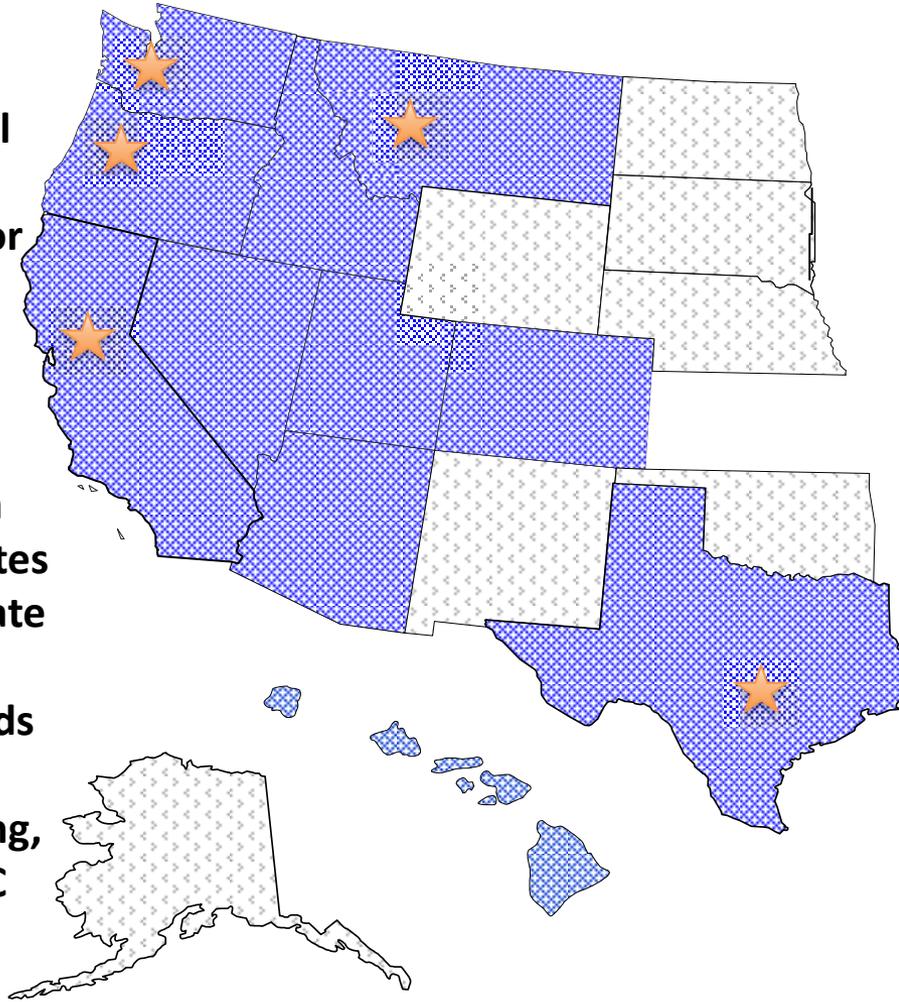
The Commission's statewide online survey program, Voice of Washington State, will be utilized to gather vehicle type, MPG, VMT, and travel pattern data by household.

- Will provide data by urban, suburban, and rural categories and by zip code.

Inter-jurisdictional Travel

Inter-jurisdictional travel is a complicating factor for RUC.

Washington is collaborating with other western states in tackling interstate travel – will determine methods for reporting, collecting, crediting, and remitting RUC charges.



MEMBER STATES



- 08/05/13 – Oregon (lead state)
- 08/05/13 – Washington
- 10/02/13 – Texas
- 11/01/13 – Nevada
- 11/06/13 – California
- 12/13/13 – Utah
- 02/03/14 – Colorado
- 02/12/14 – Arizona
- 03/03/14 – Hawaii
- 03/25/14 – Montana
- 07/01/14 – Idaho

STUDY Participants



ELIGIBLE STATES



- Alaska
- Nebraska
- New Mexico
- Oklahoma
- North Dakota
- South Dakota
- Wyoming

THANK YOU

CONTACT INFORMATION

Reema Griffith, Executive Director
Washington State Transportation Commission
griffir@wstc.wa.gov
360-705-7070