



# Session 5

## Future of Transportation Funding



**Ray Wolfe (Moderator)**  
Reema Griffith (Washington)  
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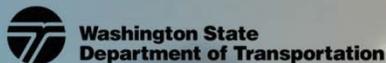
*"A Tradition in San Bernardino County since 1984"*

*#SBCityCounty*

# *Washington State Road Usage Charge Assessment*

## *San Bernardino Associated Governments City/ County Conference*

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# **WASHINGTON STATE'S TRANSPORTATION FUNDING DILEMMA**

# Gas Tax Breakdown

**37½¢** per-gallon Washington state gas tax rate as of July 1, 2008



**-9½¢** 261 specific transportation projects statewide\*  
(2005 Transportation Partnership Projects)

**-5¢** 160 specific transportation projects statewide  
(2003 Nickel Package projects)

Funded 421 projects,  
10,000 jobs annually

**23¢** Base gas tax



**-11¢** Supports cities and counties for local roads



**-4¢** Supports debt service to reduce bond debt that funded past highway and ferry projects

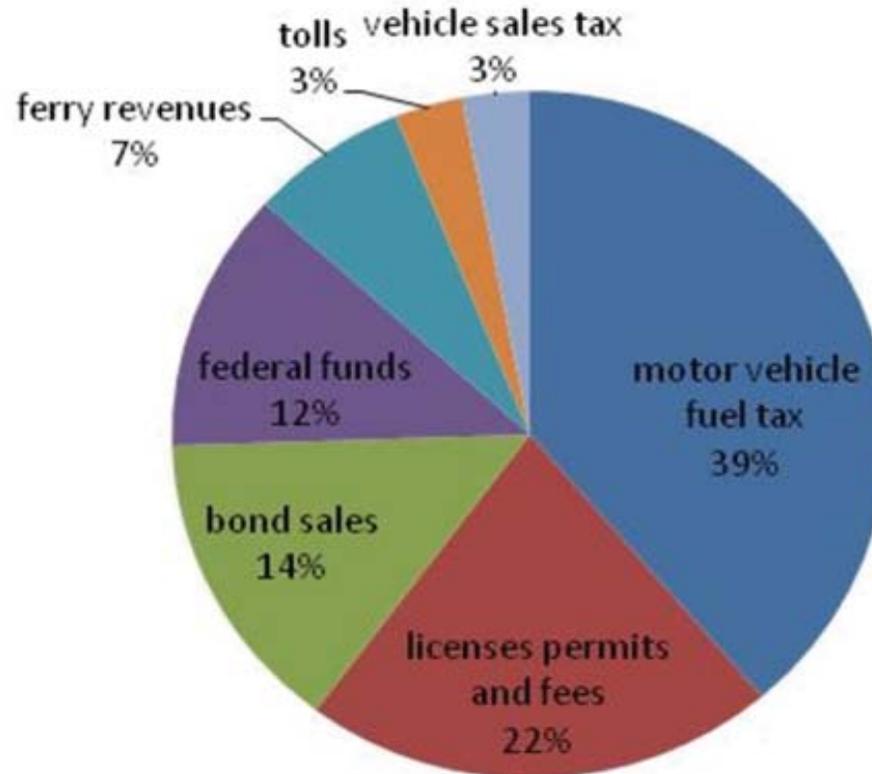


**8¢** Remains for maintenance and operations, as well as preservation, safety improvements and congestion-relief projects for state highways and ferries

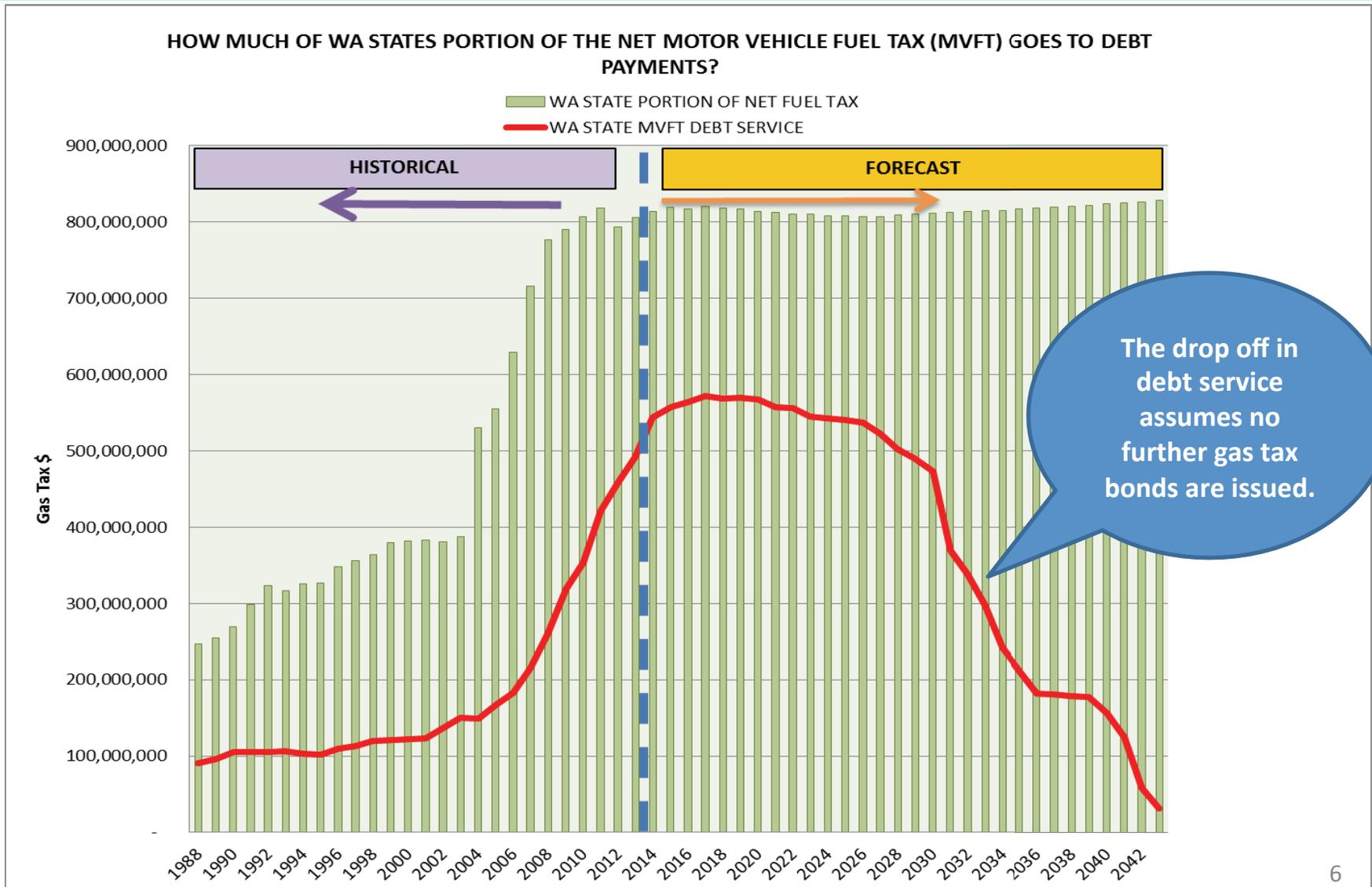
The 14.5 cents has been fully bonded against – all the revenue generated goes to pay for the identified projects and the 30-year debt for those projects.

# Funding Sources for Transportation

## Washington State Transportation 16-Year Funding Sources

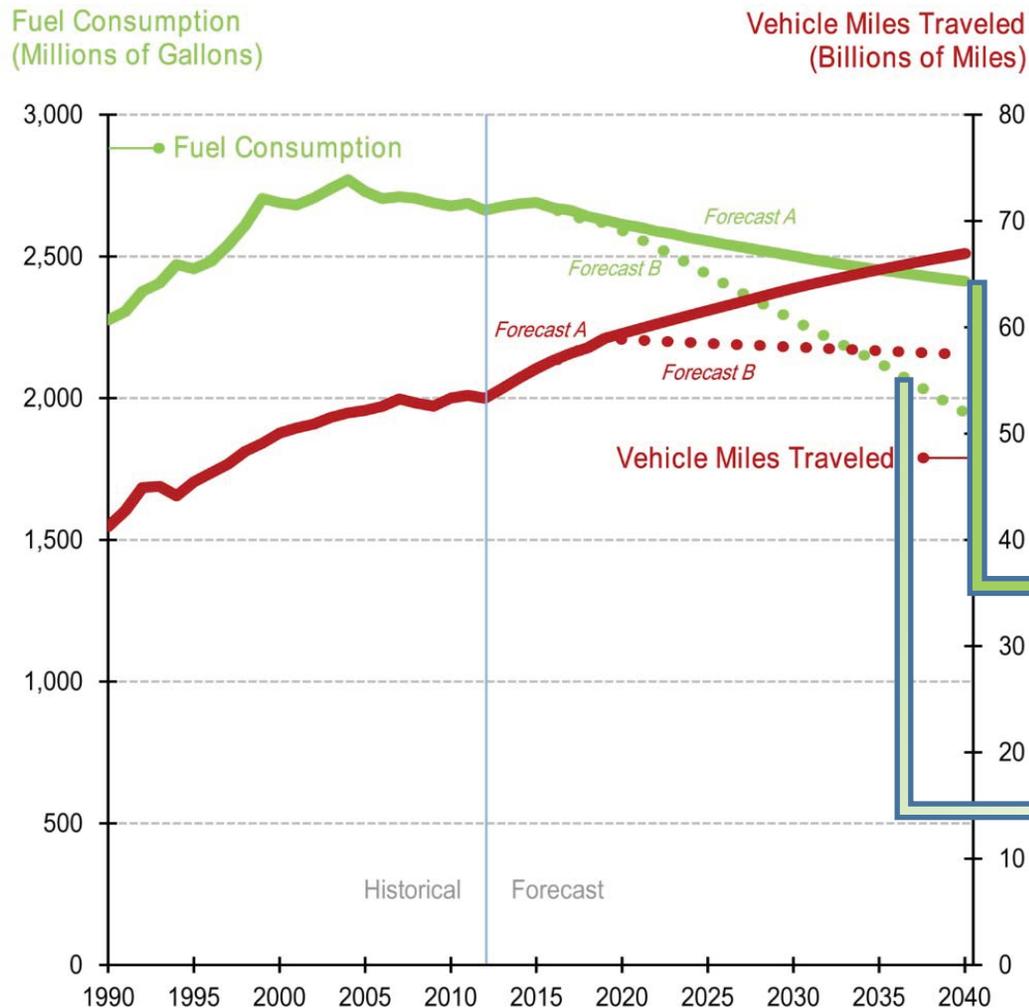


Over the next 13 years, approximately 70% of Washington State's current net portion of fuel tax revenue is obligated to pay for the long-term debt associated with financing past transportation projects.



The pace of fuel economy improvements will determine the level of risk associated with our current revenue structure

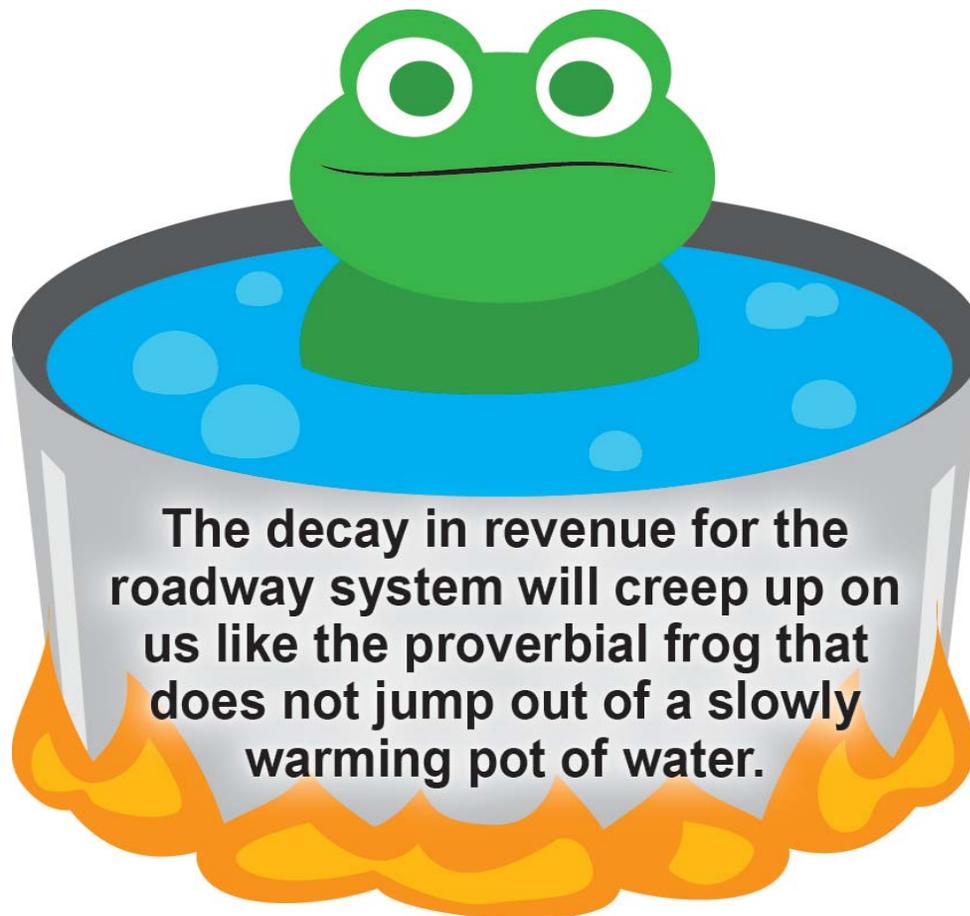
*It's not a matter of "if" – it's a matter of "when" a change will need to happen*



Fuel Economy Assumptions

Scenario	Average mpg
2013 Average	19.5
2040 State forecast	27.7
2040 Alternative forecast	34.3

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



# **MOVING FORWARD IN A SEQUENTIAL MANNER**

## The Road Usage Charge Emerges

**A road usage charge is a per mile charge drivers would pay for the use of the road system, rather than paying by the gallon of gas.**



# Transportation Commission Leads Work

The Transportation Commission is a seven-member body appointed by the Governor. Members come from all over the state – four from areas west of the Cascade Mountains (urban/Puget Sound), and three from areas on the eastside (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 – many topics tend to be controversial and complex.

# Road Usage Charge Assessment

## 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.

# Road Usage Charge Assessment

## 2014 Legislature directed:

- 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.
- **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.



## OUTCOME:

- Transportation Commission recommends demonstration project to test road usage charge approaches, operations, and customer interaction.
- WSDOT issues report on how interstate travel under a RUC could function.
- State Treasurer issues report, noting caution around elimination of gas tax and the role a road usage charge could play in our state financing.

## 2015 Legislature reviewing findings and recommendations.

# The Challenge of Change

The path of a paradigm shift is challenging and is fraught with misinformation, confusion and fear.

Ongoing education & communication is critical.

Facts must be on the forefront.

## Key Public Policy Issues:

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



# Education & Expertise Building

- **Established a 25-member steering committee** comprised of legislators and various stakeholders representing a variety of interests.
- **The steering committee reports to the Transportation Commission and has three primary responsibilities:**
  - (1) Provide advice and guidance on the assessment of a potential road user charge system that could serve as a replacement for the current gas tax.
  - (2) Provide advice on whether such a system merits further exploration and testing.
  - (3) Provide advice and guidance on the development of future work plans and direction.
- **The membership composition is designed to be inclusive of major interest groups** with a most direct interest in the work.
- **The members of the committee over time become representatives on the topic** and help spread the facts to their constituencies and communities.

# Steering Committee Membership

- **Three Commissioners** – One Serves as Chairman
- **Eight Legislators** – four from Senate and four from House of Representatives

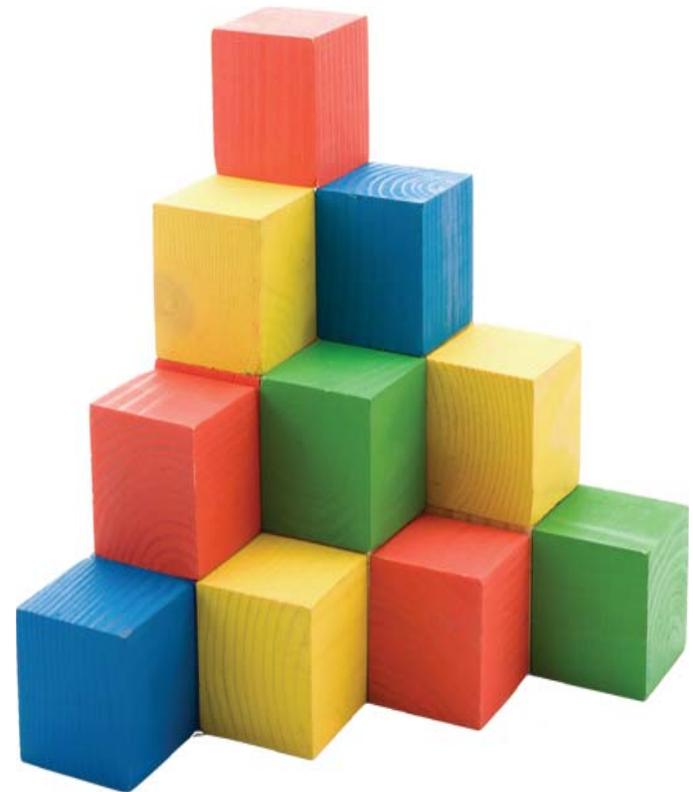
## **Representatives from:**

- Auto and light truck manufacturers
- Ports
- Environmental
- Counties
- Trucking industry
- Cities
- Public transportation
- Consumer/Public
- WSDOT
- Department of Licensing
- Motoring public
- Business
- User fee technology
- Treasurer's Office

# Learning by Planning – “Doing” Comes Later

## What we have learned from our approach:

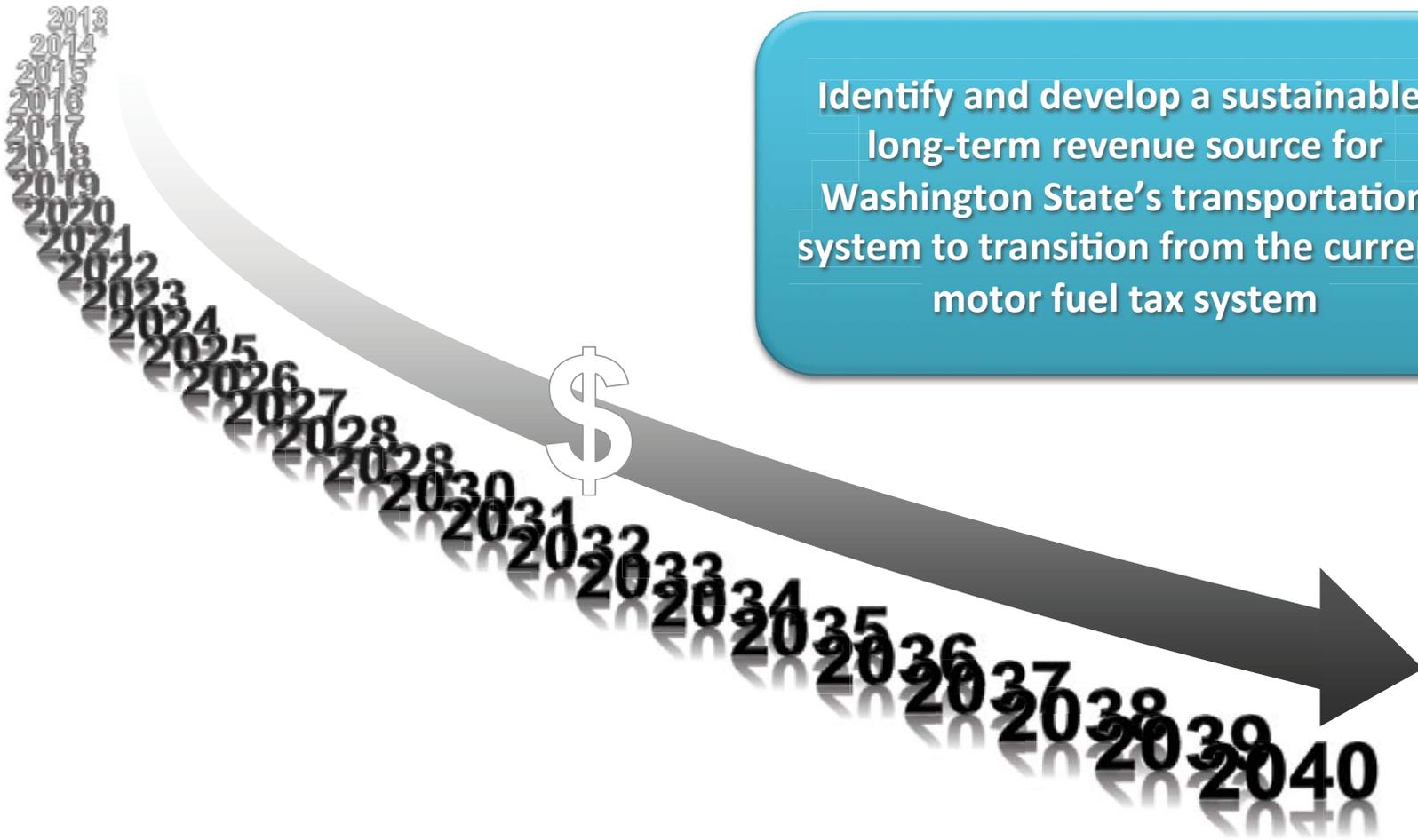
- Following a sequential process in which the first step is building a foundation of knowledge with decision makers and influential stakeholders, allows for smooth progression, informed by data & facts.
- Determining “what” we want before we test or transition, allows us to set the policy parameters by which the system will function and operate. This 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.



# OUR ASSESSMENT TO DATE

# Overarching Goal of Road Usage Charge 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 are continually being refined to address the priority policy topics below (*not in priority order*):

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

- **Need to distinguish between travel on Washington public roads and other roads** (e.g., outside the State).
  - Will require the use of location based technology.
- **Need to be able to charge people from out of state for use of roads.**
  - Keep the gas tax in place as a parallel system to the road usage charge.
  - Drivers will pay either the gas tax or the road usage charge – but **not both**.

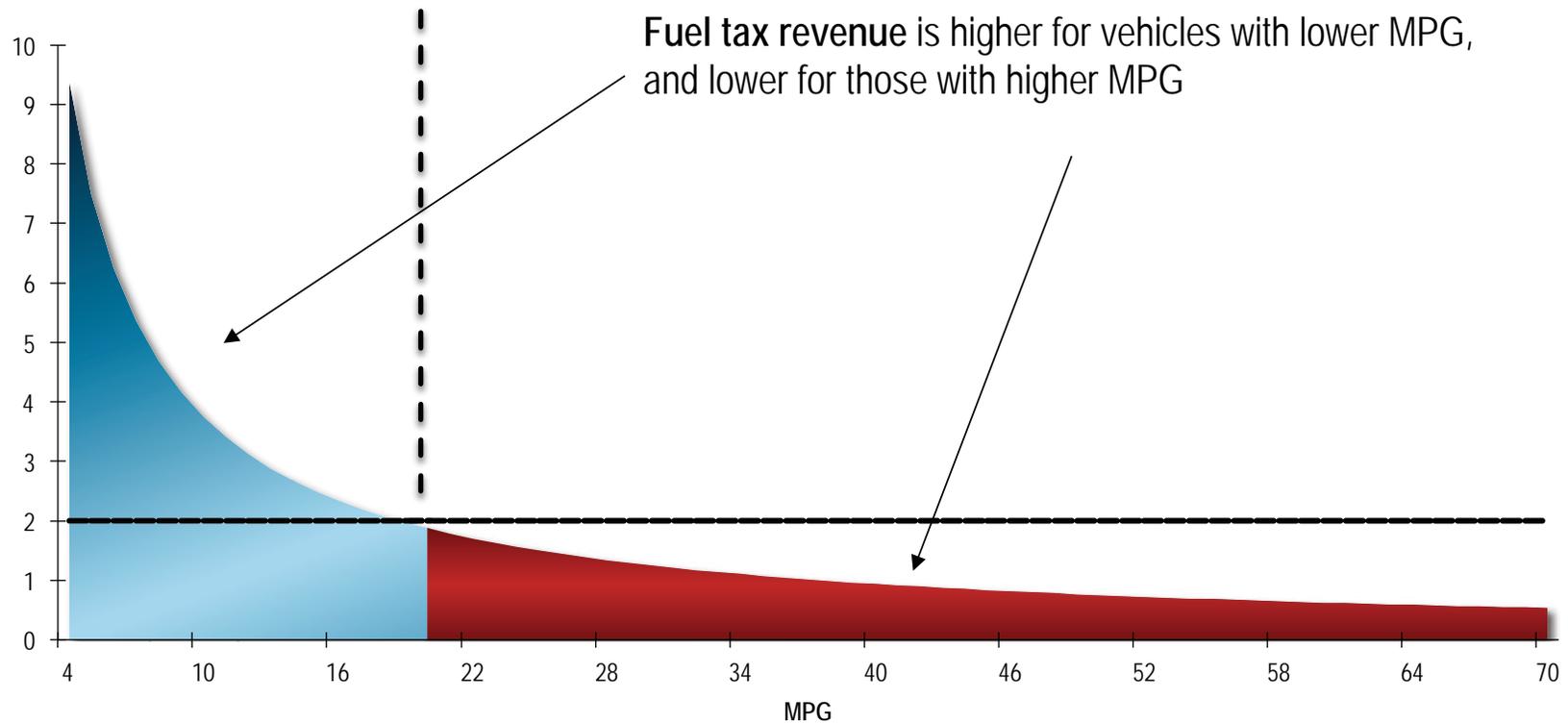
# Who Would Pay the Road Usage Charge & How Much Would it Be?

- We investigated numerous options:
  - All non-diesel vehicles
  - All passenger cars
  - Vehicles less than 26,000 pounds gross vehicle weight regardless of fuel type
  - Vehicles above the average fuel economy rating
  - **Vehicles less than 10,000 pounds GVW regardless of fuel type**
  - **Highly fuel efficient vehicles**
  - **Charge all new vehicles less than 10,000 pounds GVW regardless of fuel type, beginning with model year 2019**
- The three concepts in **red** above, were moved forward in our assessment.
- We have based our financial analysis on a per mile rate that is equivalent to the current gas tax paid by a car that gets the state **average MPG of 19.5 MPG = 1.9 cents per mile.**

# Revenue and Fairness Implications of Taxing Gallons Versus Charging for Miles

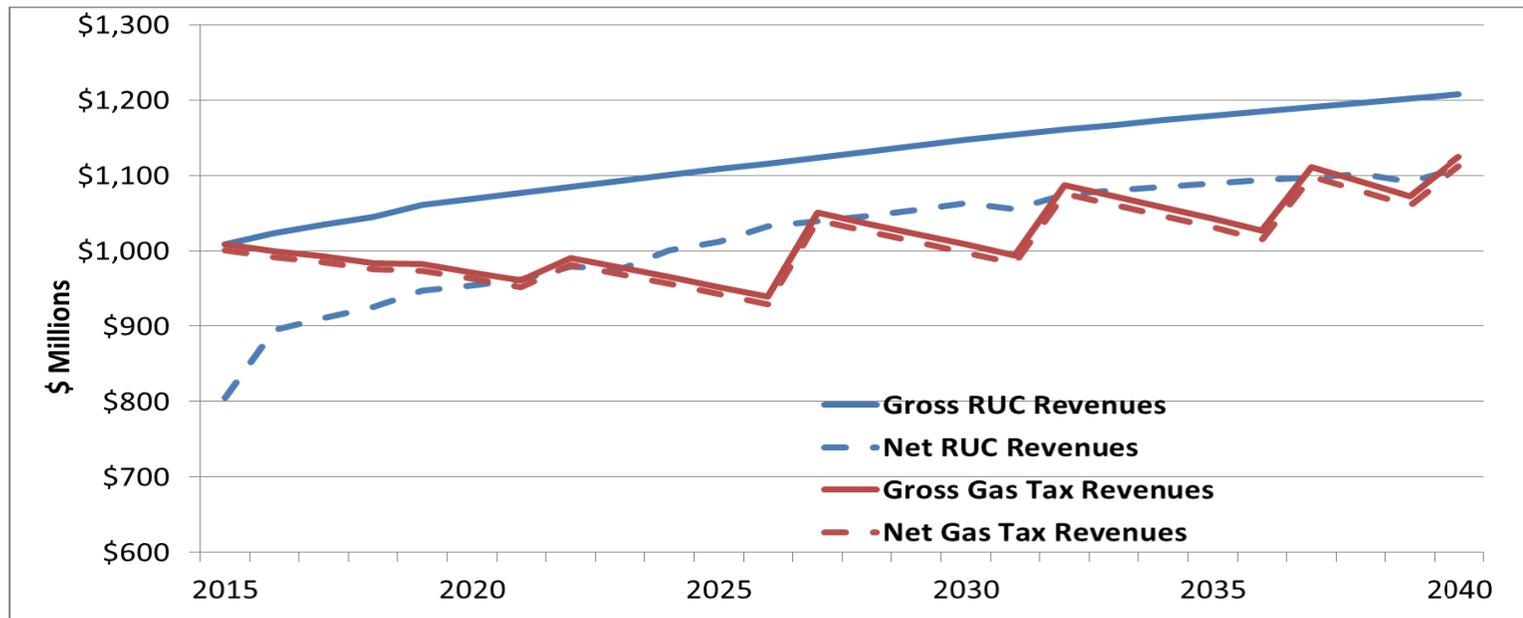
Revenue  
per Mile (Cents)

Per-Mile Fuel Tax Revenue by Fuel Efficiency  
*At 37.5 Cents per Gallon*



# How Much Would the Fuel Tax Have to Increase if We Don't Want a Road Usage Charge?

If the fuel tax was increased annually or periodically



**Raising the fuel tax from 0.5 to 1.1 cents per gallon per year on all vehicles from 2019-2043, or about \$5 every 5 years, will equal net revenues from a road usage charge.**

**This action would not address growing needs for improvements or maintenance – just keeps funding at status quo equivalent.**

# Operational Concepts Assessed

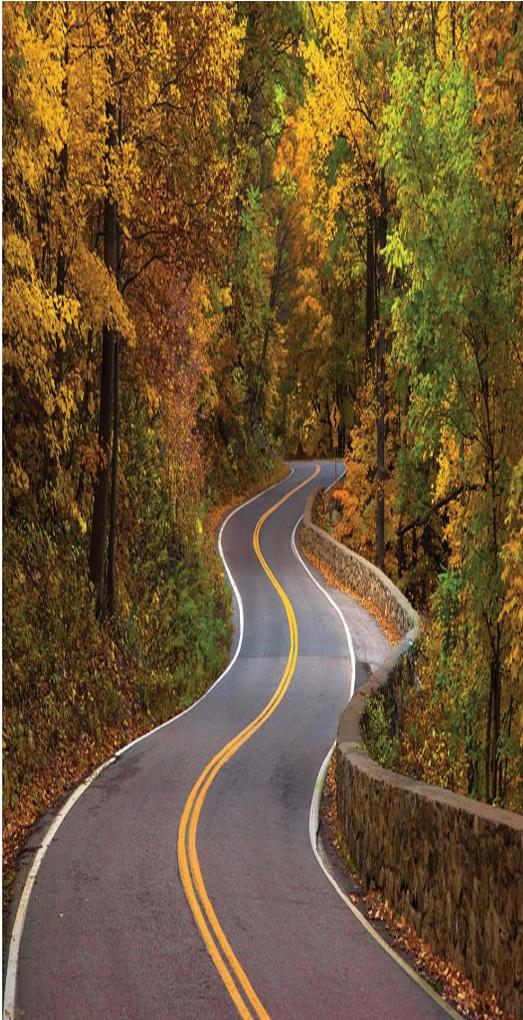
We have focused on four operational concepts to assess a road usage charge system:

- **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 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.



# KEY FINDINGS TO DATE

# Key Findings of the Assessment



- Based on our business case analysis and further financial analysis, we have determined a road usage charge system makes sense for Washington State as a long-term, sustainable funding source.
- Road usage charging ensures everyone pays their fair share for use of the roads.
- Road usage charges will be more costly to collect than fuel taxes.
  - Operating costs range from 3.2 to 9.7 percent of revenue, compared with 0.5 to 0.6 percent for collection of light vehicle fuel tax, over 25 years.
- Fuel tax increases can raise more net revenue in the short-term, than the road usage charge scenarios 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.

## Key Findings To Date (continued)

- Drivers must have a choice for how they will pay a road usage charge.
  - Must have payment options for a road usage charge that do not involve technology.
  
- **The impact of a RUC will not be determined by how far you drive – but rather by WHAT you drive.** For people that drive about 1,000 miles per month, the differences in costs between the current gas tax and an equivalent road usage charge (1.9 cents) are shown below.

Type of car	Miles per gallon	Miles per month	Current fuel tax (or flat rate for electric)	Road usage charge per month	Difference per Month
Pick-up / SUV	15.0	1000	\$ 25.00	\$ 19.00	\$ (6.00)
Average car	19.5	1000	\$ 19.23	\$ 19.00	\$ (0.23)
Fuel efficient car	30.0	1000	\$ 12.50	\$ 19.00	\$ 6.50
Efficient Hybrid	45.0	1000	\$ 8.33	\$ 19.00	\$ 10.67
Electric	N/A	1000	\$ 8.33	\$ 19.00	\$ 10.67

# NEXT STEPS

# Numerous Questions Remain

## Our “parking lot” is full

- Many questions to be resolved
- Many more likely to follow if this work continues

How to operationalize the four road usage charge methods.	How will people react to the proposed road usage charge system?	Public understanding and acceptance of a proposed system.
Per-mile rate setting.	Rate setting for time-based permit.	Vehicles subject to charge.
Charging out of state drivers.	Exemptions.	Refunds.
Dedication of road usage charge revenue.	Motor fuel tax bonds.	Legal issues.
Institutional roles.	Private account managers?	Interoperability with other states.
Interoperability with toll system.	State IT needs.	

# Proposed Demonstration

The Transportation Commission has submitted a proposed approach to a road usage charge demonstration project for the Governor and Legislature's consideration.

- Takes a three-prong approach:
  - **Demonstration Project** – test and evaluate options and identify challenges (details below).
  - **Public attitude assessment** – surveying, focus groups, research & analysis.
  - **Public communications & Engagement** – communicate the purpose, address questions, educate and stimulate discussion.
  
- **Demonstration Project:**
  - **12-month duration** of the demonstration itself, with more time required for advance planning and evaluation.
  - **Involve up to 2,000 Washington State residents from up to five regions** within Washington State to ensure urban, rural and border areas are included in the test.
  - **Test all four road usage charge payment options** that have been part of the Commission study: 1) Annual Permit; 2) Odometer Read; 3) Automated Distance Charge; and 4) Smartphone Application.
  - **Will take approximately 41 months** total from start to finish.
  - Will look for **opportunities to collaborate with other states.**

**THANK YOU**

**CONTACT INFORMATION**

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“Many Parts Make Up A Whole”



*“A Tradition in San Bernardino County since 1984”*

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