

CITY COUNCIL STUDY SESSION**Briefing on the Washington State Road Usage Charge Pilot Project**

Joyce Nichols, Director of Intergovernmental Relations, 452-4225
City Manager's Office

Dave Berg, Transportation Director, 452-6468
Lacey Jane Wolfe, Transportation Policy Advisor, 452-2055
Transportation

DIRECTION NEEDED FROM COUNCIL**INFORMATION
ONLY**

Reema Griffith, Executive Director of the Washington State Transportation Commission (WSTC), will provide an overview of the Road Usage Charge Pilot project that launched in early 2018 and will end in January 2019. The pilot study is testing a road usage charge of 2.4-cents per mile as a potential replacement for the 49.4-cent per gallon statewide gas tax that funds highway projects and transportation infrastructure. As vehicles become more fuel efficient and more drivers opt for electric vehicles, revenue from the gas tax continues to decline each year. Tonight's briefing is an opportunity to learn about the pilot project, ask questions and provide feedback. No Council action is required.

RECOMMENDATION

N/A

BACKGROUND & ANALYSIS

The current statewide gas tax of 49.4 cents per gallon is used to fund the state's roads and other infrastructure. As cars become increasingly more fuel efficient and the number of electric vehicles continues to increase, the revenue from the gas tax to support transportation projects will continue to decrease each year. The Road Usage Charge (RUC) Pilot Project is testing a 2.4-cent per mile charge for light-weight, non-commercial vehicles including gasoline-fueled, hybrid, and electric vehicles. Under this system, drivers would pay a tax based on miles driven, rather than gallons of fuel consumed.

In 2012, the Washington State Legislature directed the WSTC to work with the Washington State Department of Transportation (WSDOT) and a multi-stakeholder steering committee, to determine whether a RUC is a feasible replacement of the statewide gas tax. The steering committee included representatives from the WSTC, the WSDOT, the State Senate and House of Representatives, the Alliance of Automobile Manufacturers, Cascadia Law Group, Clark County Public Works, the University of Washington, Everett Transit, Clark County Public Works, and the Sammamish City Council, among others.

The WSTC and the steering committee evaluated key policy issues, possible operational concepts, possible implementation issues, potential risks and whether there was a business case to be made for a RUC compared to the gas tax. The WSTC concluded that a RUC system is feasible and that it would

out-produce the gas tax in generating funds for transportation projects. Between 2014 and 2016 the WSTC conducted additional analysis reported its findings to the Governor and the Legislature regarding the business case for the RUC, options for operating a RUC and ways to collect mileage data.

The 2016 Washington State Legislature directed the WSTC to develop a RUC Pilot Project Implementation Plan and to seek federal funding for a statewide pilot project. The WSTC and the RUC Steering Committee worked on the Implementation Plan between July and December 2016. In mid-2016 the United States Department of Transportation announced the award of \$3.8 million in federal funds to Washington State for a 2,000-vehicle statewide, live pilot test of a RUC system in Washington.

The pilot project launched in February 2018 and will continue until January 2019 to see if a road usage charge makes sense as a potential replacement for the current gas tax. Participants in the pilot selected one of four mileage reporting options to record and report their mileage for roadway usage. High-tech, low-tech, and no-tech options to report miles driven are being tested during the pilot, including manual reporting of a vehicle's odometer reading to using smartphones or in-vehicle technology to collect mileage data. Following completion of the pilot, the WSTC will analyze the data, weigh policy implications, and provide a report to the U.S. Department of Transportation, the Governor, and the Legislature in 2020. In the following legislative session, policymakers may choose to take legislative action based on the results of the RUC Pilot Project.

POLICY & FISCAL IMPACTS

The concept of replacing the state's gas tax with a RUC presents several policy issues and challenges, such as:

- Security and privacy issues – Concerns about data security and privacy are linked to monitoring miles driven.
 - GPS Tracking. Using a geographic positioning system (GPS) to track vehicle miles traveled would allow differential pricing of the RUC, such as charging more for miles driven during the peak period or for using certain types of roads. That benefit must be weighed against data security risks.
 - Tracking using odometer readings. This low-tech option would not collect information on vehicle location and would not be able to be used to differentiate between miles traveled in-state versus out-of-state.
 - Data Privacy Issues with Third-Party Vendors. The pilot is using several third-party vendors to collect and report vehicle miles traveled. Safeguarding the privacy of this information is a significant concern that has not been fully addressed, but is being studied in the pilot.
 - Out-of-state travel issues. Washington drivers could pay gas tax on fuel purchased in a state that does not have a RUC and when returning to Washington State would be charged a RUC, which would create a double taxation situation.
 - Charging out-of-state drivers. if Washington State imposes a RUC in place of the

statewide gas tax, it would be challenging to charge out-of-state drivers for operating vehicles on Washington roads. The RUC pilot is testing various ways of meeting this challenge.

- Equity – The existing statewide gas tax disproportionately impacts drivers of vehicles with lower fuel economy. The average Washington driver pays 2.4-cents-per-mile in-state gas tax. When driving 1,000 miles, a 2007 Ford F-150 will incur approximately \$23 more in gas tax than the driver of a 2016 Toyota Prius. A RUC would potentially balance the taxes incurred by these two vehicle types.
- Fiscal Impacts. Replacing the statewide gas tax with a RUC could impact city revenue for transportation projects. Of the 49.4-cent-per-gallon fuel tax, approximately 11-cents is allocated on a per capita basis to cities and counties to fund local roads. In 2019, Bellevue is estimated to receive about \$3 million in gas tax revenue. Depending on how the RUC is implemented, the ultimate impact to Bellevue and other cities is unknown at this time.

OPTIONS

N/A

ATTACHMENTS & AVAILABLE DOCUMENTS

N/A

AVAILABLE IN COUNCIL LIBRARY

N/A