WASHINGTON STATE
ROAD USAGE CHARGE

House Transportation Committee
January 14, 2016
Agenda

• Presentation of 2015 Revised Business Case Analysis
• FAST Act Federal Transportation Reauthorization Update
• Roadmap: a Pathway to RUC in Washington
• Steering Committee’s Proposed 2016 Work Plan
• Discussion of Transportation Commission Recommendations to Legislature
25–member Steering Committee appointed by the Transportation Commission, includes:

- Cities, counties, transit, ports
- Environmental, auto manufacturers, trucking, business and consumer groups
- Transportation technology firms
- State agencies (Transportation Commission, WSDOT, DOL, State Treasurer)
- State legislators
2012: RUC in Washington is found to be a feasible alternative to the gas tax.

2013: Policy framework and business case evaluation is completed. RUC system would generate significantly more revenue for the state – even after deducting the cost of collections – than would be generated by the current motor fuel tax, over the longer-term.

2014: Concept of Operations document was developed that details how a RUC system would work. Legal, technical, operational and policy issues were identified.

2015: Continued evaluation of RUC and monitoring developments in other states and at federal level.
We have focused on four potential operational concepts to assess a road usage charge:

- **Time Permit:** A flat fee to drive an unlimited number of miles for a given period of time (month or year).

- **Odometer Charge:** A per-mile charge measured by periodic odometer readings.

- **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.

- **Smart Phone Application:** A smartphone application would be used for total mileage collection.
Revised Business Case Analysis Topics

• RUC cost of collection
• Three fuel economy scenarios
  • Stuck In Traffic
  • CAFE Detroit
  • Shift Happens
• Three policy alternatives
  • Flat fuel tax
  • Indexed fuel tax
  • Transition to RUC
Cost of Collection Summary

- **State-Run RUC**: 16-18% of revenue
- **RUC with Commercial Partners**: 8-10% of revenue
- **Fuel Tax**: 4-6% of revenue

**Take-away:** RUC is costlier to collect than fuel taxes, but costs decline with increasing scale.
Light Vehicle Fleet MPG Scenarios

- Historical
- Stuck In Traffic
- CAFE Detroit
- Shift Happens
Light Vehicle Fuel Tax
Scenarios at 49.4 cents/gallon

Fuel Tax Revenue in Cents/Mile

1990 2000 2010 2020 2030 2040

Historical

Shift Happens

- CAFE Detroit
- Stuck In Traffic

Take-away: Fuel economy improvements threatens fuel tax revenue sustainability under all scenarios considered
Policy Alternatives

• Fuel tax flat at 49.4 cents/gallon
• Index fuel tax at 2.5% increase per year
  • 57 cents per gallon by 2025
  • 83 cents per gallon by 2040
• Transition to RUC at 2.5 cents per mile
  • Begins in 2019
  • Vehicles MY2018 and older continue to pay flat 49.4 cents per gallon fuel tax
Shift Happens

Historical
Flat Fuel Tax
Index Fuel Tax
Washington RUCs

$0.030
$0.020
$0.010
$0.000

1990 2000 2010 2020 2030 2040
Comparison of Impact of Policies by Vehicle Type

Assumes 10,000 miles driven

- Tesla Model S: 49.4 cent fuel tax
- 2010 Ford Focus: 57 cent fuel tax (2025)
- 2010 Ford Fusion: 83 cent fuel tax (2040)
- 2007 Ford F-150: RUC @ 2.5 cents/mile
- 2016 Toyota Prius c: 83 cent fuel tax (2040)

Take-away: Increasing the fuel tax is more cost effective than RUC to collect, but exacerbates the fairness issue.
# Summary of Results

<table>
<thead>
<tr>
<th>Alternative</th>
<th>Goal: Long Term Revenue Sustainability vs. MPG</th>
<th>Guiding Principle: Fairness</th>
<th>Guiding Principle: Cost Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat Fuel Tax</td>
<td>![Table entries]</td>
<td>![Table entries]</td>
<td>![Table entries]</td>
</tr>
<tr>
<td>Index Fuel Tax</td>
<td>![Table entries]</td>
<td>![Table entries]</td>
<td>![Table entries]</td>
</tr>
<tr>
<td>Washington RUCs</td>
<td>![Table entries]</td>
<td>![Table entries]</td>
<td>![Table entries] short → medium → long</td>
</tr>
</tbody>
</table>
FAST Act: Federal Transportation Reauthorization

• December 1: Agreement reached
• December 3: House passes bill
• December 4: Senate passes bill
• December 4: President signs bill

Key issues:
• 5-year bill provides $305 billion in federal transportation funding
• $95 million for user-based transportation funding demonstrations for states
# FAST Act Grant Funding for RUC Pilots

<table>
<thead>
<tr>
<th>Provision</th>
<th>Contents</th>
</tr>
</thead>
</table>
| Multi-year funding         | FY 2016: $15 million  
                           | FY 2017-21: $20 million per year                                        |
| Match funding              | 50% state match                                                         |
| Grant purpose              | Demonstration activities                                                 |
| Reporting structure        | Grant Recipient → Secretary of USDOT → Public Report Online             |
| Toll Relation              | Revenues from demonstrations are not defined as tolls for federal purposes |
Why explore a Road Usage Charge?  
- Diminishing returns from motor fuel tax 
- Growing tax discrepancies based on vehicle type, instead of actual roadway use 
- Sustainable revenue needed to bolster or replace existing transportation fund sources

Initial exploration to RUC system implementation:  
- Research Milestones 
- Completed Milestones 
- Governor/Steering Committee Review

2011  
Connecting Washington Taskforce

2012  
Examine the basis for RUC  
- Vehicle efficiency 
- Potential RUC revenue 
- Equity/fairness 
- Feasibility

2013  
Feasibility Assessment  
(Jan 2013)

2014  
Consider alternative RUC approaches  
- Flat annual fee 
- Annual mileage fee 
- Flat per mile charge 
- Variable per mile charge

2014  
Business Case Evaluation  
(Jan 2014)

2014  
Develop Concepts 

2014-2015  
Develop a Concept of Operations Document & Comparative Business Model  
- Collection approaches 
- Cost to collect/operate 
- Potential revenues

2015  
Identify Issues for each Concept  
- Legal 
- Technical 
- Operational 
- Policy

2015  
Assessment Report  
(Jan 2015)

2015-2016  
Design Demonstration Project  
- Purpose 
- Test parameters/goals 
- Collection methods 
- Scale to budget/grant 
- Evaluation criteria 
- Metrics for success 
- Administration

2016  
DOL Vehicle System Modernization Complete*

2016  
DOL Driver System Modernization Complete

2017  
Conduct a Demonstration*  
- Implement strategic communications plan

2017  
Independent Evaluation of Demonstration Results

2018  
Beta Test Live System  
- Limited deployment 
- Part of transition strategy

2019+  
RUC System Implementation

The following related efforts are being monitored:  
- California RUC demonstration 
- Colorado RUC pilot 
- Oregon RUC program 
- PSPC Transportation Futures Task Force 
- Wisconsin mileage-based registration fees 
- Western RUC Consortium

* RUC demonstration project could occur before the DOL modernization project is complete.
RUC Roadmap in Washington

• RUC Exploration
• RUC Investigation
• RUC Design

Present (2015 – 2016)
• Demo Preparation
  1. Prioritize unresolved issues
  2. Develop evaluation criteria
  3. Develop strategic communications plan
  4. Final design of demonstration test

Future (2017+)
• Live Demonstration
• Evaluation
• Revisions
• Pre-implementation
• Implementation
RUC Roadmap in Washington

- RUC Exploration
- RUC Investigation
- RUC Design

Present (2015 – 2016)
- Demo Preparation
  1. Prioritize unresolved issues
  2. Develop evaluation criteria
  3. Develop strategic communications plan
  4. Final design of demonstration test

Future (2017+)
- Live Demonstration
- Evaluation
- Revisions
- Pre-implementation
- Implementation
RUC Roadmap in Washington

• RUC Exploration
• RUC Investigation
• RUC Design

Present (2015 – 2016)
• Demo Preparation
  1. Prioritize unresolved issues
  2. Develop evaluation criteria
  3. Develop strategic communications plan
  4. Final design of demonstration test

Future (2017+)
• Live Demonstration
• Evaluation
• Revisions
• Pre-implementation
• Implementation
Summary of Proposed 2016 Work Plan

The proposed 2016 work plan would complete work necessary to launch a statewide demonstration project in 2017, carried out by the 25-member RUC Steering Committee, with oversight by the Transportation Commission.

The work plan consists of four key activities:

1. Address prioritized unresolved policy issues
2. Develop an evaluation framework for a demonstration
3. Design a statewide strategic communications and public input plan
4. Create a demonstration plan tailored for Washington

2016 Transportation Commission RUC budget request: $600,000
1. Address prioritized unresolved policy issues

<table>
<thead>
<tr>
<th>Tier 1: Address prior to a demonstration</th>
</tr>
</thead>
<tbody>
<tr>
<td>• How to operationalize the four road usage charge operational concepts</td>
</tr>
<tr>
<td>• Whether and how to charge out-of-state drivers</td>
</tr>
<tr>
<td>• Mileage exemptions</td>
</tr>
<tr>
<td>• Refunds</td>
</tr>
<tr>
<td>• Private account managers</td>
</tr>
<tr>
<td>• Public understanding of a proposed system</td>
</tr>
<tr>
<td>• Motor fuel tax bonds</td>
</tr>
<tr>
<td>• Interoperability with other states</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 2: Address as part of a demonstration</th>
</tr>
</thead>
<tbody>
<tr>
<td>• How will motorists react to the proposed RUC system?</td>
</tr>
<tr>
<td>• Public acceptance of a proposed system</td>
</tr>
<tr>
<td>• State IT needs</td>
</tr>
<tr>
<td>• Institutional roles</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 3: Address outside the scope of a demonstration</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Per-mile rate setting</td>
</tr>
<tr>
<td>• Dedication of RUC revenue</td>
</tr>
<tr>
<td>• Interoperability with toll system</td>
</tr>
<tr>
<td>• Rate setting for time-based permit</td>
</tr>
<tr>
<td>• Vehicles subject to charge</td>
</tr>
<tr>
<td>• Legal issues (e.g., Interstate Commerce Clause, status of RUC as a tax or fee)</td>
</tr>
</tbody>
</table>
Overriding purpose for RUC: Sustainable and more equitable revenue source to fund transportation

Guiding Principles for a Future RUC system: 13 Principles

RUC Policy Issues: Identify and prioritize based on when and how they will be decided

Primary Purpose of Demonstration: Gauge Washington motorists’ preferences and reaction to RUC policy and concepts

Evaluation of Demonstration: Measure whether or how well the RUC system (as tested) addresses the guiding principles
2. Develop evaluation framework for a demonstration project

**Example:**

**Guiding Principle:** User Options

**Objective:** Consumer choice should be considered wherever possible

**Example Criterion:** Provision of viable choices to consumers in reporting and payment methods

**Demonstration measurement method:** Participant surveys to measure level of satisfaction with number and type of choices provided
3. Design a statewide strategic communications

To be developed in 2016 – but not implemented until 2017 as part of the demonstration project launch.

A statewide strategic communications plan that provides the framework for statewide public engagement on all aspects of advancing education and discussion of RUC in Washington. Key elements:

• Communicate the purpose and details of the demonstration
• Address questions about road usage charging
• Assess understanding and baseline opinions about RUC as a source of revenue before, during and after the demonstration
4. Create a demonstration plan that works for Washington

Define key parameters that reflect the guiding principles and evaluation criteria, such as:

- Location, number, and type of participants
- Degree of agency involvement
- Concepts to test
- Duration of test

Leverage other activities:

- Approaches in other states
- Western RUC Consortium (WRUCC)
- Federal Grant Funding
Contact:

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