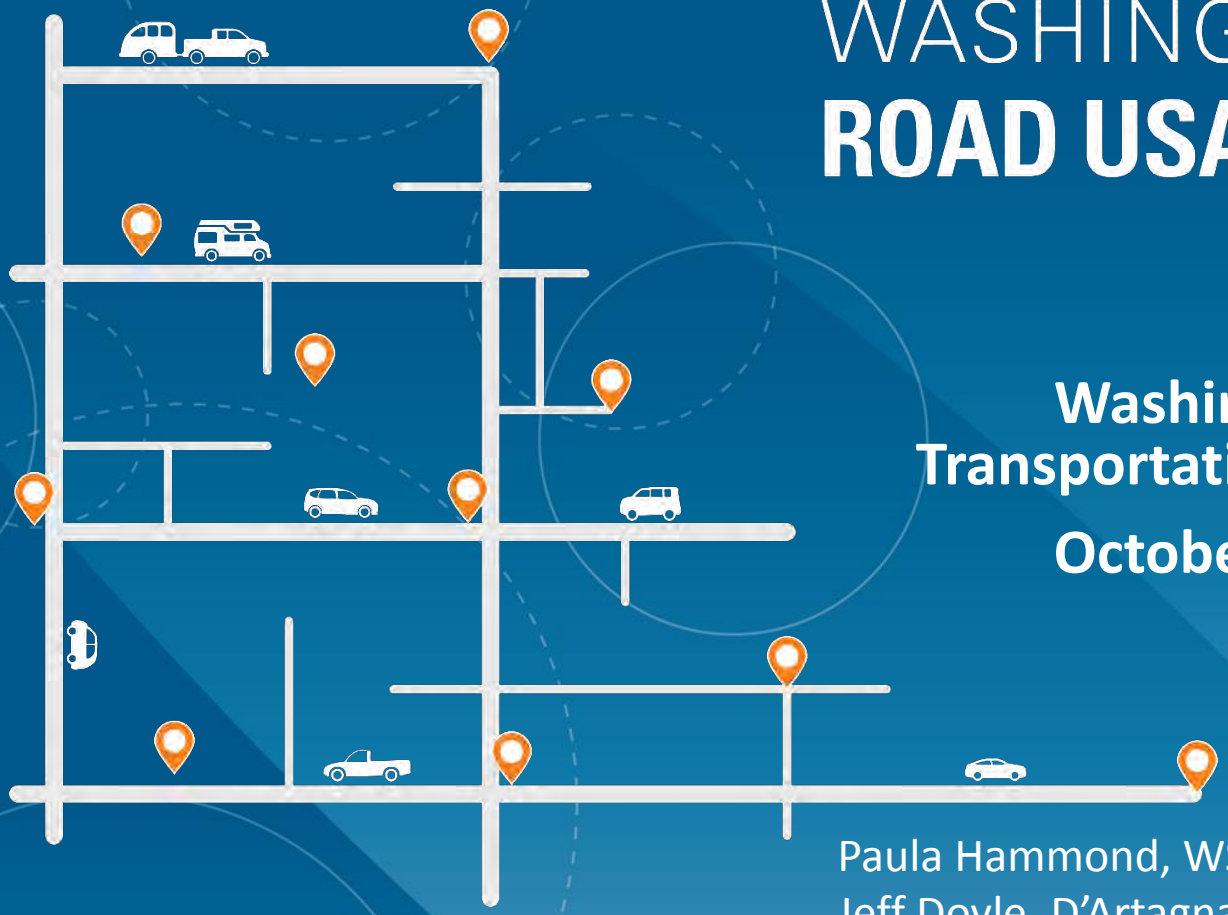

WASHINGTON STATE
ROAD USAGE CHARGE

Washington State Transportation Commission

October 20, 2015

Paula Hammond, WSP | Parsons Brinckerhoff
Jeff Doyle, D'Artagnan Consulting, LLP

Washington State Transportation Commission

Washington State Department of Transportation

WSP | PARSONS BRINCKERHOFF

BERK

D'ARTAGNAN CONSULTING

Agenda

Washington State Transportation Commission

Washington State Department of Transportation

- Review of Work Done to Date and the 2015 Work Plan
- Summary of Steering Committee Interviews
- Update on State and Federal Transportation Funding and Related Policy Initiatives
- Review of Road Use Charging Developments in other States and Countries
- Updating RUC Business Case Analysis
- Review of Unresolved RUC Legal, Operational and Policy Issues and Approaches taken in other Jurisdictions
- RUC Roadmap: Approach to Addressing Unresolved Policy, Operational and Public Engagement Issues
- Update on DOL Business and Technology Modernization

WORK DONE TO DATE AND THE 2015 WORK PLAN

Summary of RUC work to date

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2012: Legislature directs exploration of Road Usage Charge (RUC) as potential replacement for the state gas tax. WSTC appoints RUC Steering Committee to guide the assessment and provide overall direction.

2013: Steering Committee determines RUC in Washington is feasible, but many policy and operational issues must be resolved. Commission finalizes report for delivery to legislature. Policy issues, operational concepts, and financial scenarios analyzed; implementation issues and risks considered.

2014: Completed business case analysis comparing revenue from a RUC vs. state gas taxes, considering risks, costs and net revenues. Recommendations and work plan for next phase forwarded to the legislature.

- Developed **Concept of Operations (ConOps)**, a high level report describing how the system could work, the technical basis for the financial analysis, and the starting point for designing a **demonstration**.
- Prepared **financial analysis** that reflects proposed ConOps; considered several transition strategies and sets of economic assumptions.
- Developed **proposed work plan** to address unresolved issues and conduct a demonstration project.
- Parallel work by WSDOT, Treasurer's Office, and WSTC addressed cross-jurisdictional travel; potential impacts on outstanding gas tax bonds; and effects on urban/rural residents in Washington.

WA Road Usage Charge: 2015 Legislative direction

Washington State Transportation Commission

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2015-2017 Transportation Budget 2ESHB1299 Section 205:

- *"(1) $300,000 of the motor vehicle account—state appropriation is provided solely to continue evaluating a road usage charge as an alternative to the motor vehicle fuel tax to fund investments in transportation. The evaluation must include monitoring and reviewing work that is underway in other states and nationally.*
- *The commission may coordinate with the department of transportation to jointly pursue any federal or other funds that are or might become available and eligible for road usage charge pilot projects.*
- *The commission must reconvene the road usage charge steering committee, with the same membership authorized in chapter 222, Laws of 2014, and report to the governor's office and the transportation committees of the House of Representatives and the Senate by December 15, 2015."*

2015 Work Plan

Washington State Transportation Commission

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- Update Road Usage Charge (RUC) business case
- Monitor status of national and international RUC developments
- Prepare for joint research and funding opportunities (with WSDOT) with other western states
- Develop options for revised demonstration concept
- Review and develop RUC policy principle options and strategic roadmap for implementation
- Report to the Governor and Legislature recommendations for RUC advancement in Washington by Dec. 15, 2015

STEERING COMMITTEE INTERVIEWS

Steering Committee interviews

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In light of recent action on the revenue package, do you still feel that a long-term alternative to the gas tax needs to be explored?

- Most members continue to feel the current revenue model is unsustainable
- Many recognize the new revenue package has reduced the urgency for an alternative to the gas tax
- There is continued interest to understand the effects of bonding on a transition away from gas tax

Steering Committee interviews

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Looking at what has been done on RUC in Washington to date, (and the Legislative proviso for 2015), what do you think is the most important thing to accomplish between now and the end of year?

- Leverage the work of other states
- Continue cost analysis
- Strategize on public perception and education
- Revenue transition and roles
- Short and long term strategy for a RUC future

Steering Committee interviews

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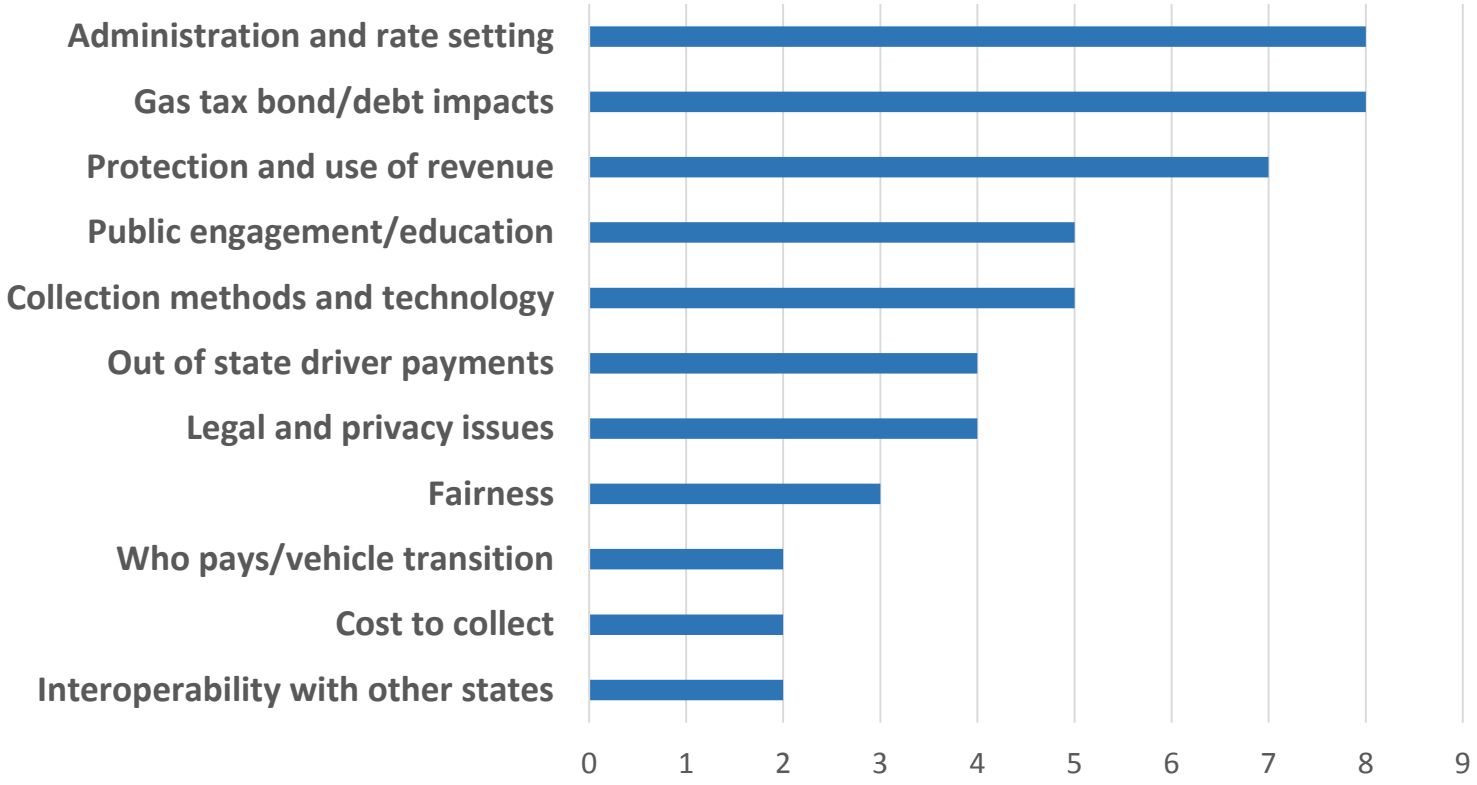
Which policy issues do you think need to be resolved prior to advancing RUC in Washington, and in what priority order?



Support for Demonstration Project

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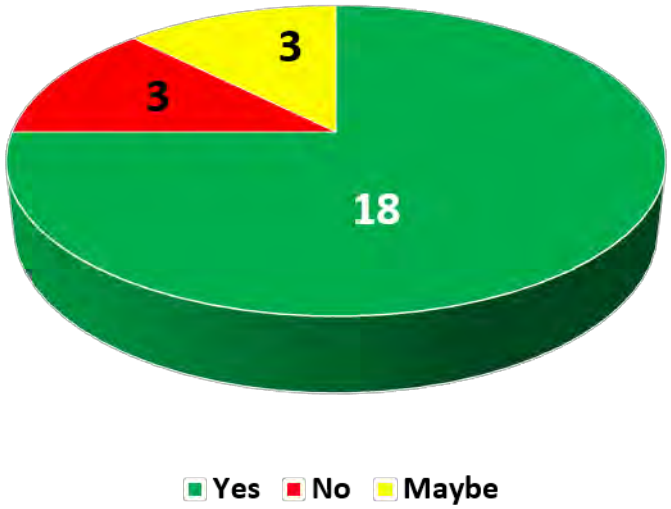
Would you support a road usage charge demonstration project? What guidance would you have for how to develop a demonstration project?



Interviews: Guidance on a demonstration project

Washington State Transportation Commission

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- Should be informed by the Oregon and California experience
- Avoid duplication of other states' tests
- Develop clear criteria for what we are testing and why
- Demonstrate the testing of options, but keep it educational
- Test technology
- Create a broad demonstration with variety of vehicles and geographic locations

STATE AND FEDERAL TRANSPORTATION FUNDING AND RELATED POLICY INITIATIVES

2015 Connecting Washington Transportation Revenue Package

Washington State Transportation Commission

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2015-2031 Connecting Washington: $16.2 billion

- Fuel tax: 11.9 cents increase, for a total state tax rate of 49.4 cents/gallon
  - First increase: 7 cents, on August 1, 2015
  - Second increase: 4.9 cents, on July 1, 2016
- Passenger weight fee increases for most cars, increases of $15, $25, or $35 depending on weight
  - Increase becomes effective July 1, 2016
- Other state-imposed fee increases (e.g., weight fees on trucks, commercial driver's license fees, enhanced driver's licenses) go into effect July 1, 2016.
- Electric vehicle fee raised from $100 to $150
- Authorization of local revenues totaling $16 billion for ST 3 (planned for 2016 ballot)

Federal Transportation Reauthorization: DRIVE Act

Washington State Transportation Commission

Washington State Department of Transportation

- 18.4 cents/gallon federal fuel tax has been in place since 1993
- Congress has not passed a long term transportation authorization (SAFETEA-LU) since 2009, and are on their 34th short term extensions
- Current continuing resolution expires October 29, 2015
- The Highway Trust funds' reliance on the motor fuel taxes have resulted in declining revenues and reduced purchasing power.

Motor fuel taxes support the Highway Trust Fund

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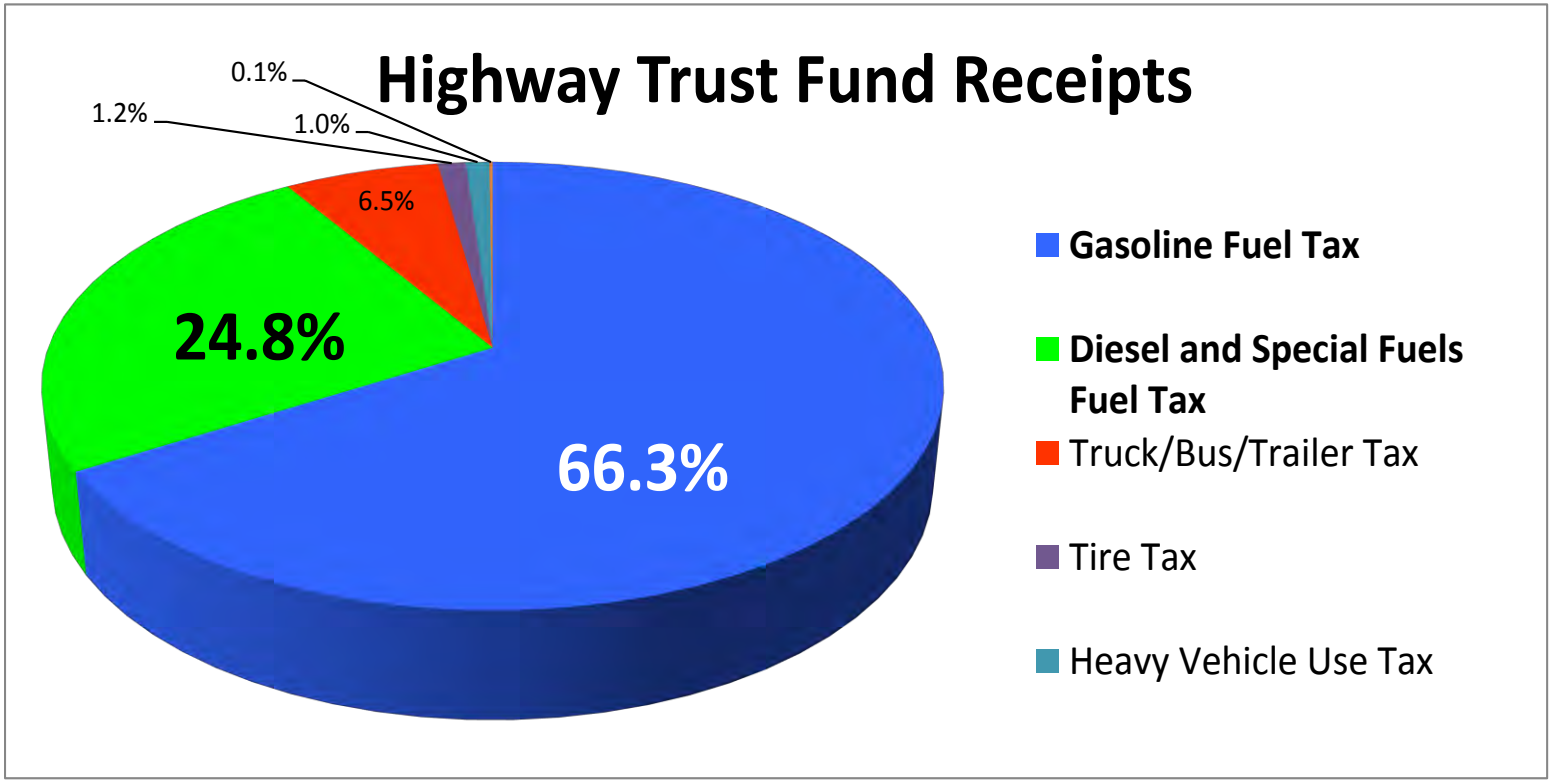
Motor fuel taxes have comprised 91% of Highway Trust Fund over the past decade



Inflation also causing motor fuel tax loss of purchasing power

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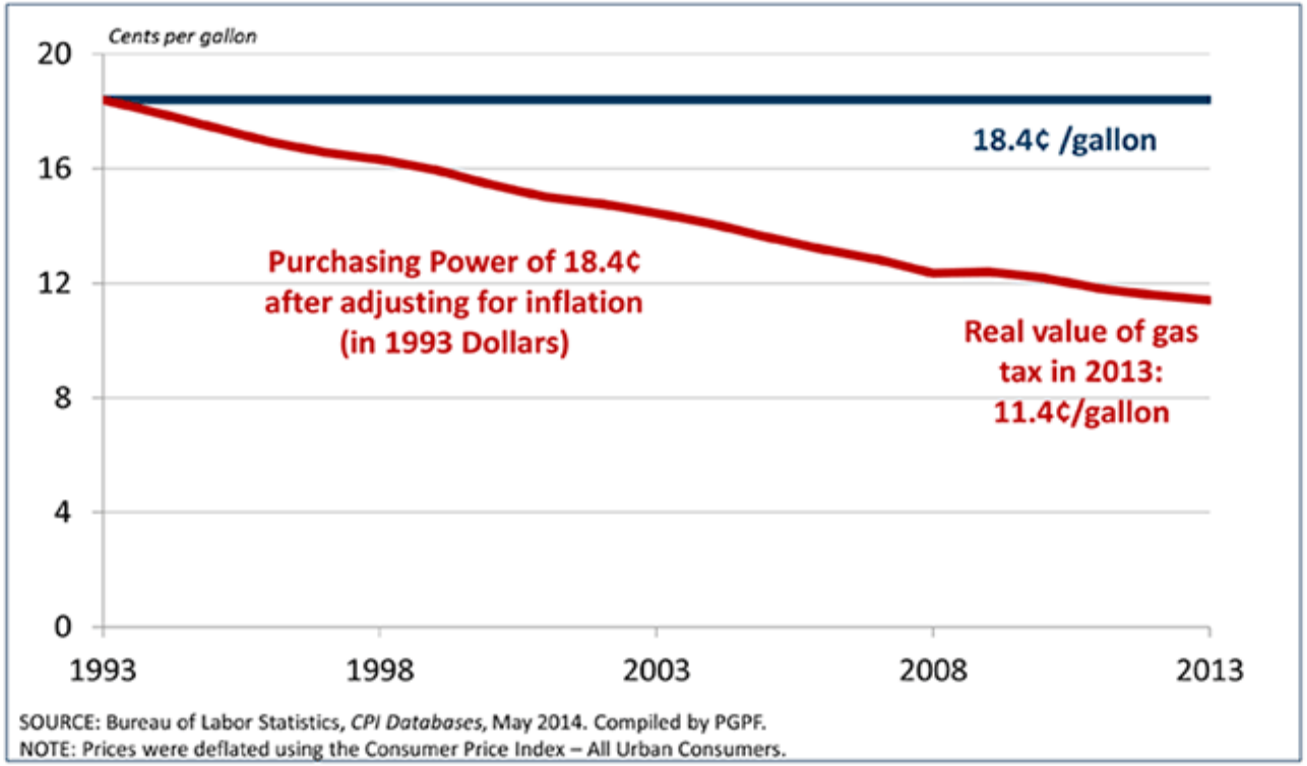

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7cents /gal.

Federal DRIVE Act: Senate and House RUC

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Senate & House Transportation Bill Comparison		
Provision	**Senate**	**House**
Multiyear Funding	FY 2016: $15 million FY 2017-21: $20 million	FY 2016: $15 million FY 2017-21: $20 million
Grant Purpose	Research activities (may include demo projects)	Demonstration activities
"Functionality"	Research to help define functionality of RUC	Demonstration activities to improve functionality of RUC
Establishes Advisory Council	Yes	No
Reporting Structure	Recipient>Council>Secretary>Congressional Committees	Recipient>Secretary>Public Report Online
Addresses Congestion Pricing	No	Yes
Specifies RUC as Non-toll Revenue	No	Yes

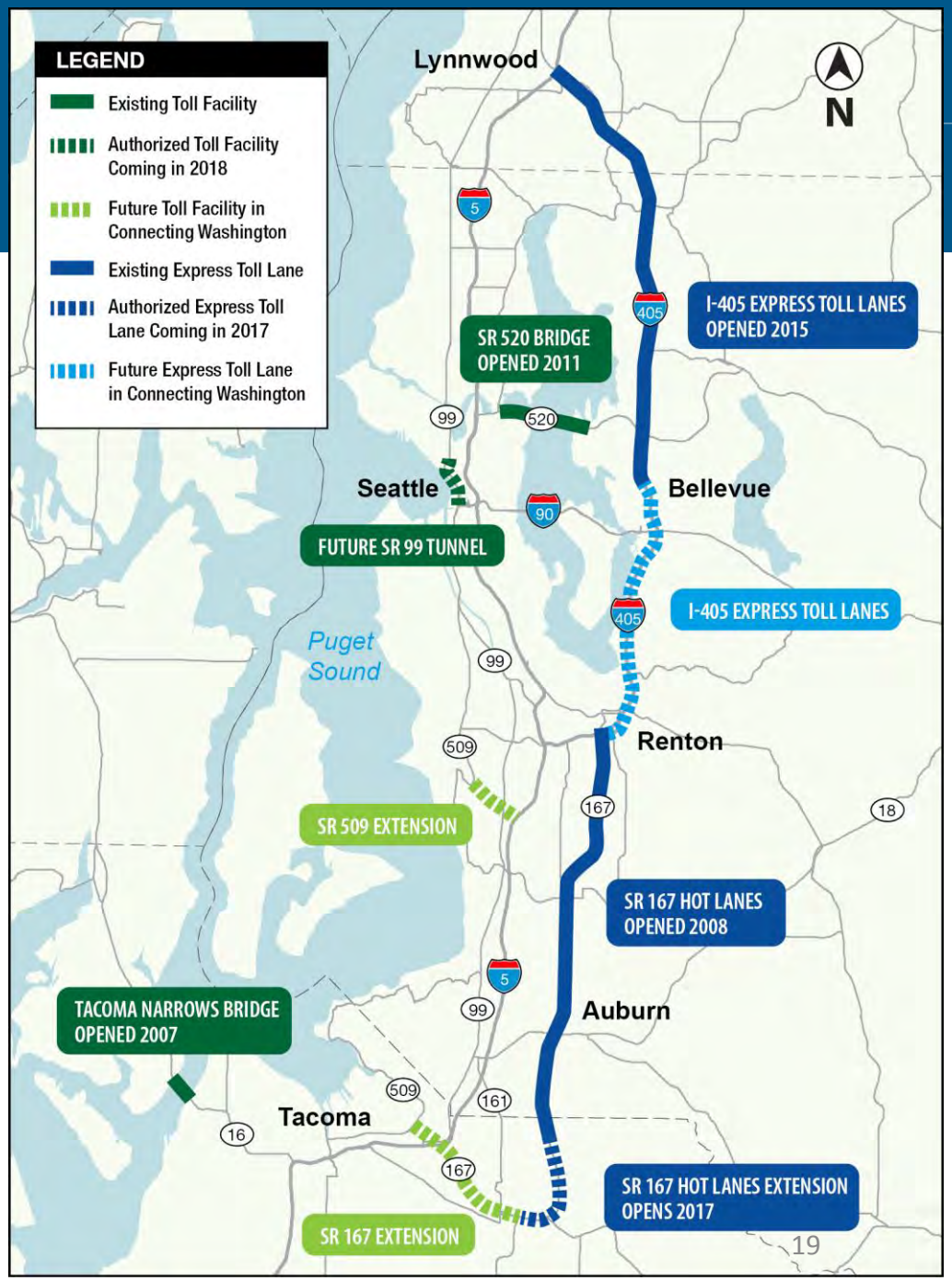
Tolling in Washington State

5 legislatively authorized toll facilities:

- SR 16 Tacoma Narrows Bridge
- SR 167 HOT Lanes
- SR 520 Evergreen Point Bridge
- I-405 Bellevue to Lynnwood Express Toll Lanes
- SR 99 Tunnel (2018)

Connecting Washington (2ESSB 5987) adds 3 more:

- The I-405 Renton to Bellevue Express Toll Lanes
- The SR 509 extension project
- The SR 167 extension project



Puget Sound Regional Council Transportation Planning Efforts

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VISION 2020 = Puget Sound region's long-range growth plan

Transportation 2040 = accompanying transportation plan

Transportation Futures = transporation funding strategies

Key assumptions of Transportation 2040

- State will transition from existing motor vehicle fuel taxes to a state-wide road user charge (pay per mile)
- All limited access highways in the region converted to full tolling by 2040

PSRC's Transportation Futures Study

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- Transportation Futures Study is examining funding options to achieve Transportation 2040's objectives:
  - Task Force led effort composed of regional and state elected leadership, and civic leaders
  - Considering several scenarios comprising different revenue sources to fill a $36 billion (2008 $s) funding gap net of Connecting Washington
- A regional layer of RUC (pay per mile) is emerging as a lead contender
- A regional RUC raises interesting governance issues and collaboration opportunities, including how regional RUC rates would be set, collected, and distributed locally

Washington Transportation Plan (WTP) 2035

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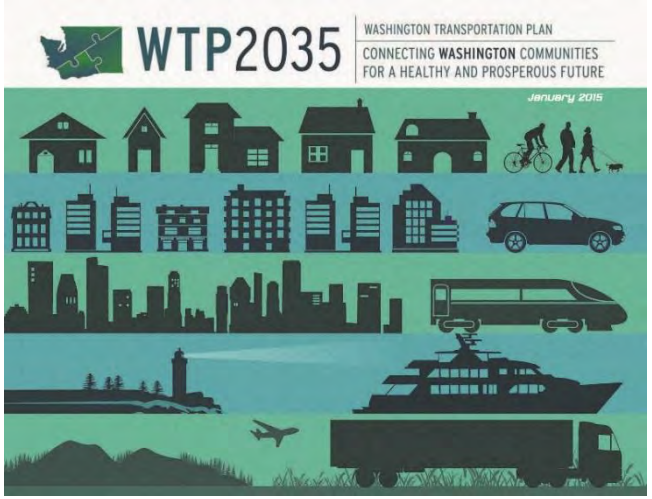
WTP 2035 identifies significant statewide transportation issues, and recommends statewide transportation policies and strategies to the legislature and Governor (RCW 47.01.071(4)).

WTP stressed the need to improve the financial health of Washington's transportation system, emphasizing two essential themes:

- Improved effectiveness from expenditure of existing revenues; and
- Enhancing existing revenue sources to address future transportation demands of a growing economy and population.



Among several possible revenue enhancements discussed, WTP 2035 recommends "continued evaluation of road usage charges."

Legislature funds DOL's technology modernization

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Why is this important to RUC in Washington?

- DOL's vehicle database is inflexible – cannot accommodate the inclusion of several new fields of information (such as federal EPA's MPG estimates)
- IT "work-arounds" are limited, costly and risky – system contains records for 7 million vehicles
- Statewide network of licensing agents (sub-agents and counties) depend on this system to work reliably
- Any future RUC system must accurately and efficiently interact with DOL's vehicle field system

ROAD USE CHARGING DEVELOPMENTS IN OTHER STATES AND COUNTRIES

RUC developments around the United States

Washington State Transportation Commission

Washington State Department of Transportation

Spotlight today is on:

- **ORe*GO*:** Oregon's RUC program
- **California** Road Charge Pilot Project & Program
- **Wisconsin**'s mileage-based concept
- Western Road Usage Charge Consortium (**WRUCC**)

RUC developments around the United States

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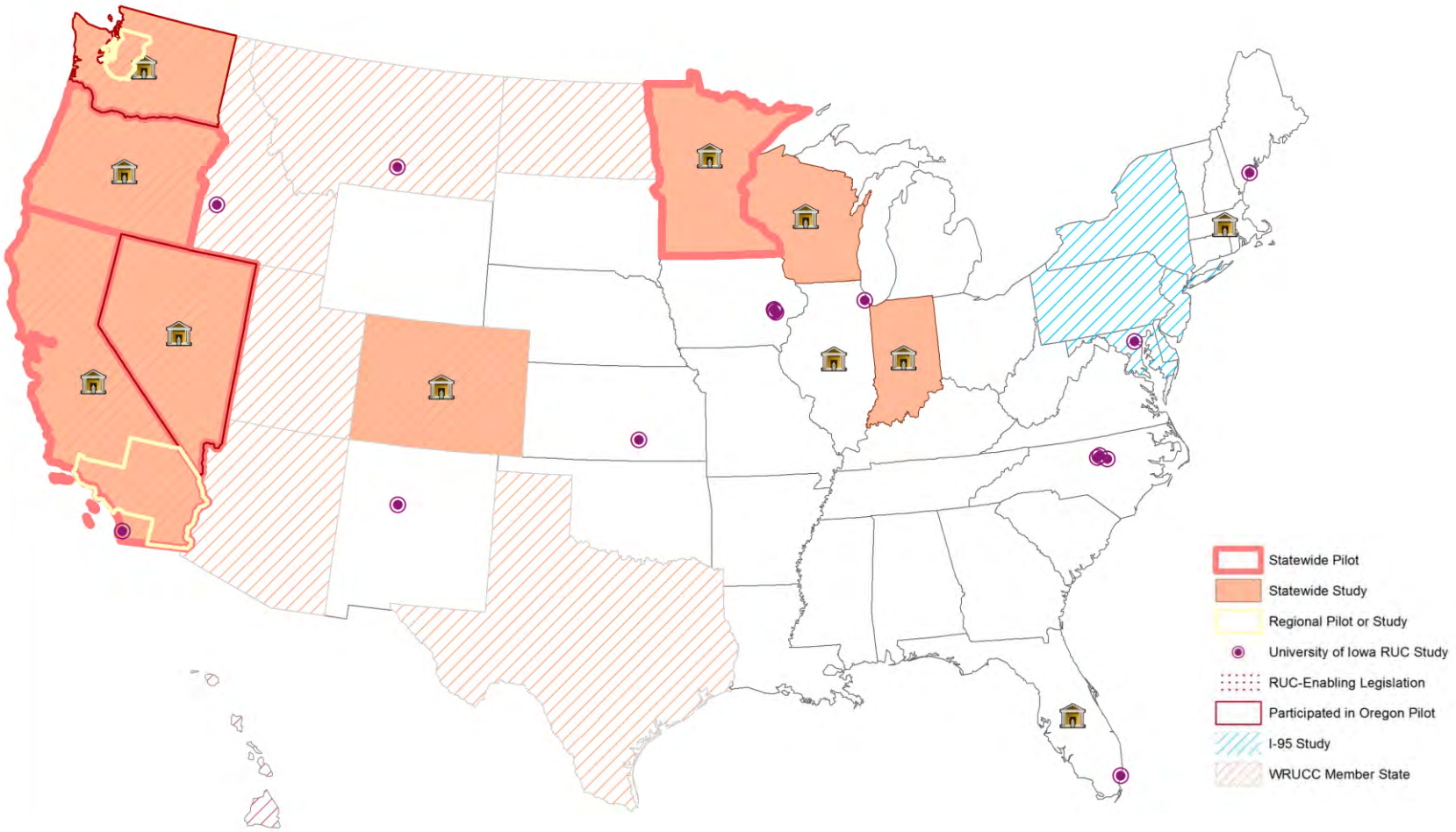
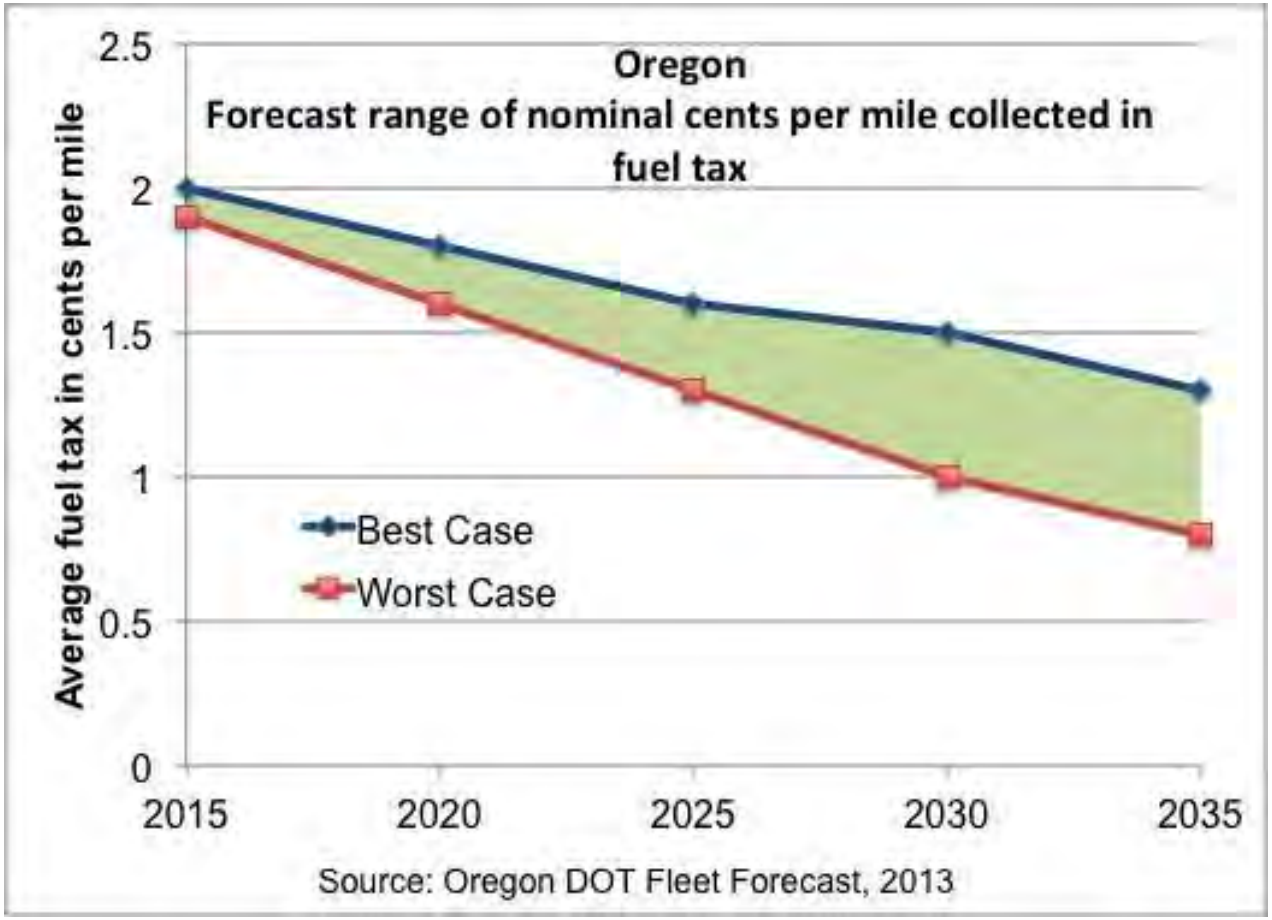


ORe*Go*: Oregon's RUC program



ORe*Go*: Oregon's RUC program

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Milestones:

2001: legislature creates Road User Fee Task Force (RUFTF)

2006 – 2007: first Oregon pilot tested pay-at-the-pump with GPS required

2012 – 2013: second Oregon pilot had no GPS mandate, motorist choice of mileage reporting

2013: Senate Bill 810 authorizes first RUC tax collections in US, capped at 5,000 volunteer participants

2015: ORe*GO* RUC program launches

ORe*Go*: Oregon's RUC program

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Key program features

- Road usage charge of **1.5 cents per mile**
- Drivers are credited for gas tax paid
- Two options for reporting miles: OBD-II device with GPS, and OBD-II device with no GPS (www.myorego.org)
- Open system architecture, reliance on private sector firms to provide devices, accounting and value-added services

Oregon Department of Transportation

Powered by saner its technologies

ORe*Go*: Oregon's RUC program

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Current status of OReGO

- Open enrollment began July, 2015 (5,000 cap). As of September, 2015: **896** Oregon volunteers.
- Participation by vehicle MPG: 25% below 17 MPG; 31% with 17-22 MPG; 44% above 22 MPG.
- Devices chosen by volunteers: GPS device, 72%. Non-GPS, 28%.

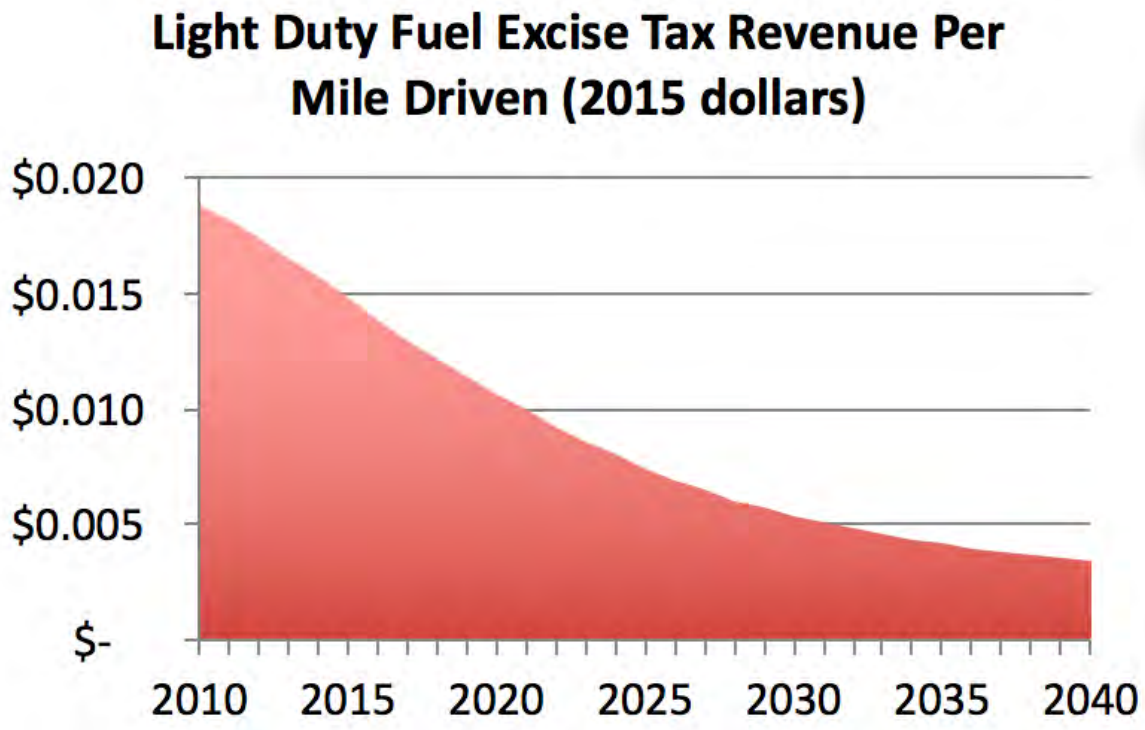
azūga INSIGHT

California Road Charge pilot program

Washington State Transportation Commission

Washington State Department of Transportation

California road charge pilot is intended to address zero emission vehicle and overall fleet fuel economy improvements



California Road Charge pilot program

Washington State Transportation Commission

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SB 1077 (2014):
Authorizes Road Charge Pilot Program

California Legislature

- Purpose: to replace existing fuel tax revenue in the future
- Nine-month, statewide pilot test will begin July 2016
- Select 15-member Technical Advisory Committee (TAC) charged with recommending pilot design

California Road Charge pilot program

Washington State Transportation Commission

Washington State Department of Transportation

California agency responsibilities for Road Charge pilot program

CalSTA CALIFORNIA STATE TRANSPORTATION AGENCY

Caltrans

Interagency coordination to implement pilot

DMV

DEPARTMENT OF CONSUMER AFFAIRS BAR Bureau of Automotive Repair

Caltrans

California State Board of Equalization

Consultants, subcontractors, private firms and vendors to **advise & implement pilot program**

STATE OF CALIFORNIA CALIFORNIA TRANSPORTATION COMMISSION

15 member Road Charge **Technical Advisory Committee** (TAC)

California Road Charge pilot program

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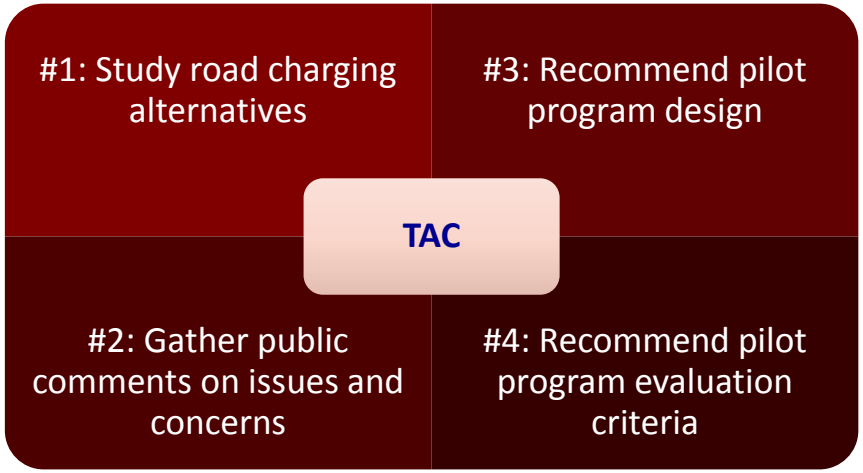
Technical Advisory Committee's work is nearly complete (80%)



1. Monthly meetings to study road charging since January
2. Extensive public engagement and outreach effort
3. Most pilot design recommendations have been made
4. Adopted pilot program evaluation criteria

California Road Charge pilot program

Washington State Transportation Commission

Washington State Department of Transportation

Key recommendations to date include:

- Will test **6 different methods** of road charge payment and reporting
- Proposed **several privacy protection measures**: "privacy by design" (time permit); governance, accountability and legal protection measures
- **Statewide pilot** with targeted participation goals based on geography, household income, businesses, out-of-state, etc. – approximately **5,000+ participants**
- **California Trucking Association** members volunteered to participate
- Will test **out-of-state vehicle** road charge payment methods
- Independent, **3rd-party pilot evaluation** will span 8 categories, 36 goals and 50 separate measures

California Road Charge pilot program

Washington State Transportation Commission

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Choices available to California participants: Step 1

Pay only for miles driven on CA roads

- Off-road and out-of-state miles are free
- GPS required

Pay for all miles you drive

- Technology optional
- GPS not required

Pay upfront for all-you-can-drive

- Price based on XX,000 miles/year
- Mileage reporting not required

California Road Charge pilot program

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Choices available to California participants: Step 2

- Pay only for miles driven on CA roads
  - OBD-II with location [CAM]
  - Smartphone switchable [CAM]
  - Telematics switchable [CAM]
- Pay for all miles you drive
  - Mileage permit [SAM]
  - Odometer charge [CAM]
  - OBD-II without location [CAM]
- Pay upfront for all-you-can-drive
  - Time permit [SAM]

California Road Charge pilot program

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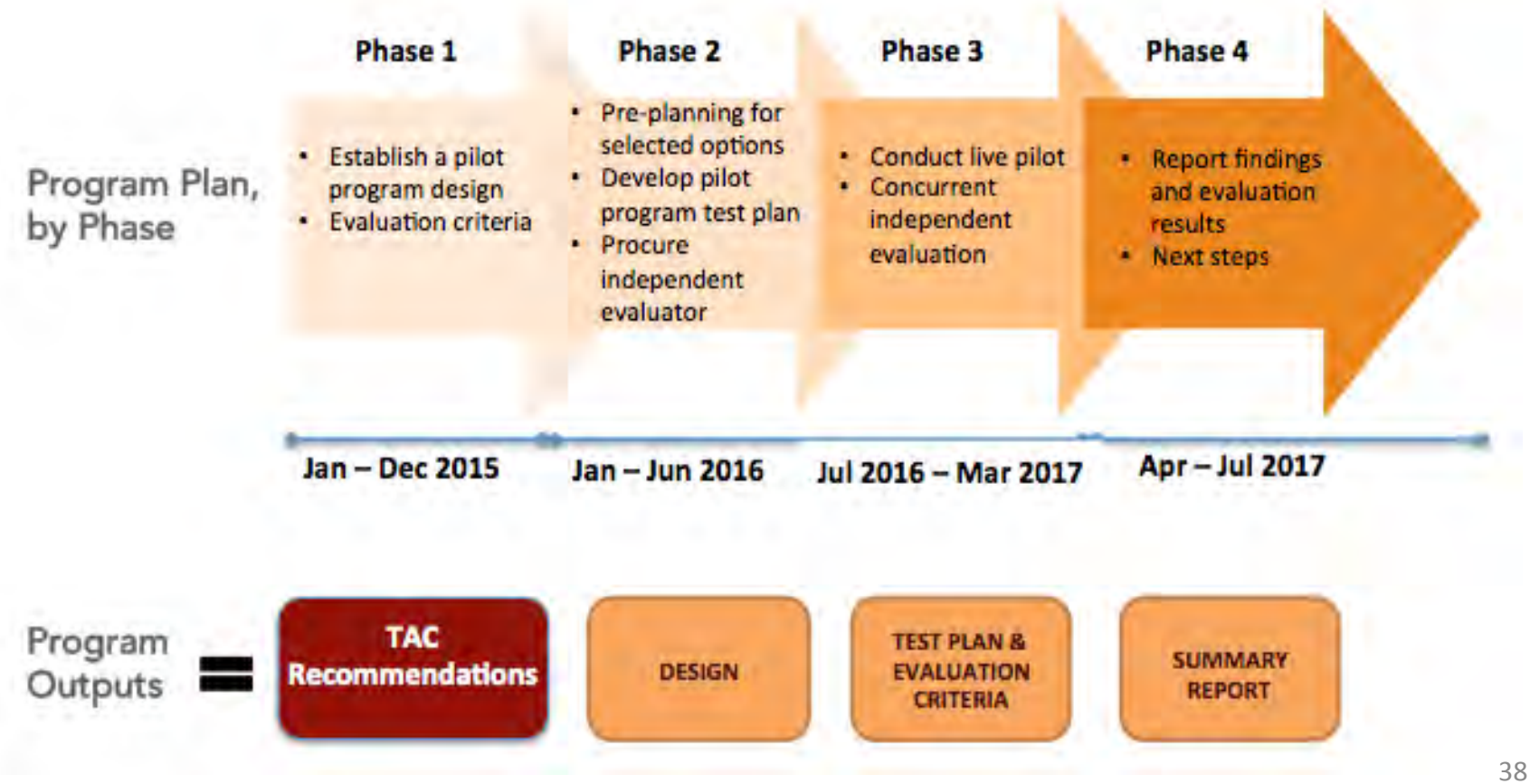
31-month project delivery schedule



Wisconsin's mileage-based registration fee concept

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Mileage-based registration fee proposed as part of 10-year transportation funding package (2013)

Purpose: allow a variable pricing component to Wisconsin's vehicle registration fee – based on usage (miles)

Parameters:

- Leverage existing vehicle registration processes to keep implementation and administrative costs lower
- Low-tech alternative (at least in the short run) to avoid large technology investments

Key findings:

- Fixed rate + variable component vehicle registration fee could raise very significant revenue when charging 1.5 cents/mile - $700m per year
- Self-reported mileage raises tax evasion risks; mitigation measures recommended, including periodic independent verification (repairs shops, license subagents, etc.)
- Allowing 3,000 mile credit to all drivers for out-of-state miles is key mitigation strategy

Western RUC Consortium (WRUCC)

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13 of 16 eligible states have joined the Western RUC Consortium

Western RUC Consortium (WRUCC)

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WRUCC projects to date:

Completed:

- ✓ Addressing out-of-state drivers in a RUC system (1 of 2)
- ✓ Critical examination of Oregon RUC program
- ✓ Impacts of changing vehicle fleet fuel economy on funding levels

Underway:

- Privacy protection in RUC system
- Elements of multistate RUC certification (1 of 2)
- RUC communications task force (ongoing)

Active solicitation:

- ❑ Addressing out-of-state drivers in a RUC system (2 of 2)
- ❑ Roadmap for state consideration of RUC system
- ❑ Effects of RUC on rural residents
- ❑ Web-based cost of transportation calculator

EU transition to distance charging

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Heavy vehicles first:

- Electronic vignette for all HGVs 3.5 tonnes, plus, reducing vehicle registration tax.
- Voluntary weight/distance charge with offsetting partial fuel tax refund (and vignette replacement).

But light vehicles may soon follow:

- Transition to all new vehicles going onto a form of distance charging, fully replacing purchase and ownership taxes, partially replacing fuel tax.

Current status of road charging in Europe

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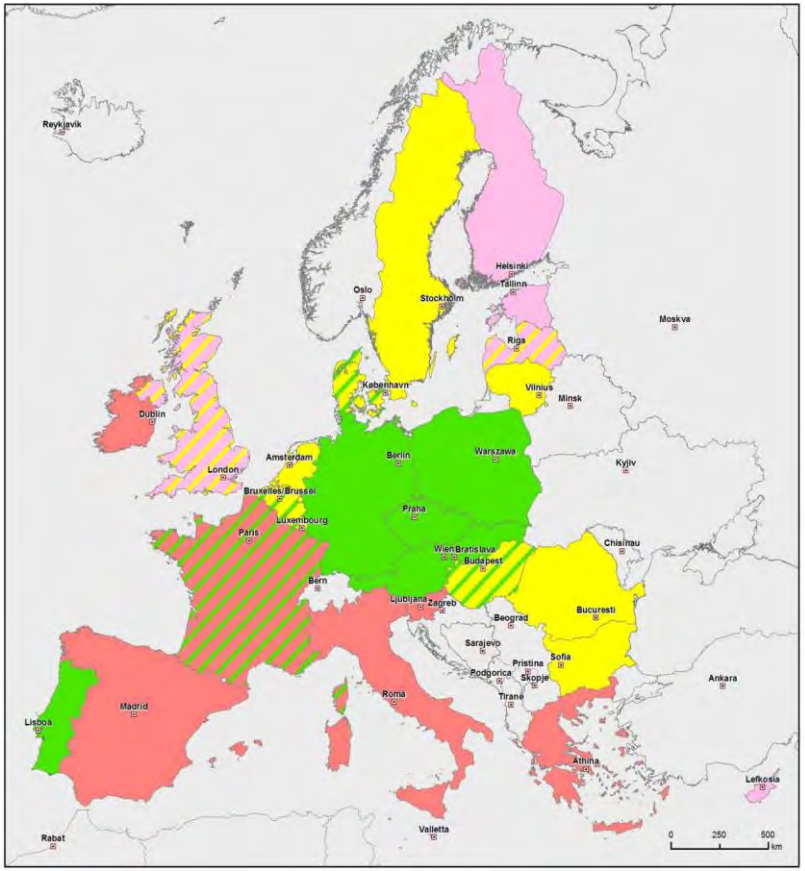

Yellow–Countries with HGV vignettes
Green–Countries with distance based charging
Red–Countries with substantial toll networks
Pink–Countries initiating HGV vignettes

- Vignettes introduced to charge transit traffic for road use
- Distance charging raises more revenue, more user pays oriented
- Italy, France, Spain and Portugal have many toll roads and distance charging
- Germany first country for Heavy Vehicle Road Charging with GNSS device
- Austria followed with HVC & Vignettes
- Hungary now most advanced electronic Vignette using video image capture; has 22 Commercial Service Providers

Hungary — Hu-Go Charge

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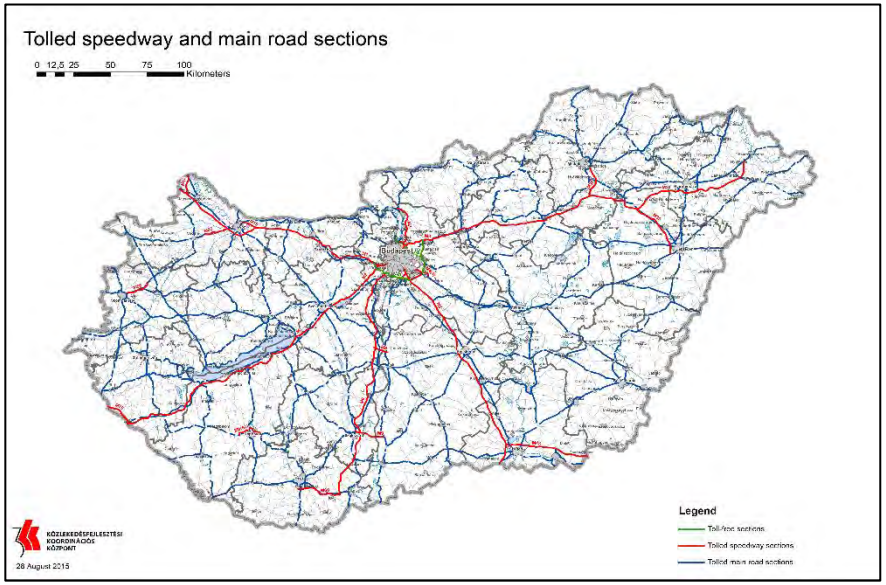
1999: Established a sticker based vignette

2008: Replaced with Electronic Vignette based on license plate reads

2013: GPS-based charging initiated

- Based on certified service providers (CSP)
- 22 CSPs manage accounts and forward revenue to State Motorway Management Company



British Columbia – Metro Vancouver

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- In 2014, Provincial Minister Helen Clark promised a public referendum if road charging were considered.
- Mayoral Council of Metro Vancouver supported a C$7.5 B transportation plan (transit, biking, road upgrades) aimed at reducing congestion.
- Voters asked to consider a 0.5% sales tax called the "Metro Vancouver Congestion Improvement Tax".
- Spring, 2015: **voters rejected the referendum 62-38**.

New Zealand road user charging

Overview of New Zealand:

- The original problem: growing heavy vehicle VMT
- RUC since 1978 with paper based system
- Electronic since 2009
- Open system — 2 service providers; 3rd in progress

RUC Operational Summary:

- RUC applies to all diesel vehicles
- Weight/Mass + distance
- National systems strategy
- Independent distance measurement device –
  - Hubodometer or approved "e-hubodometer"
  - Includes GPS, sensors & wireless communications
- Some challenges – Farming, Dairy Industry, Logging Industry

New Zealand transitioning from paper to electronic charges

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System choices based on long term goals:

- Best-fit technology with standards
- Open system architecture
- Interoperability to allow free roaming
- Most efficient/least cost back office management system
- Advanced payment systems
- Apportion risks where they best fit
- Competitive rights of the market

NZ eRUC expansion plans

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New National Transportation Plan: expand RUC, eliminate gas tax and other recommended actions:

- **Investigate** varying charges by location and time
- **Pilot test** to be conducted between 2016 and 2019 by the Ministry of Transportation
- **Eliminate** the gas tax and transition all light duty passenger vehicles over to RUC by 2020. Currently only diesel-powered passenger vehicles are subject to RUC
- **Assess** the ability for the current system to accommodate:
  - commercial service providers;
  - advanced payment systems, and
  - new technologies.

Australia has unique vehicles

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Western Australia Heavy Vehicle Charge (HVC)

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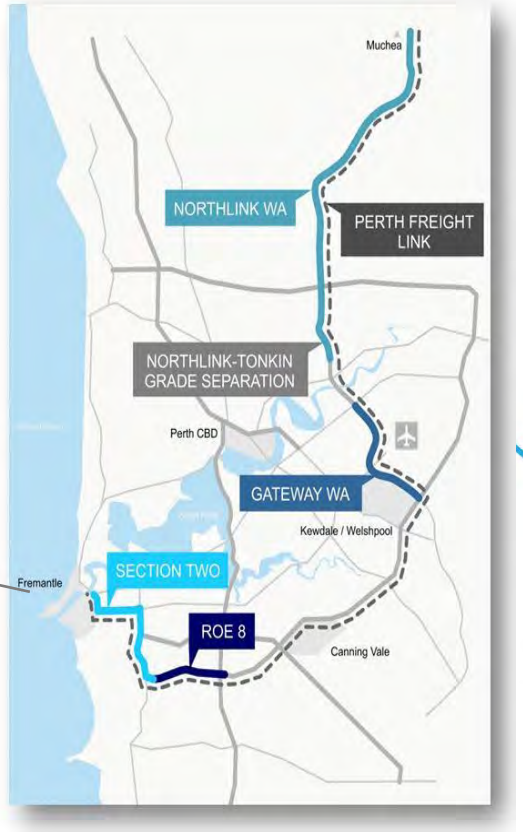
Main Roads is tasked with introducing a Heavy Vehicle Charge on a 50-mile freight route from Fremantle Port, covering three major road projects, including…



Western Australia Heavy Vehicle Charge (HVC)

- Heavy Vehicle Charge is proposed for vehicles over 4.5 tonnes
- Charged every time heavy vehicles use all, or sections of the Perth Freight Link route from Muchea to Fremantle Port
- HVC cost to operators is offset by productivity savings – shorter journeys and lower vehicle operating costs

UPDATING RUC BUSINESS CASE ANALYSIS

Issues to address in business case update

Washington State Transportation Commission

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Washington State Transportation Revenue Package

- Change in fuel tax rate necessitates change in RUC rate
- Transition to RUC possibly impacted by bonds

Federal CAFE standards for trucks

- EPA recently announced extension of fuel economy standards for medium- and heavy-duty trucks through MY 2027
- Current + new standards are predicted to result in a 40+% reduction in fuel consumption

Changes in VMT and fuel consumption trends

- Previous RUC business case analysis relied on a range of forecasts including VMT, fuel economy, and fuel consumption
- Updates to all inputs will be made – using scenarios as before as necessary

Issues identified by Steering Committee members

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- Discuss RUC Rate
- Tighten RUC cost estimates
- Revisit forecasts of fuel consumption and VMT
- Address agency vs. private sector responsibilities
- Re-consider RUC transitions
- How long is the fuel tax viable?
- Do more than simply “refresh” the business case

Updated approach: revenue per mile driven

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Purpose of business case analysis is to provide comparison of fuel tax and RUC

- Steering Committee has not been tasked with addressing *"what is the revenue need?"* for transportation
- In the past, the Steering Committee has seen *total net revenue* of fuel tax vs. RUC as the key output for comparing the two policies
- This year, we propose an alternative approach that highlights the distinction between fuel tax and RUC over total revenue

Proposed key output: *net revenue per mile driven*. For example:

Policy	Tax rate	Average MPG	Gross revenue per mile driven	Net revenue per mile driven
Fuel tax	49.4 cents/gallon	19.75	2.50 cents/mile	2.49 cents/mile

Updated approach: revenue per mile driven

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Net revenue per mile driven *emphasizes*:

- Cost of collection of RUC vs. fuel tax
- Difference in net revenue of RUC vs. fuel tax under various assumptions

Net revenue per mile driven *de-emphasizes*:

- Total VMT
- Total gallons consumed
- Total revenue

As fleet MPG improves, fuel tax revenue per mile declines

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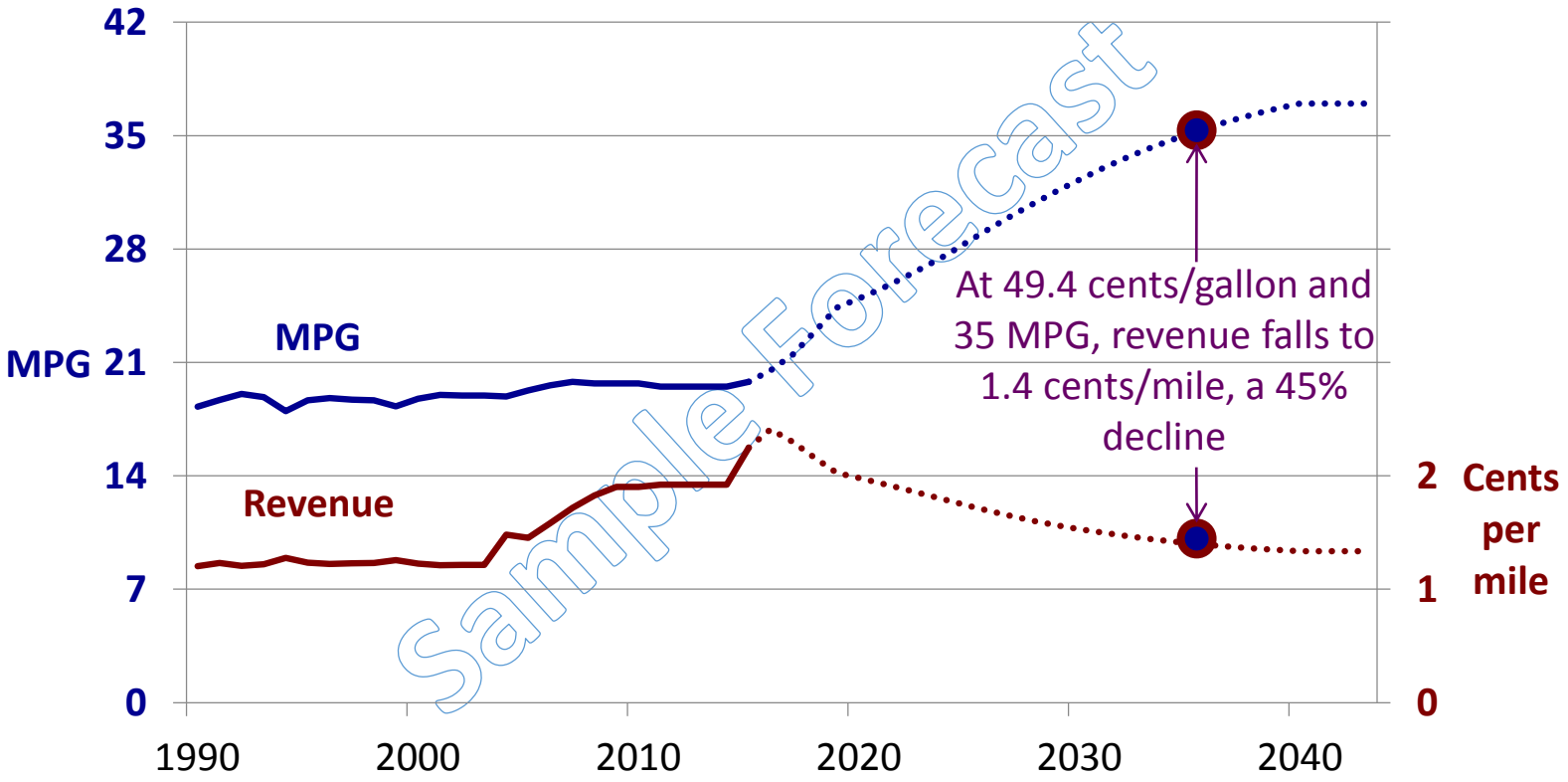

State fuel tax rate increases in 1990,2003, 2005-2008, and 2015-2016

MPG forecast is illustrative only. It is based on U.S. EIA 2015 projections adjusted downward for WA State

Evolution of light-duty fleet fuel economy

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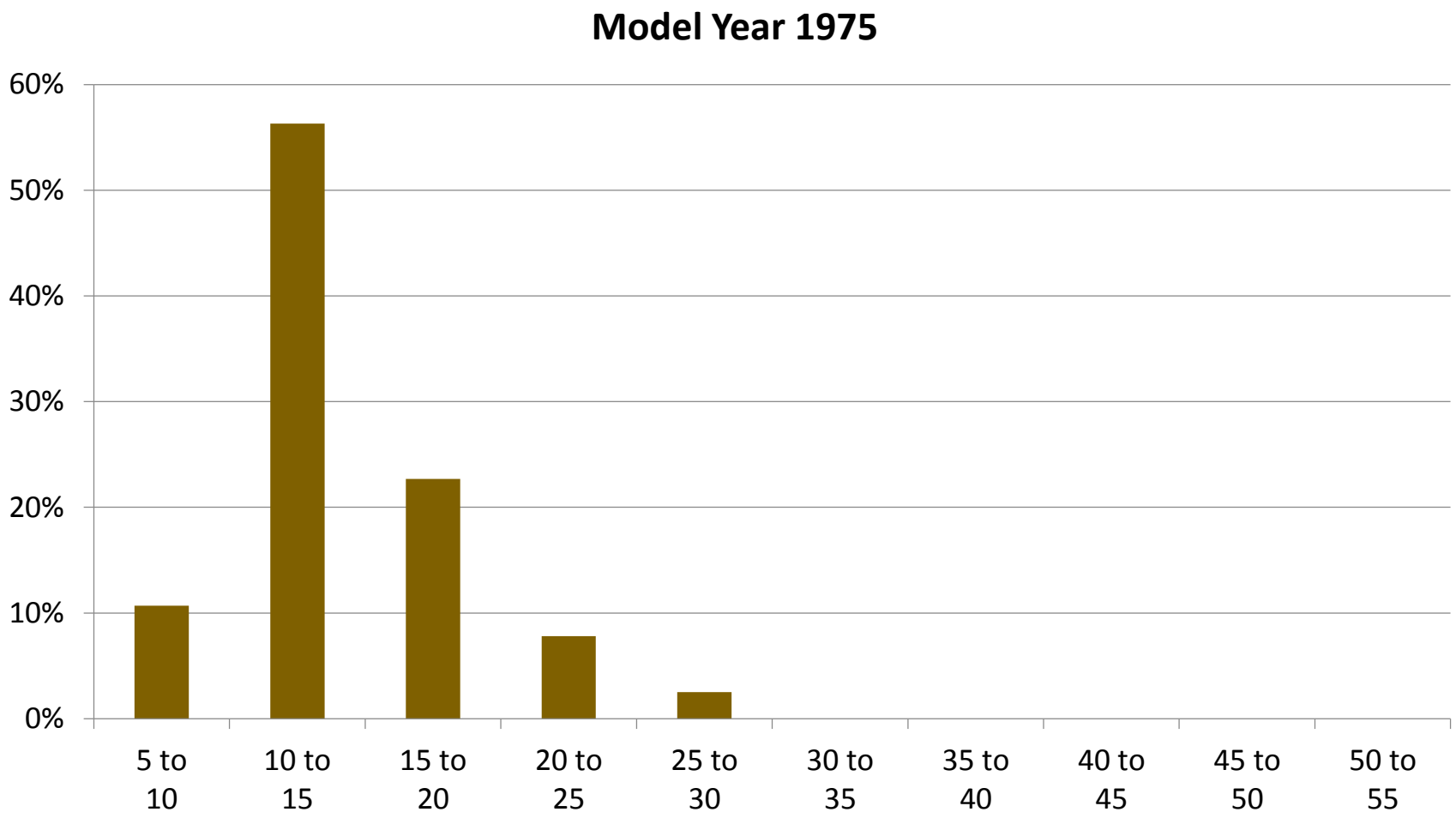

Source: EPA, Light-Duty Automotive Technology, Carbon Dioxide Emissions, and Fuel Economy Trends: 1975 Through 2014

Evolution of light-duty fleet fuel economy

Washington State Transportation Commission

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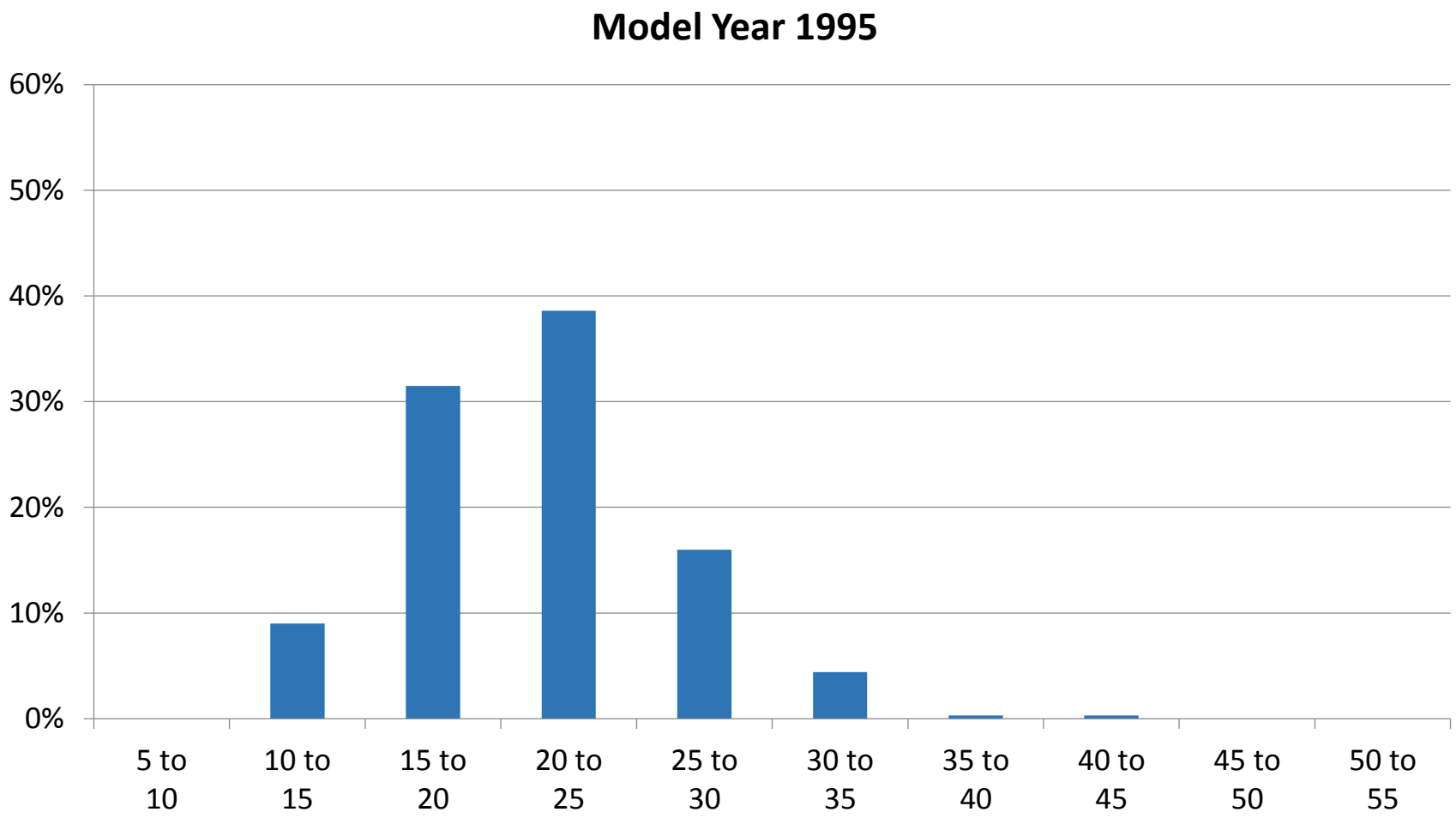

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Evolution of light-duty fleet fuel economy

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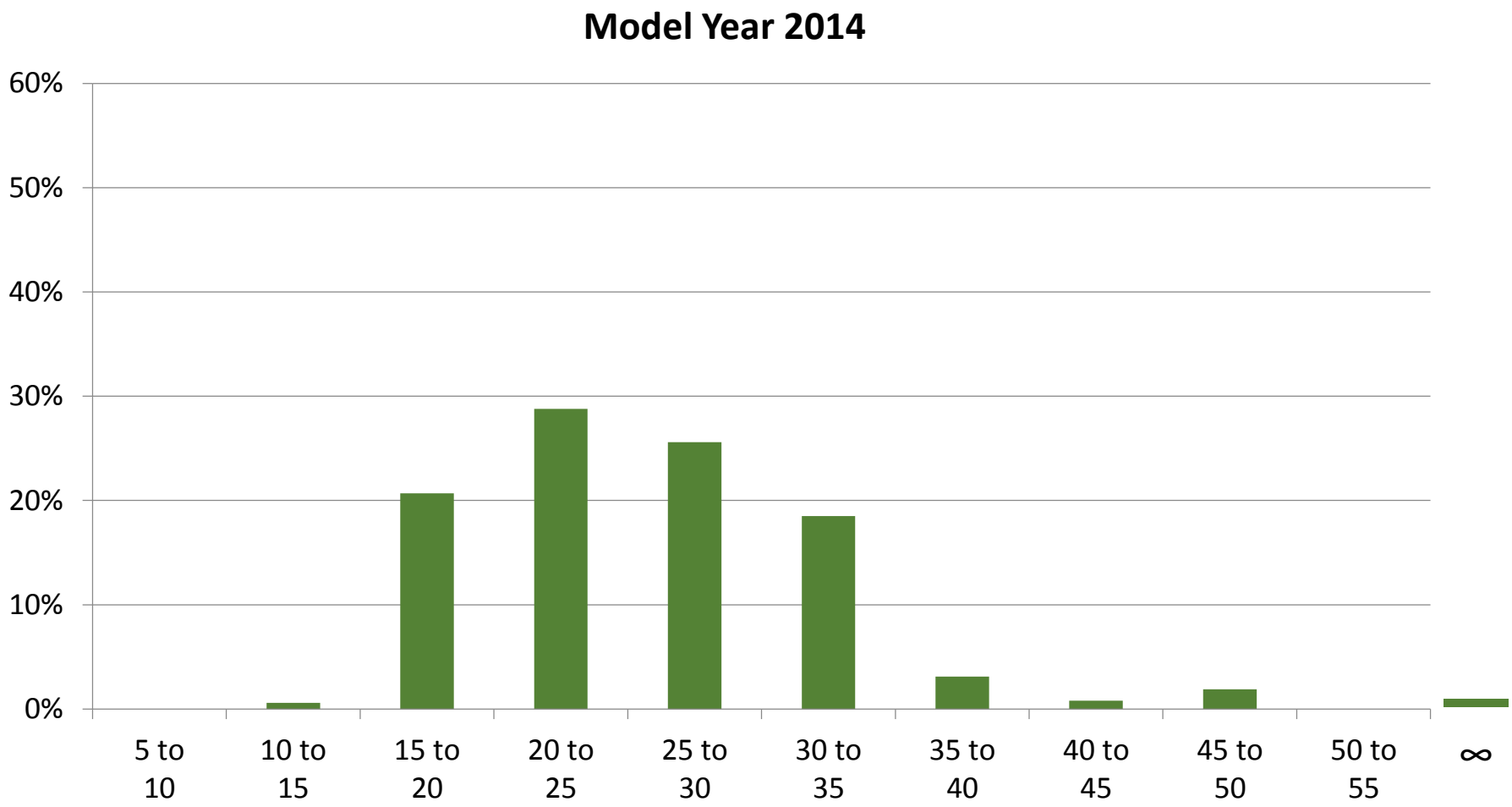

Source: EPA, Light-Duty Automotive Technology, Carbon Dioxide Emissions, and Fuel Economy Trends: 1975 Through 2014

Updated approach: scenarios

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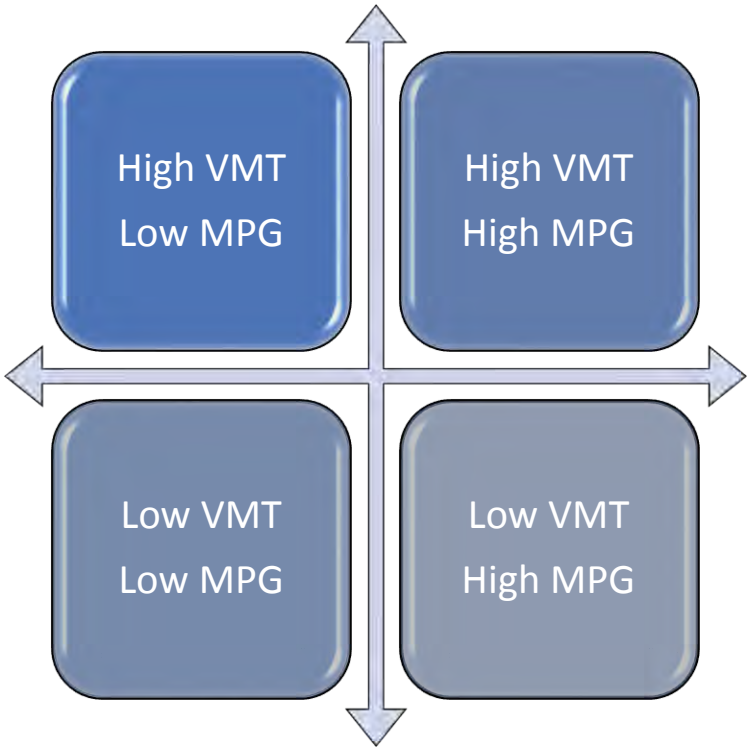
If total revenue is a desired output, we propose to construct four scenarios for long-term projections



Assumption #1: RUC rate

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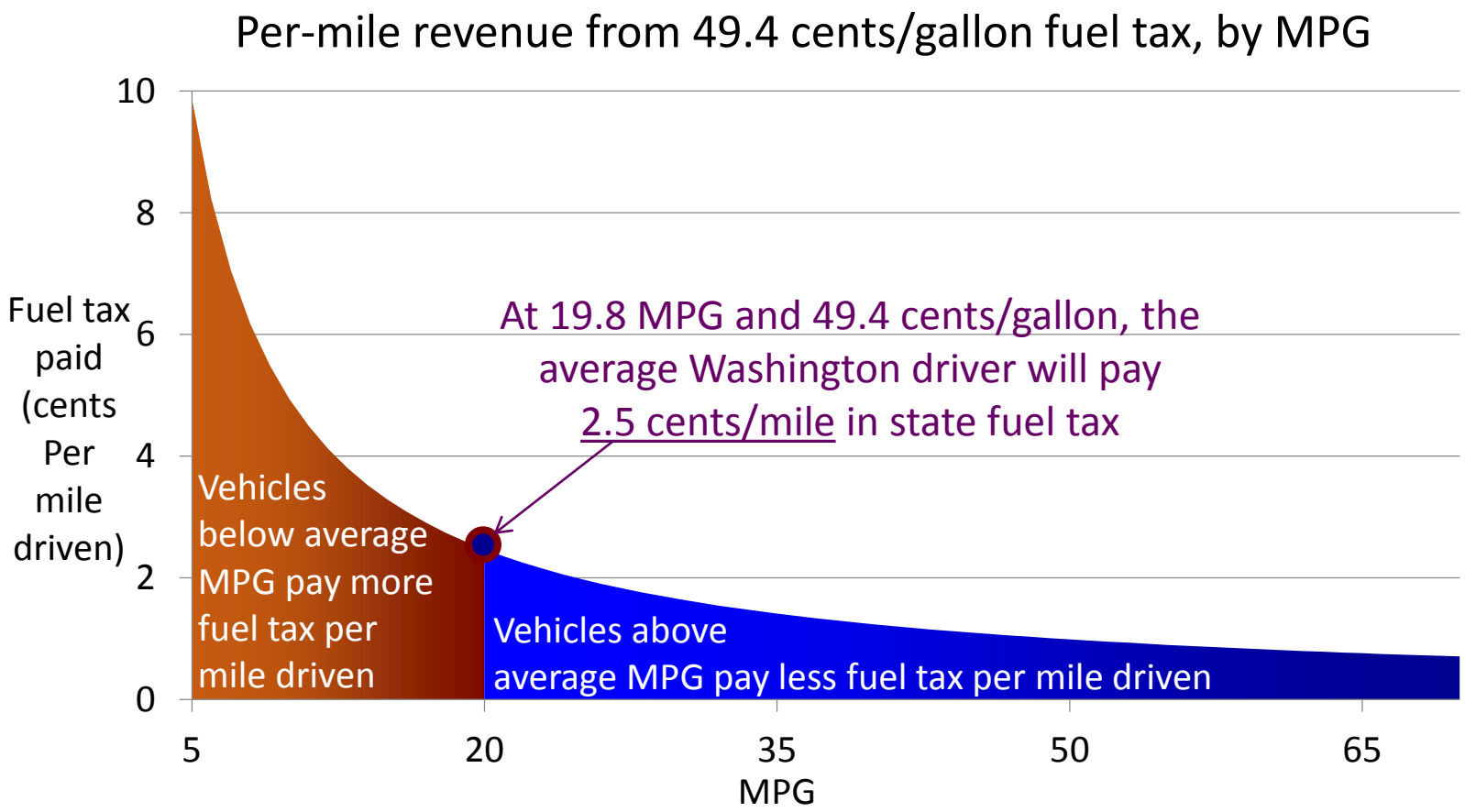

Assumption #2: Fuel tax rate

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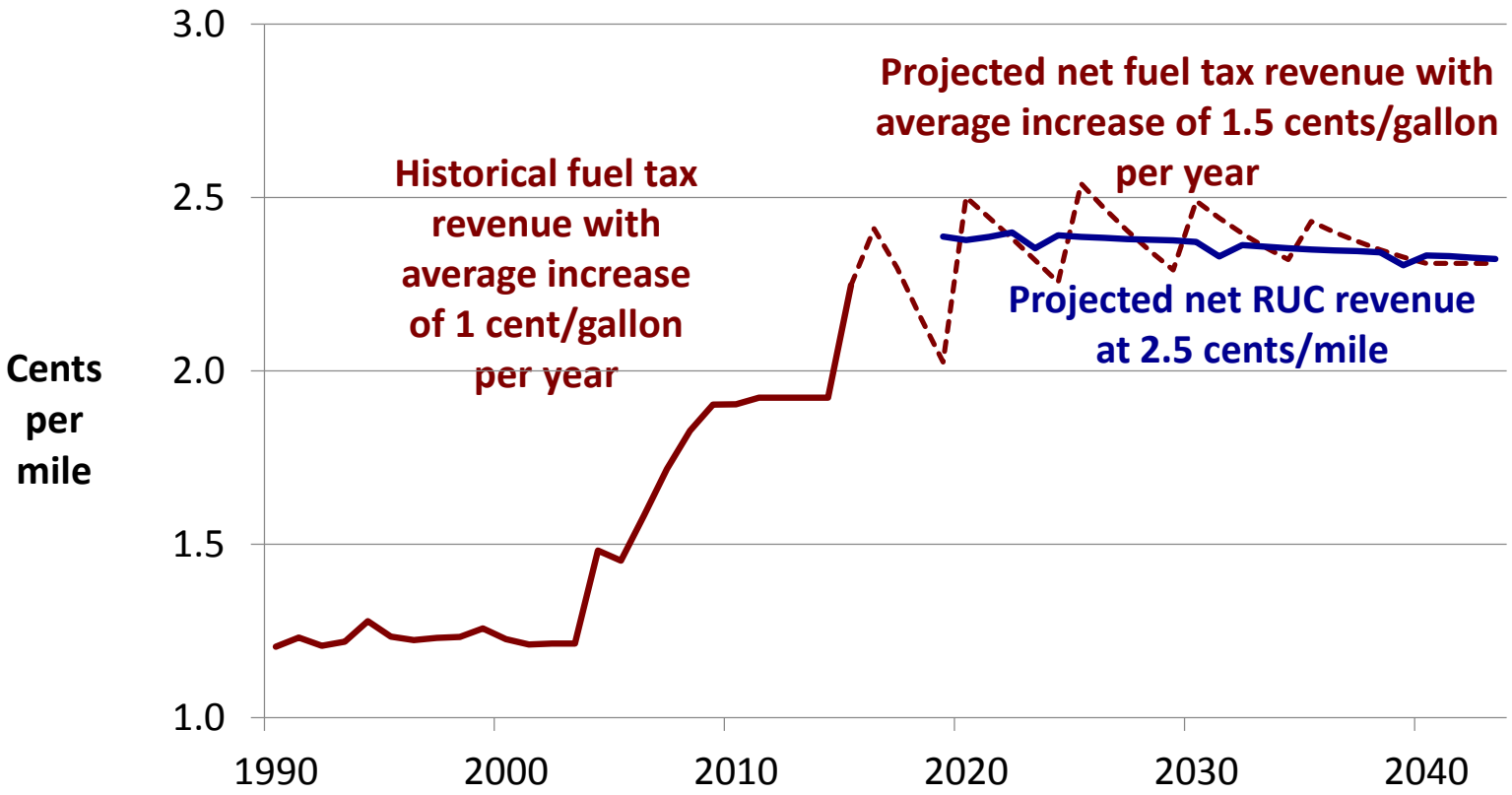

Options

- Determine fuel tax rate that matches a flat RUC rate (above)
- Assume RUC and fuel tax rates remain flat – and compare
- Assume both rates increase periodically – and compare

Assumption #3: Key assumptions to narrow cost estimates

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- Committee interest in narrowing the range of cost estimates for RUC collection
- Key assumptions needed to narrow cost estimates *for analysis purposes only.* **Any input provided by the Committee is not to be interpreted as a policy decision or direction.**
  - Agency administration
  - Private service providers
  - Transition from fuel tax to RUC
  - RUC operational concepts

Assumption #4: Outstanding fuel tax bonds

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Assumption: no motorist pays both fuel tax and RUC

Options:

- Assume fuel tax in place long enough to retire existing and future fuel tax bonds
- Assume fuel tax as a pre-payment mechanism for RUC, thus covering future fuel tax bonds
- Do not consider debt service as a barrier to transition away from fuel tax

UNRESOLVED RUC LEGAL, OPERATIONAL AND POLICY ISSUES AND APPROACHES TAKEN IN OTHER JURISDICTIONS

Unresolved issues & approaches taken in other jurisdictions

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Top unresolved <u>policy</u> issues:

- **Transition approaches**: how and when would a transition be made from gas tax?
- **Vehicles subject to RUC**: which vehicles are required to pay?
- **Equity/Fairness of RUC**: how does RUC compare with gas tax for different persons?
- **Alternative RUC approaches**: are there lower-tech methods for RUC?
- **Data security**: can personal information be protected from disclosure?
- **Public perception and acceptance**: what are public attitudes toward RUC at various stages of development?
- **Rate-setting**: how will they be set, by whom, and in what amount?
- **Exemptions, refunds and credits**: what types of vehicles are exempt from RUC?

Unresolved issues & approaches taken in other jurisdictions

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Top unresolved legal issues:

- **Protection of motor fuel tax bonds**: how can RUC be implemented in manner that protects legal obligations and ratings of current bonds?
- **Privacy issues**: what options are available to protect personal privacy?
- **Tax or fee**: is RUC a fee rather than a tax, affecting how rates are adjusted?
- **Use or dedication of revenue**: is RUC subject to same 18th amendment restrictions as gas tax?
- **Payment from out-of-state motorists**: how can RUC be designed to accommodate (and enforce) payments by out-of-state motorists?

Unresolved issues & approaches taken in other jurisdictions

Washington State Transportation Commission

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Top unresolved <u>operational</u> issues:

- **Mileage reporting methods**: which options should be used in Washington?
- **System technology to support RUC**: what IT software, hardware and services are required to support RUC?
- **Use of commercial account managers**: should private firms be involved in RUC tax collection?
- **Scalable demonstration project options**: how can state be prepared to conduct a demonstration/pilot project if funded?
- **Organizational design/agency roles**: what state agencies should participate in RUC?
- **Interoperability with other states:** how will Washington's system work with others?

Unresolved issues & approaches taken in other jurisdictions

Washington State Transportation Commission

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Top unresolved <u>operational</u> issues (continued):

- **Enforcement of mileage reporting and payment**: how will payment be enforced?
- **Refine cost of collections estimates**: what variables must be refined, or decisions made, to narrow the range of potential public and private collection costs?
- **Interoperability with toll systems**: what are the benefits and drawbacks of a RUC that is interoperable with Washington's *GoodToGo* toll system?
- **Effects on congestion levels**: can (and should) RUC be priced to improve congestion in urban areas?

Unresolved issues: approaches taken in other jurisdictions

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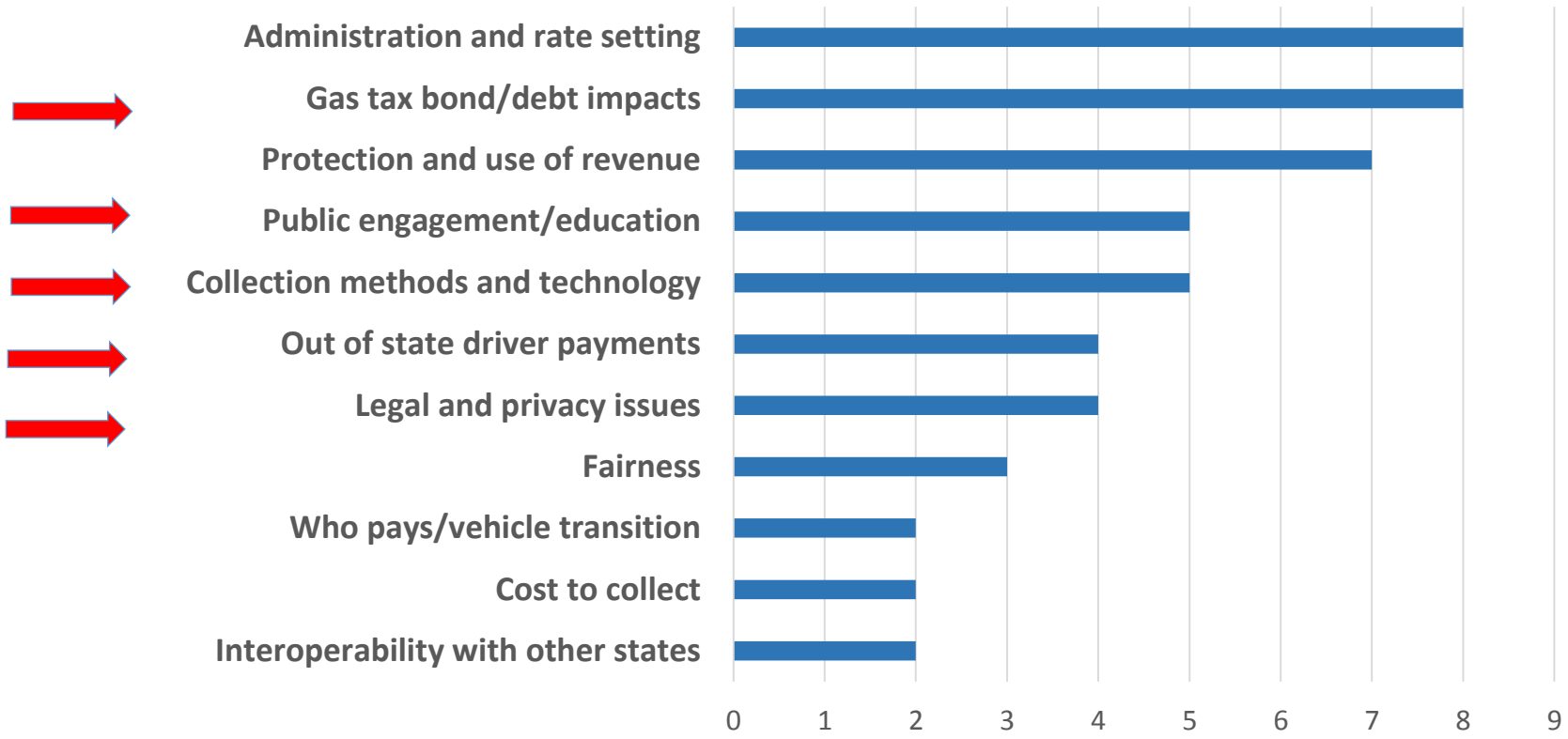
How five high-interest issues have been addressed in other jurisdictions



Approaches taken in other states

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Gas tax bond/debt impacts:

Oregon: no issues related to imposing a RUC instead of the state gas tax. Bonds are backed by the state highway trust fund, which includes fuel tax, RUC and weight-mile tax.

California: no issues have been identified related to potential impacts on state's outstanding obligations or credit ratings. Most California transportation bonds are paid out of general revenues.

Washington: initial assessment from Treasurer's Office cast doubt on feasibility of repealing the gas tax while state bonds pledging those revenues are still outstanding. Careful structuring of a RUC would be required to avoid negative impacts.

Approaches taken in other states

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Public engagement/education:

Oregon: public acceptance factors measured in first pilot; second pilot was designed to address public concerns. Second pilot also measured acceptance factors among participants (acceptance was high). No additional public acceptance surveys are planned for ORe*GO*.

California: extensive public outreach, statewide focus groups, telephone surveys to measure baseline public perception and opinion. Additional focus groups and participant surveys throughout 9-month pilot test.

Washington: limited media outreach when first RUC assessment was launched in 2012. No other public engagement planned.

Approaches taken in other states

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Collection methods and technology:

Oregon: considered several mileage reporting options, but implemented only automated mileage reporting with OBD-II port devices

California: will test six mileage reporting options: time permit; mileage permit; manual odometer charge; OBD-II without GPS; OBD-II with GPS; Smartphone with GPS on/off; In-vehicle telematics with GPS on/off.

Wisconsin mileage based registration fee concept: self-reported odometer readings (periodically verified). Annual vehicle registration fee varies based on miles driven during year.

Washington: 2014 recommendations to test four methods: time permit; manual odometer charge; OBD-II automated distance charge; and Smartphone distance charge.

Approaches taken in other states

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Out-of-state driver payments:

Oregon: OReGO only allows current Oregon residents to pay the RUC. Out of state vehicles continue to pay the gas tax.

California: a limited number of out-of-state drivers in the pilot will be required to pay the California road charge using GPS-enabled technology (cell phone, in-vehicle GPS device or telematics), or by purchasing a time permit allowing travel on California roadways for limited time. Both methods will be tested in the upcoming pilot.

WRUCC: completed Phase I of an interjurisdictional RUC study, demonstrating different approaches for how RUC charges could work between participating states.

Washington: have decided that out-of-state motorists should pay, but no decision on how best to collect RUC from them.

Approaches taken in other states

Washington State Transportation Commission

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Privacy:

Oregon: GPS technology cannot be required in a RUC system. Statutory requirements for retention and destruction of Personally-Identifying Information.

California: GPS technology cannot be required. A time permit must be offered as an option for persons not wanting to report any mileage information. Legal provisions to protect privacy have been drafted for consideration by agencies and legislature. Privacy and data security audits are planned.

Washington: decided that GPS technology cannot be required in a RUC system. No further work done on this topic.

RUC ROADMAP: APPROACH TO ADDRESSING UNRESOLVED POLICY, OPERATIONAL AND PUBLIC ENGAGEMENT ISSUES

Useful filters for prioritizing issues

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The territory ahead…

- Re-examining the need for a gas tax alternative: business case for RUC in Washington
- Washington statewide demonstration test unlikely before 2017-19
- *Unless:* there is an emergent opportunity

Time frames:

- **2015** (4 months, September – December)
- **2016** (9 months, April – December, *subject to funding*)
- **2017-19** biennium (24 months, *subject to funding*)

Emergent opportunities (readiness):

- Federally-funded pilot project grants to states
- Multi-state or similar partnering opportunity with OR, CA, BC, others

Logical sequence of events:

- Decisions required for a pilot are different than for a fully-implemented RUC program
- Technical details that must be resolved to advance RUC

Initial attempt at applying filters

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2015: what is *required*, what is *funded*, *time available* to resolve, Committee *interest*, and readiness for *emergent opportunities:*

- ✓ Business case revisions
- ✓ Structuring RUC to protect bond obligations
- ✓ Refining operational concepts (and range of costs to collect)
- ✓ Scalable demonstration project alternatives
- ✓ Defining the proper work plan for next step in 2016

Initial attempt at applying filters

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2016 proposed work plan (TBD by Committee): readiness for emergent opportunities, logical sequence, SC interest, and time available to resolve:

- **RUC Roadmap**: what is the logical progression of decisions and actions to transition away from reliance on the gas tax?
- What safeguards can be put in place to protect personal privacy in a RUC system?
- What is the most effective and economical approach to requiring RUC payments from out-of-state motorists?
- Wht is the appropriate public engagement strategy?
- Other issues TBD…

2017-19: logical sequence, Committee interest, time available to resolve:

- TBD…

Mid-or-longer term: logical sequence

WA DEPARTMENT OF LICENSING BUSINESS AND TECHNOLOGY MODERNIZATION

Business&Technology Modernization

Tony Sermonti, Legislative & Policy Director,
Department of Licensing

Washington State Transportation Commission
October 20, 2015

Vehicle licensing in Washington

- Vehicle licensing is performed by 39 county offices and about 140 licensing subagents across the state using DOL systems
- DOL systems and staff manage the “back end” of the vehicle licensing operation
- Current systems are antiquated and costly to maintain and change
- We have about 7M vehicles in our state

Business Need

- DOL's current systems are not flexible and can't adapt to meet needs to support RUC
- The new licensing system is capable to support RUC, but it's not a simple "flip of the switch" change

About the modernization project

DOL is implementing large-scale agency-wide initiatives to modernize our business processes and technologies

- The Business & Technology Modernization (BTM) Initiative replaces current systems for vehicle, driver licensing, with business professional licensing in the future

Funding

The Legislature has committed approximately $35.2M to date for BTM:

- $2.5M (FY13): roadmapping & feasibility study
- $5.3M (FY14): planning & pre-implementation
- **$27.4M (FY15-17): implement vehicles and related revenue components; begin drivers implementation**

New Technology

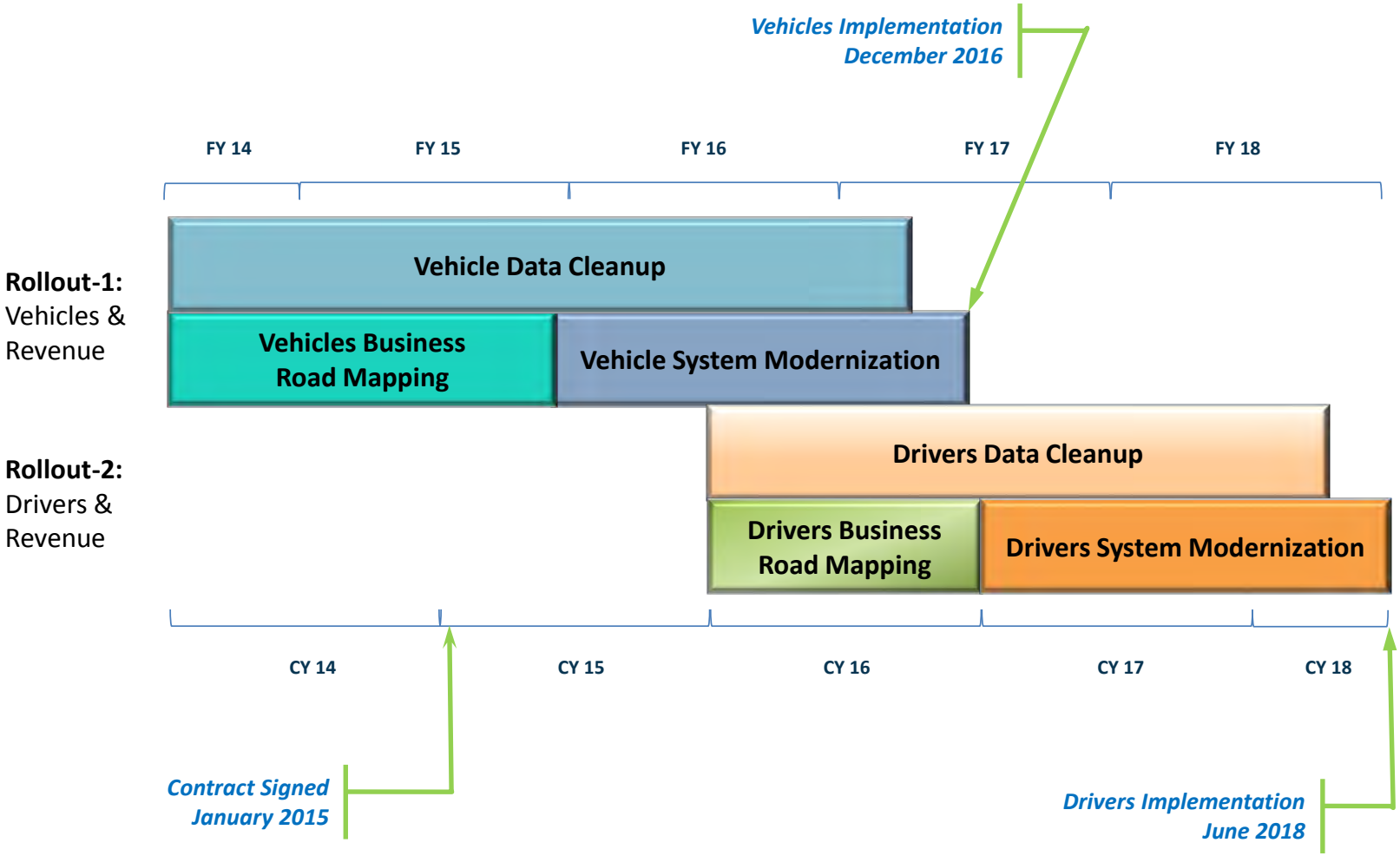
- In January 2015, DOL contracted with Fast Enterprises, LLC

  Fast brings a proven solution and history of successful implementations in other states

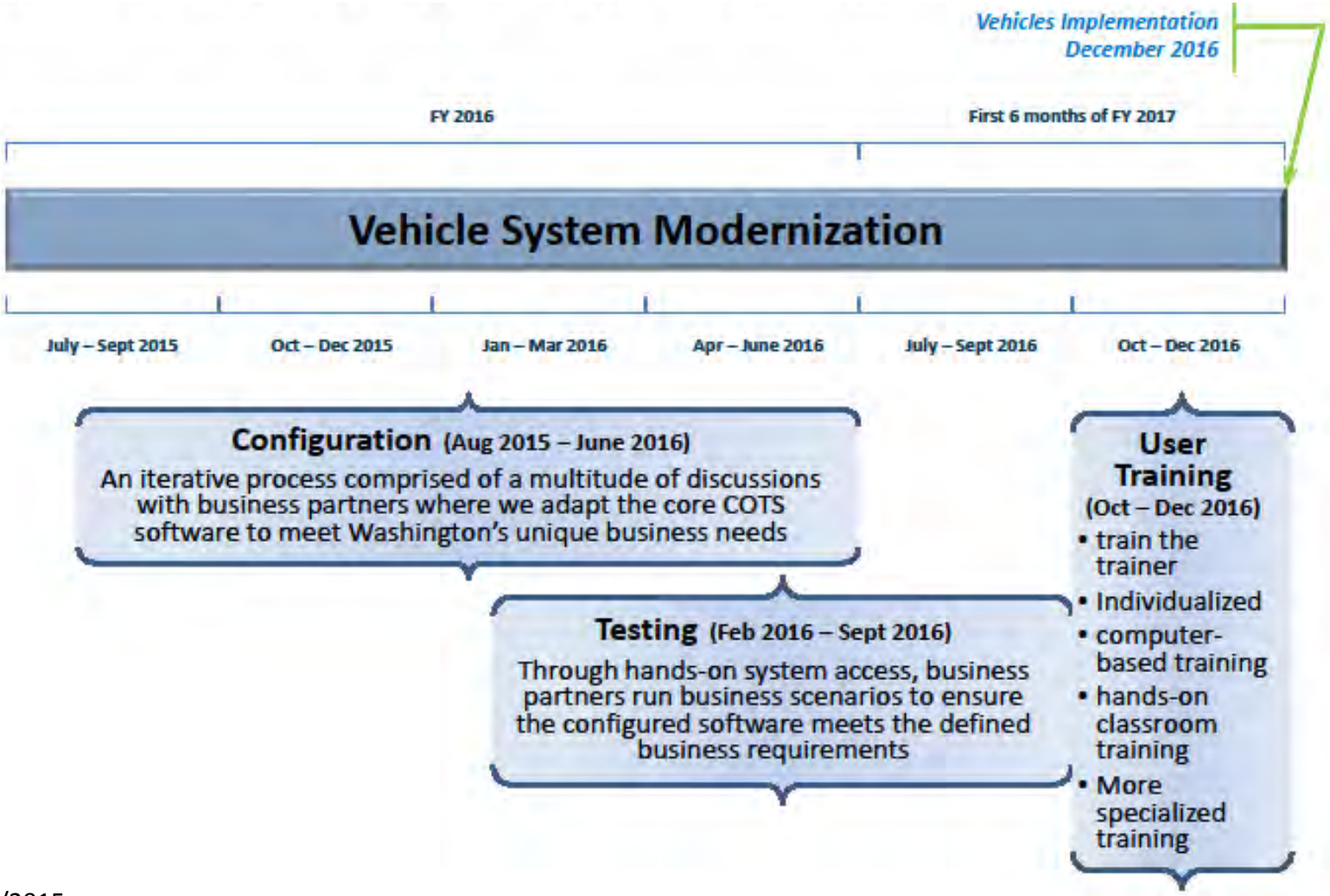
- The new system is a web-based commercial-off-the-shelf (COTS) solution configured to meet DOL business needs

  More flexible to implement policy changes & other improvements; vendor performs maintenance

Schedule


Vehicles Implementation
December 2016
FY 14
FY 15
FY 16
FY 17
FY 18
Rollout-1:
Vehicles &
Revenue
Vehicle Data Cleanup
Vehicles Business
Road Mapping
Vehicle System Modernization
Rollout-2:
Drivers &
Revenue
Drivers Data Cleanup
Drivers Business
Road Mapping
Drivers System Modernization
CY 14
CY 15
CY 16
CY 17
CY 18
Contract Signed
January 2015
Drivers Implementation
June 2018

Key project milestones



Risk Mitigation & Management

- Successful COTS Vendor/ Proven Solution
- Stakeholder Engagement
  - agents and subagents
- Governance
- External Quality Assurance
- OCIO Oversight

RUC Challenges

- Vehicle infrastructure is not customer-centric
  - Billing and enforcement are built around the vehicle, not the vehicle's owner(s)
- Modernization project will help DOL definitively connect owners and vehicles
- Our new system may be capable to receive EPA mpg information
  - DOL is not aware of an existing public or private industry source for this service

RUC Challenges

- Track and report RUC decals or separate RUC and registration expiration dates?
- Changes for County Auditors and subagents?
- Managing RUC registration by multiple entities could present challenges to the customer and DOL
  - data/system integration, potential confusion by customers over service providers and billing, etc.