Washington State
Road Usage Charge Assessment

CSG Policy Academy on Electric Vehicles & Alternative Fuels

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August 7, 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

<table>
<thead>
<tr>
<th>Scenario</th>
<th>2040 Average mpg</th>
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</thead>
<tbody>
<tr>
<td>2013</td>
<td>19.5</td>
</tr>
<tr>
<td>2040 Implied state forecast (A)</td>
<td>27.7</td>
</tr>
<tr>
<td>2040 Alternative forecast (B)</td>
<td>34.3</td>
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</tbody>
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**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.
The decay in revenue for the roadway system will creep up on us like the proverbial frog that does not jump out of a slowly warming pot of water.
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.
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).

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
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):

- Privacy
- Transparency
- Cost-effectiveness
- Complementary policy objectives
- Equity
- Simplicity
- Accountability
- Enforcement
- Data Security
- 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.
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
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
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.
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.
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 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**
Alaska
Nebraska
New Mexico
Oklahoma
North Dakota
South Dakota
Wyoming