

CITY COUNCIL STUDY SESSION

Update on the Washington State Transportation Commission Road Usage Charge Pilot Project

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DIRECTION NEEDED FROM COUNCIL**INFORMATION
ONLY**

Reema Griffith, Executive Director of the Washington State Transportation Commission (WSTC), will provide an update of the Road Usage Charge (RUC) Pilot project that launched in early 2018 and ended in January. The pilot study tested a RUC 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 is remaining flat while transportation needs grow.

Council was last briefed on this issue in September 2018. At that time, several Councilmembers asked questions regarding privacy issues and indicated an interest in receiving a briefing when the pilot project was complete.

No Council action is required at this time. Tonight's update is an opportunity to learn about the pilot project results, ask questions and provide feedback.

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 not grow. The RUC Pilot Project tested a 2.4-cents 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 includes representatives from the WSTC, the WSDOT, the State Senate and House of Representatives, the Alliance of Automobile Manufacturers, the County Road Administration Board, the University of Washington, Everett Transit, and the City of Issaquah, 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 and 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. The state received \$8.5 million in federal funds for a 2,000-vehicle statewide, live pilot test of a RUC system in Washington. The pilot project launched in February 2018 and ended in January.

Participants in the pilot selected one of four options to record and report their mileage for roadway usage. High-tech, low-tech, and no-tech options to report miles driven were tested during the pilot, including manual reporting of a vehicle's odometer reading and using smartphones to collect mileage data.

The WSTC is analyzing the RUC for its potential to be the primary funding source for the statewide transportation system, replacing the gas tax. The state will continue using tolling to pay for specific projects, with revenues dedicated to the corridor where the tolls were generated. During the pilot project, participating drivers paid a RUC and tolls, like the existing system where drivers pay gas taxes and tolls.

Participants completed surveys at the beginning, middle, and end of the 12-month pilot project. During that time, participant support for implementing a RUC as a replacement to the gas tax rose from about 50 percent to about 70 percent. At the end of the pilot project about 60 percent of participants advised moving forward to implement a RUC system or gradually phase it in over a five- to 10-year period. Participants identified privacy, simplicity, and data security as the top three priorities for implementing potential RUC system.

In January, the WSTC will submit a report to the Governor, State Legislature, and the USDOT on the findings and recommendations from the pilot for consideration by policymakers.

POLICY & FISCAL IMPACTS

Policy Impact

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.
 - Geographic positioning system (GPS) tracking. Using a 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 so miles traveled in-state versus out-of-state could not be differentiated.
- 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.
- 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.
- 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 \$13 more in gas tax than a 2010 Ford Fusion. A RUC would potentially balance the taxes incurred by these two vehicle types.

Fiscal Impact

Replacing the statewide gas tax with a RUC could impact city revenue for transportation projects. Of the 49.4-cents-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. The longer-term impact to local governments is not known at this time and will depend on choices made by the Legislature.

OPTIONS

N/A

ATTACHMENTS & AVAILABLE DOCUMENTS

N/A

AVAILABLE IN COUNCIL LIBRARY

N/A