



# Agenda

- Presentation of 2015 Revised Business Case Analysis
- FAST Act Federal Transportation Reauthorization Update
- Roadmap: a Pathway to RUC in Washington
- RUC Technology Spotlight
- Steering Committee's Proposed 2016 Work Plan
- Discussion of Commission Recommendations to Legislature

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# Revised Business Case Analysis Topics

- RUC cost of collection
- Three fuel economy scenarios
  - Stuck In Traffic
  - CAFE Detroit
  - Shift Happens
- Three policy alternatives
  - Flat fuel tax
  - Indexed fuel tax
  - Transition to RUC

# RUC Cost of Collection Components

## One-time setup costs

- IT (software and hardware) development and testing
- Business process development
- Staff training
- If using third-party vendors:
  - Procurement/acquisition
  - Certification

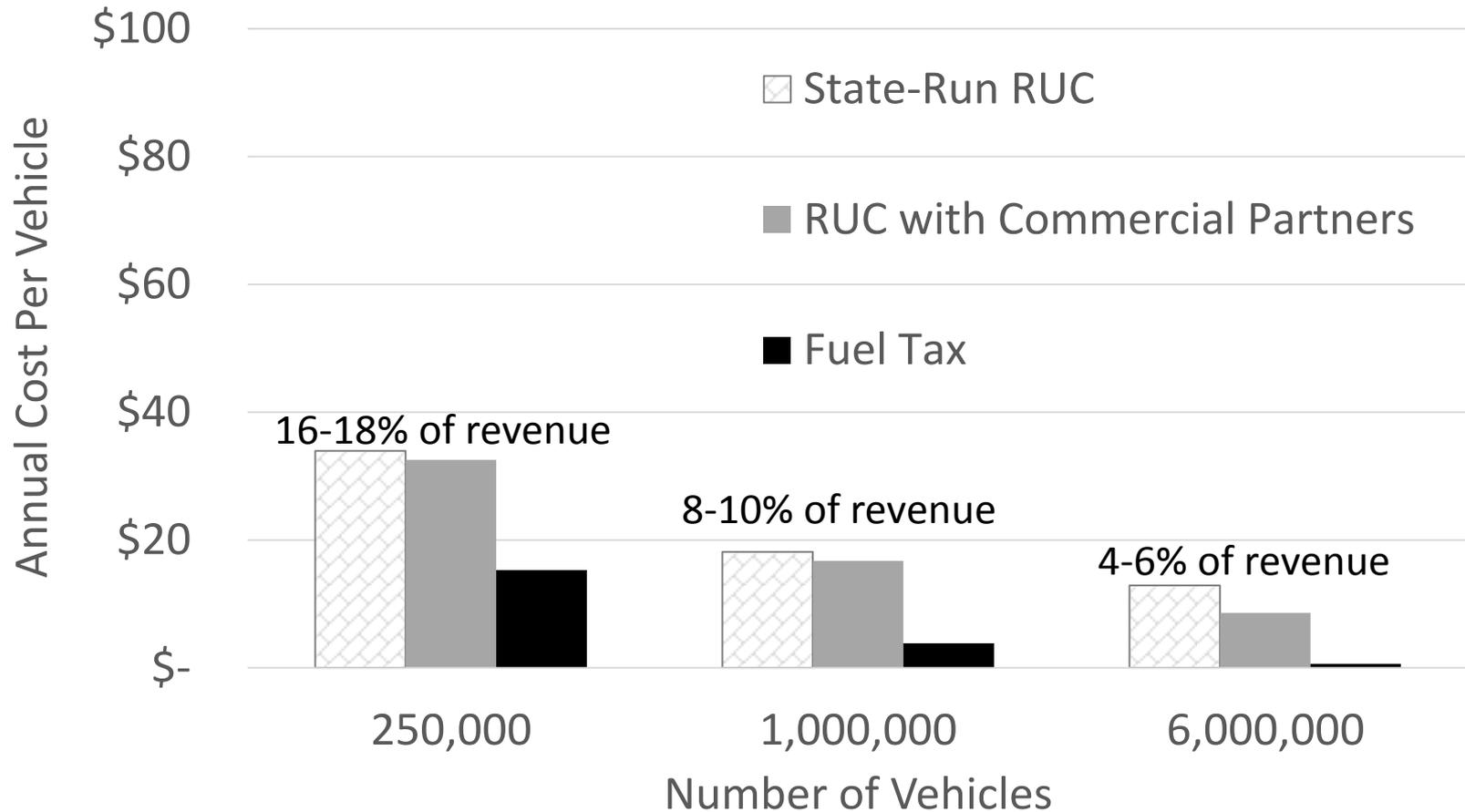
## Ongoing operational costs

- Account management
  - Mileage reporting
  - Transaction processing
  - Customer service
- Audit
- Enforcement
- Program management
- If using third-party vendors:
  - Vendor audit
  - Contract management

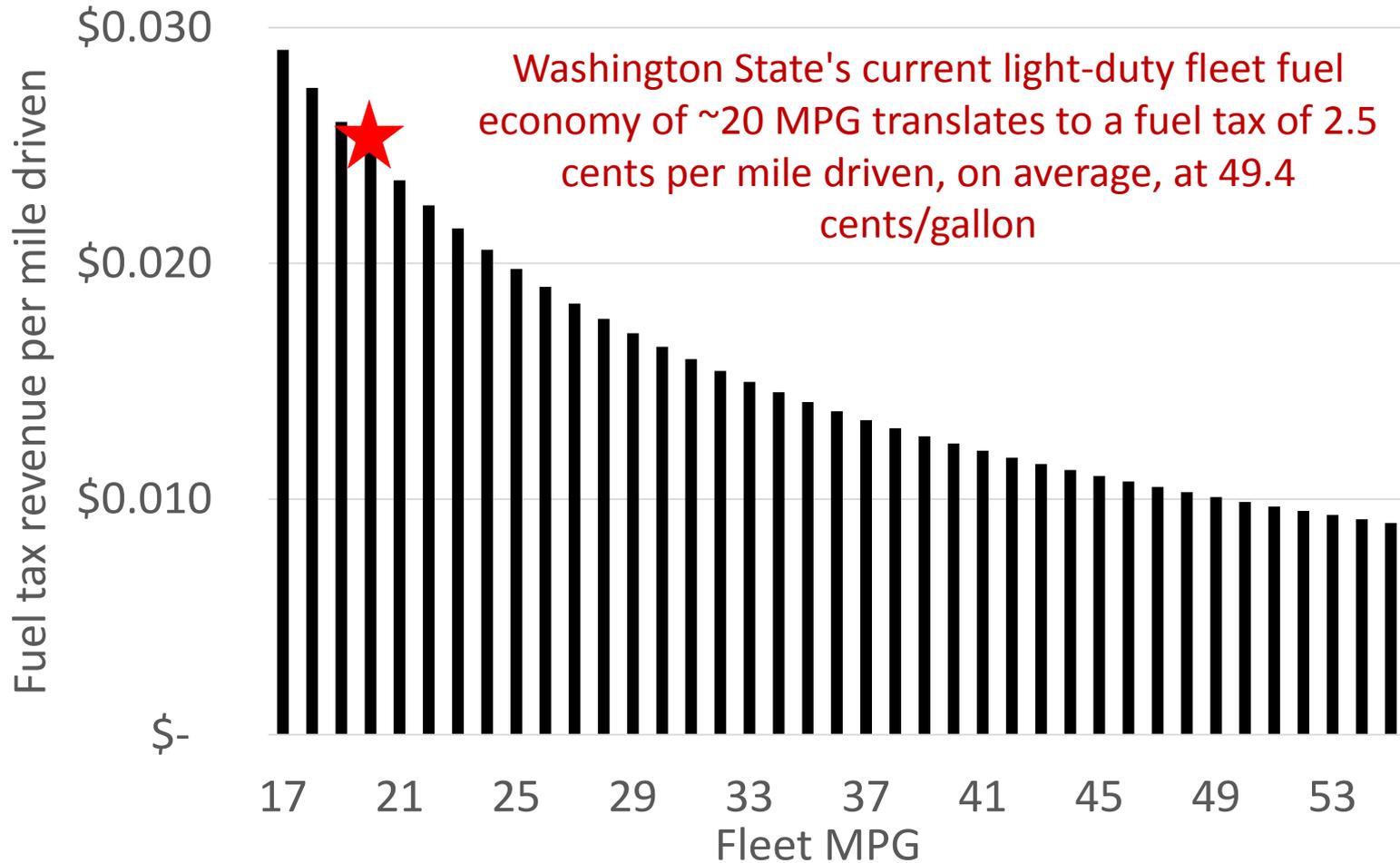
# Potential Advantages of Commercial Partners

- Easier to keep pace with technology
- Competition and value-added services drive cost efficiencies and customer (taxpayer) acceptance
- Easier to interoperate and share costs with other jurisdictions
- Allows state to focus on core public functions of oversight, audit, and enforcement
- Some customers may prefer or even be required to use a state account manager

# Cost of Collection Summary



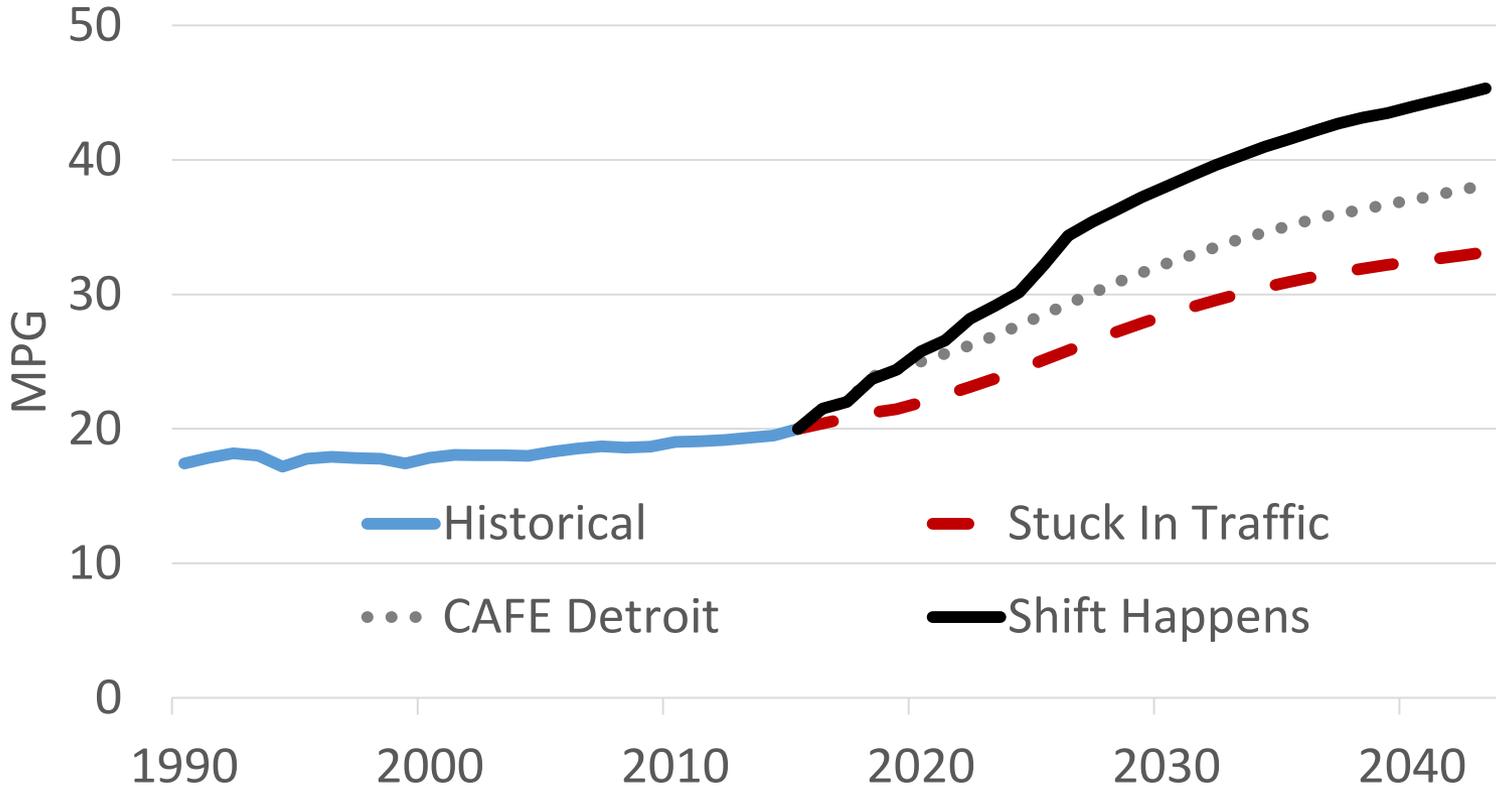
# Fuel Economy vs. Fuel Tax



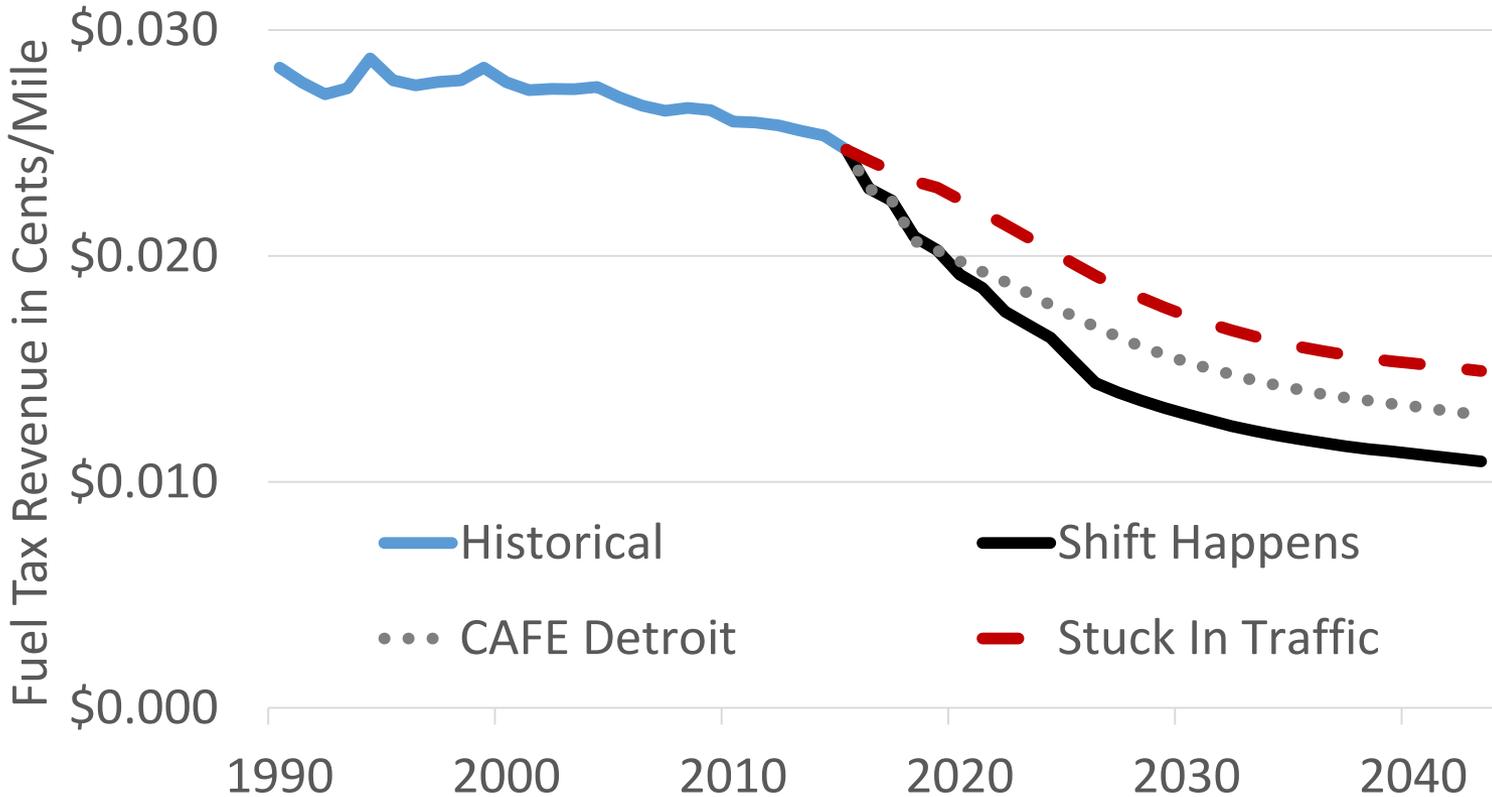
# Three Illustrative Scenarios

- **Stuck In Traffic:** MPG improves slowly due to persistent low oil prices that result in purchases of lower MPG vehicles, increased congestion leading to lower on-road MPG, and slower fleet turnover.
- **CAFE Detroit:** MPG improves in line with U.S. EIA expectations based on automaker technology improvements driven in part by automaker technology improvements in conventional engines (EVs and PHEVs are less than 2% of new sales by 2040).
- **Shift Happens:** MPG improves quickly due to faster adoption of EVs and PHEVs (20% of new sales by 2040).

# Light Vehicle Fleet MPG Scenarios



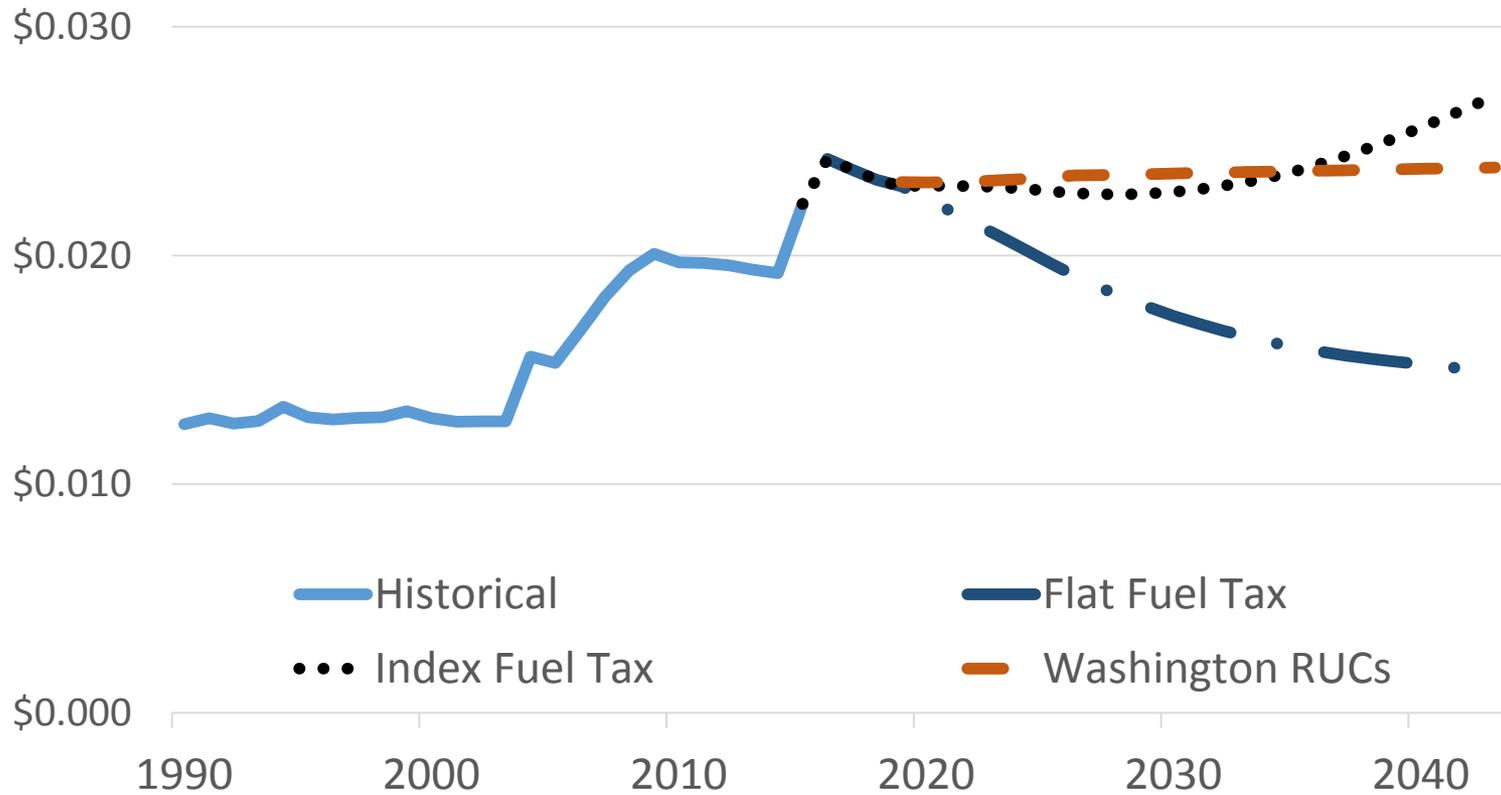
# Light Vehicle Fuel Tax Scenarios at 49.4 cents/gallon



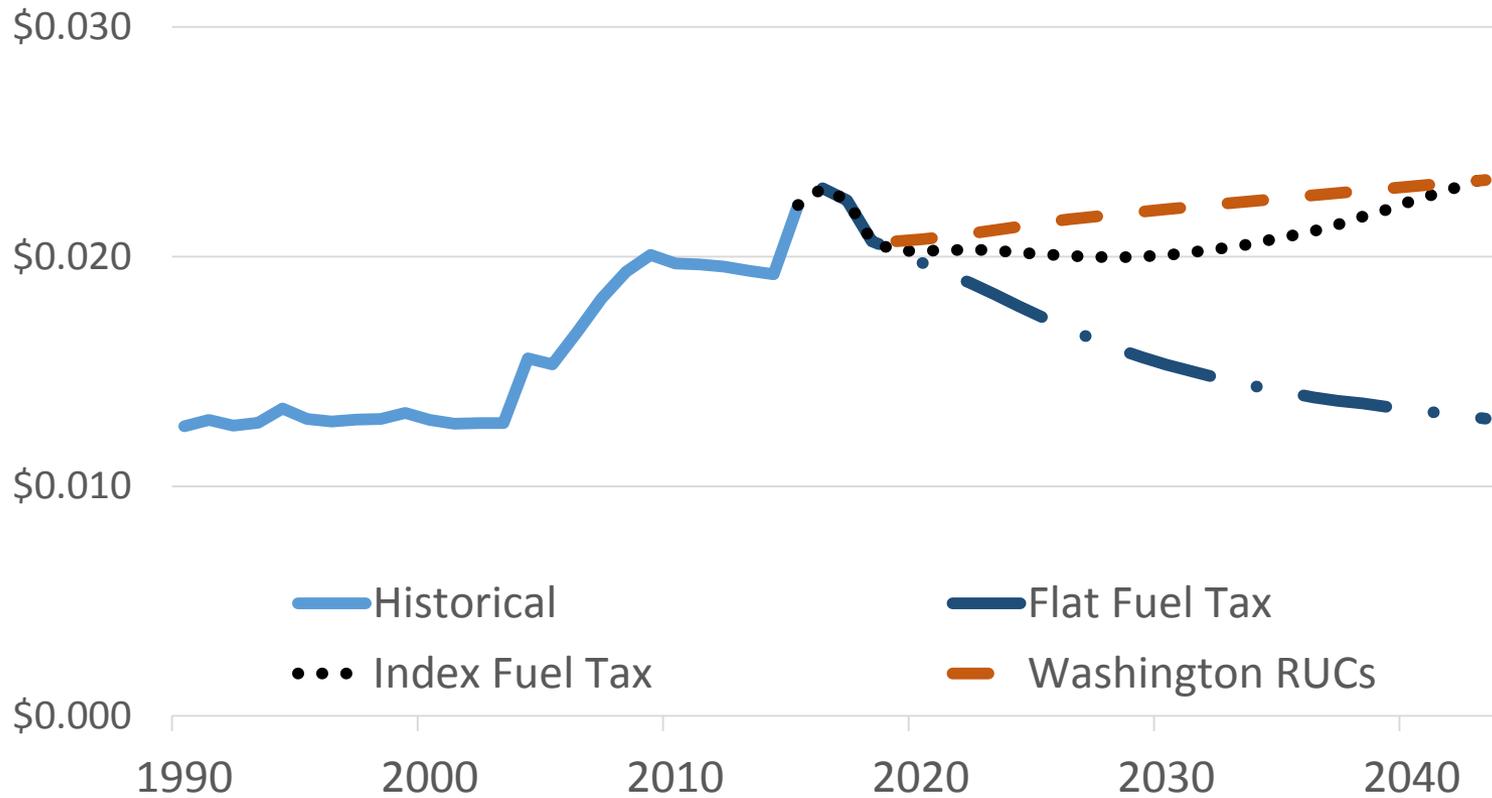
# Policy Alternatives

- Fuel tax flat at 49.4 cents/gallon
- Index fuel tax at 2.5% increase per year
  - 57 cents/gallon by 2025
  - 83 cents/gallon by 2040
- Transition to RUC at 2.5 cents/mile
  - Begins in 2019
  - Vehicles MY2018 and older continue to pay flat 49.4 cents/gallon fuel tax

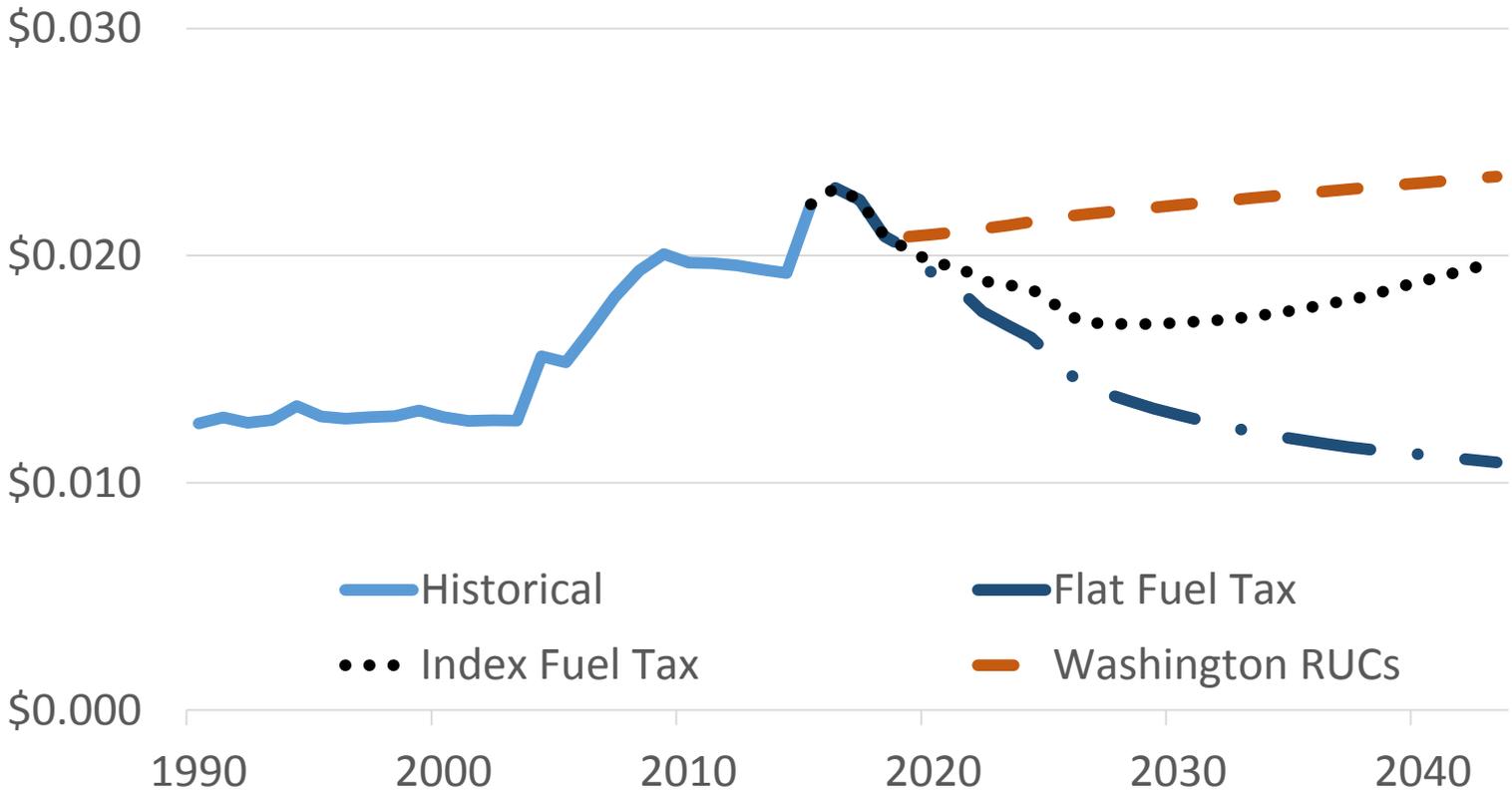
# Stuck In Traffic



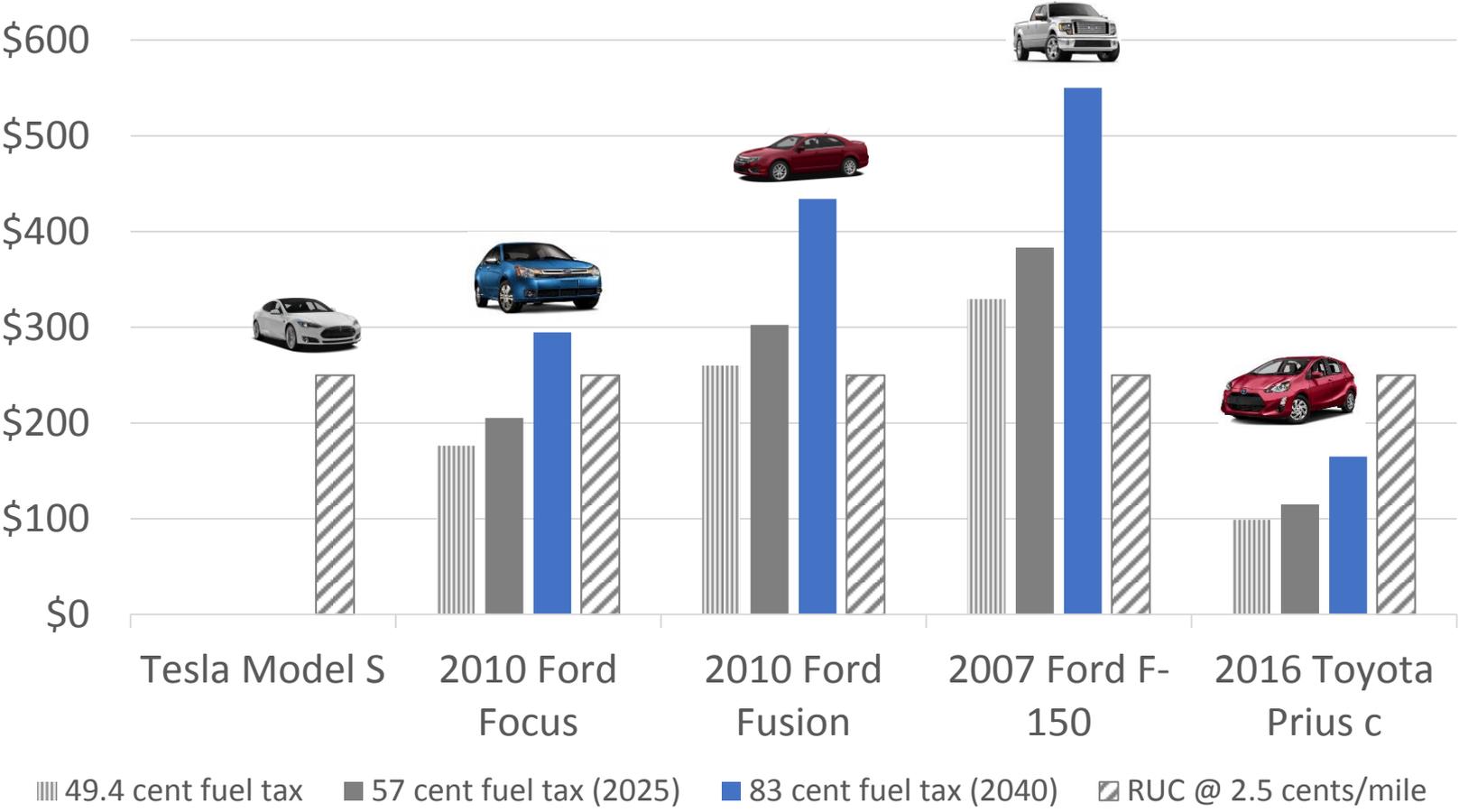
# CAFE Detroit



# Shift Happens



# Comparison of Impact of Policies by Vehicle Type



*Assumes 10,000 miles driven*

# Summary of Results

Alternative	Goal: Long Term Revenue Sustainability vs. MPG   vs. Inflation   Overall	Guiding Principle: Fairness	Guiding Principle: Cost Effectiveness
Flat Fuel Tax	○   ○   ○	◐	●
Index Fuel Tax	○   ●   ◐	○	●
Washington RUCs	●   ○   ◐	●	<p>short → medium → long</p>

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# FAST Act: Federal Transportation Reauthorization



- December 1: Agreement reached
- December 3: House passes bill
- December 4: Senate passes bill
- December 4: President signs bill

## Key issues:

- 5-year bill provides \$305 billion in federal funding
- \$95 million for user-based transportation funding demonstrations for states

# FAST Act Grant Funding for RUC Pilots

Provision	Contents
Multi-year funding	FY 2016: \$15 million FY 2017-21: \$20 million/year
Match funding	50% state match
Grant purpose	Demonstration activities
Reporting structure	Grant Recipient → Secretary → Public Report Online
Toll Relation	Revenues from demonstrations are not defined as tolls for federal purposes

# Meeting Agenda

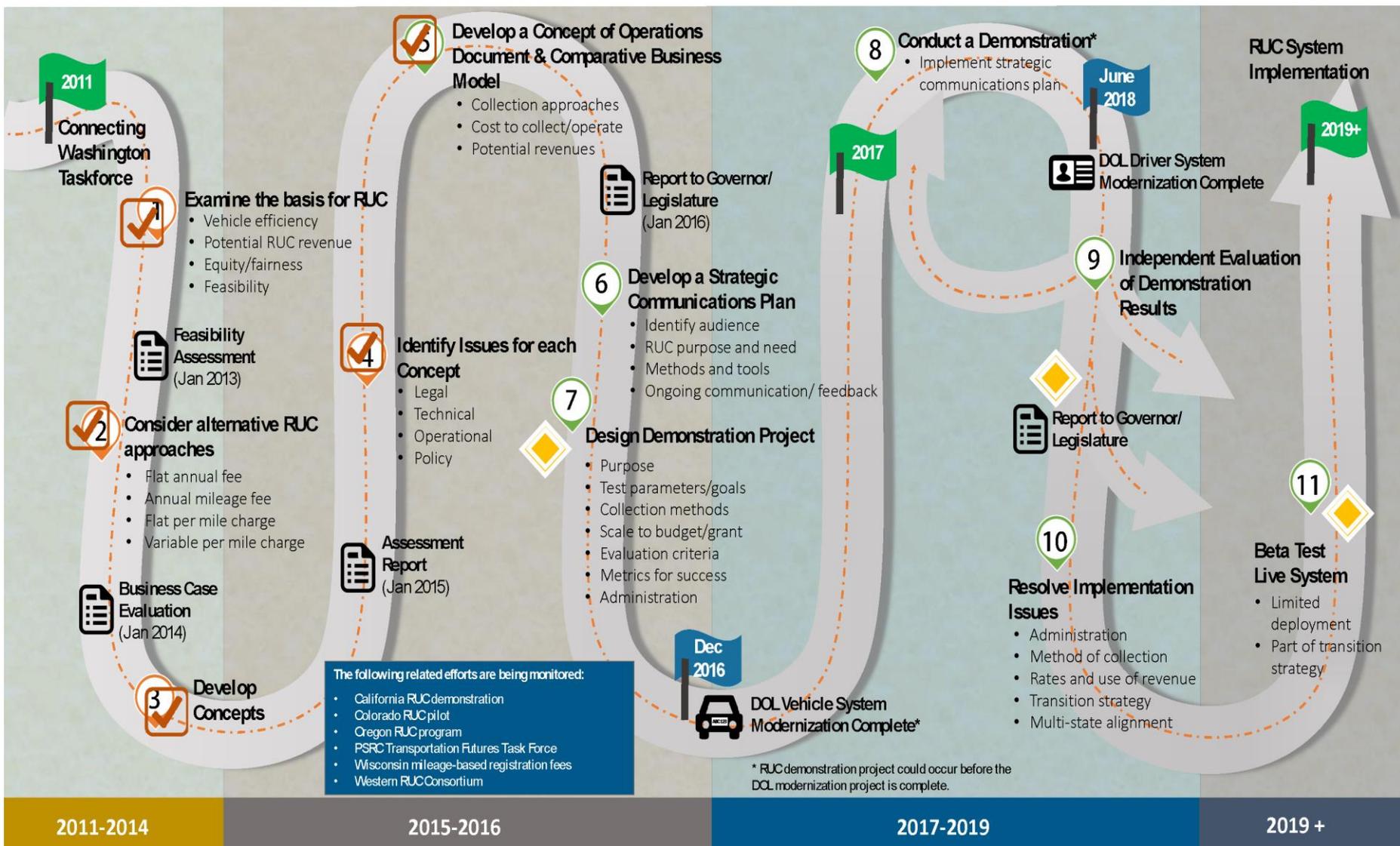
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## Why explore a Road Usage Charge?

- Diminishing returns from motor fuel tax
- Growing tax discrepancies based on vehicle type, instead of actual roadway use
- Sustainable revenue needed to bolster or replace existing transportation fund sources

## Initial exploration to RUC system implementation:

- Research Milestones
- Completed Milestones
- Report to Governor/Legislature
- Development Milestones
- WSTC/Steering Committee Review



The following related efforts are being monitored:

- California RUC demonstration
- Colorado RUC pilot
- Oregon RUC program
- PSRC Transportation Futures Task Force
- Wisconsin mileage-based registration fees
- Western RUC Consortium

\* RUC demonstration project could occur before the DCL modernization project is complete.

# RUC Roadmap in Washington

## Past (2007 – 2015)

- RUC Exploration
- RUC Investigation
- RUC Design

## Present (2015 – 2016)

- Demo Preparation
  1. Prioritize unresolved issues
  2. Develop evaluation criteria
  3. Develop strategic communications plan
  4. Final design of demonstration test

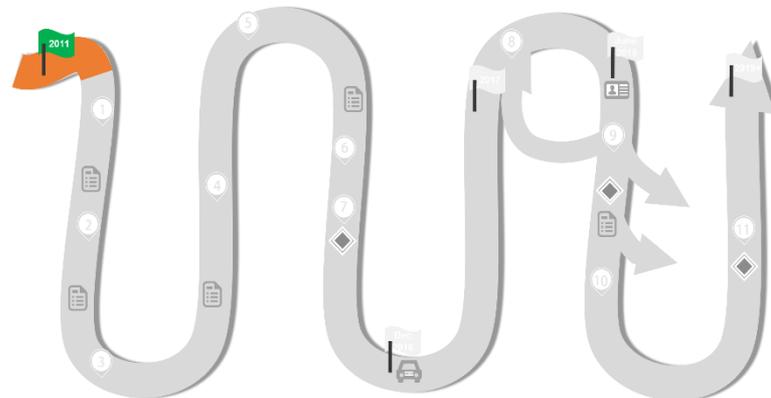
## Future (2017+)

- Live Demonstration
- Evaluation
- Revisions
- Pre-implementation
- Implementation

# RUC Roadmap in Washington

## RUC Exploration

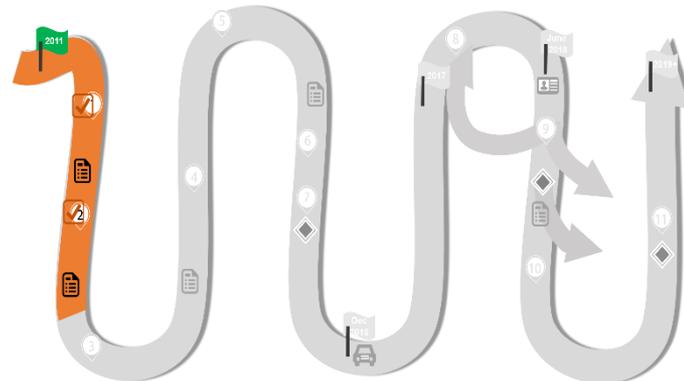
- **2007** – Long-Term Transportation Financing Study
- **2008** – Puget Sound Regional Council’s Traffic Choices study (2007)
- **2009** – Implementing Alternative Transportation Funding Methods
- **2011** – WSTC pledges joint cooperation with Oregon and California
- **2011** – Governor’s *Connecting Washington* Blue Ribbon Task Force



# RUC Roadmap in Washington

## RUC Investigation

- 1 Legislature creates the RUC Steering Committee
- 2 Feasibility Assessment
- 2 Desirability Assessment
- Business Case Evaluation



# RUC Roadmap in Washington

## RUC Design

- 3 Develop higher-level concepts for how RUC might work
  - 4 Issues registry (“policy issue parking lot”)
  - 5 Develop Concept of Operations (“blueprint”) for RUC
-  Detailed business case evaluation



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# RUC Roadmap in Washington

## Demo Preparation

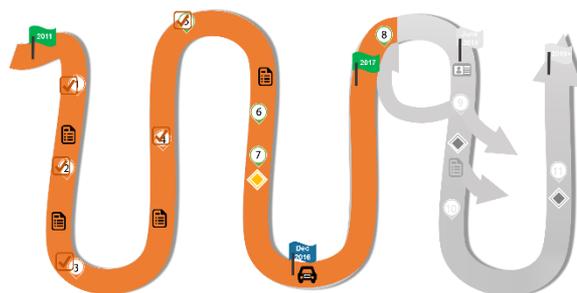
Prioritize and Address Unresolved Policy Issues

Develop Evaluation Framework

6 Develop Public Input and Communications Plan

7 Design the Demonstration Project

Leverage Other Resources



# RUC Roadmap in Washington

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## Future (2017+)

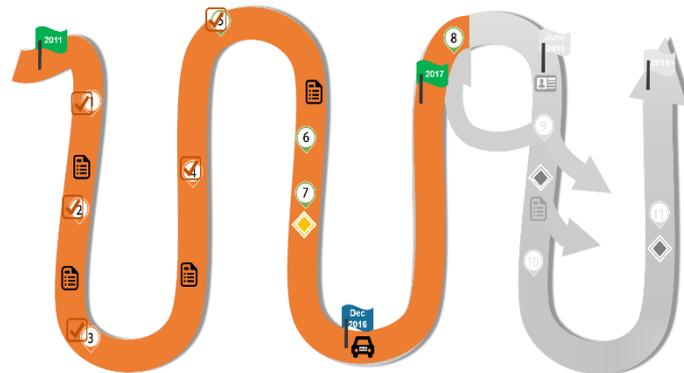
- Live Demonstration
- Evaluation
- Revisions
- Pre-implementation
- Implementation

# RUC Roadmap in Washington

## Live Demonstration Test

Implement the Public Input and Communications Plan

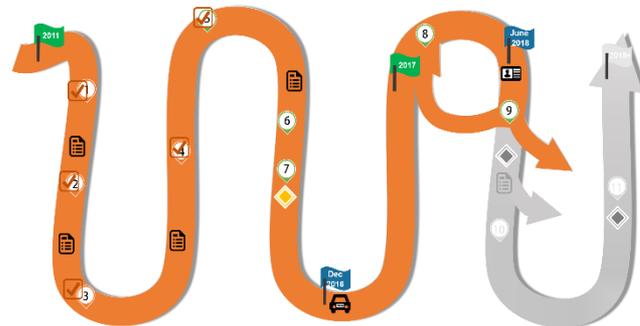
8 Implement the Demonstration Project



# RUC Roadmap in Washington

## Evaluation

- 9 Full assessment of demo's performance against Evaluation criteria and performance measures
- Hard stop – Evaluation report delivered to legislature

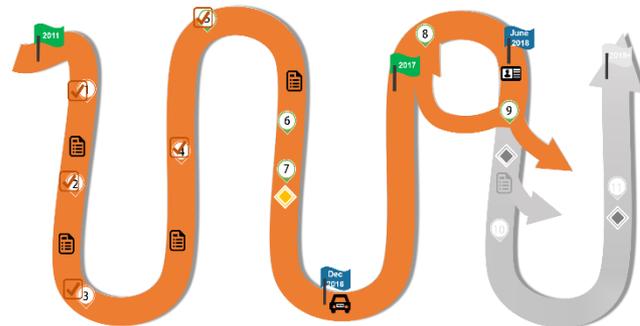


# RUC Roadmap in Washington

## Revisions

If Legislature authorizes continued work, revisions to RUC system made.

Revisions based on acceptance factors detected in demo test, and any further legislative direction.



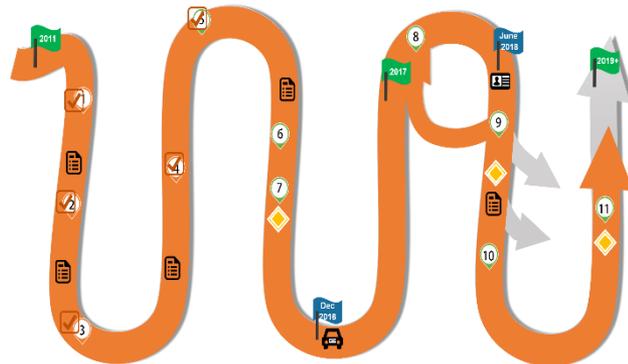
# RUC Roadmap in Washington

## Pre-Implementation Activities

Organizational design

10 Resolve remaining implementation issues (Tier 3)

11 Beta test the live RUC system



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# RUC Technology Spotlight Session

## **Presentations for the Steering Committee from four firms:**

True Mileage, Seattle WA: Ryan Morrison

Vehcon, Atlanta GA: Fred Blumer

Azuga, San Jose CA: Nate Bryer

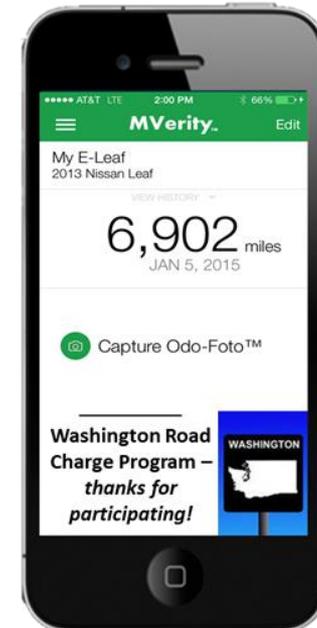
SmartCar, Mountain View CA: Alex Harvey-Gurr

- Founded 2011
- Seattle-based firm focused on data analytics for insurance companies
- Privacy-centric approach to reporting mileage using analytics or NFC-based in-vehicle devices that work with smartphones





- Founded 2012
- Uses photos to collect vehicle data including odometer readings for analytics including insurance industry
- Extensive data validation system to ensure accuracy



- Founded 2012
- Fleet services telematics company was the first Commercial Account Manager (CAM) to be certified for RUC collection in Oregon
- Provides end-to-end reporting technologies, account management, and customer support for RUC as well as value-added services





- Founded 2014
- Silicon Valley startup provides data from on-board telematics systems including mileage, fuel, and location based
- No new equipment required; activation of data sharing based on user opt in



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# Summary of Proposed 2016 Work Plan

1. Address prioritized unresolved policy issues
2. Develop an evaluation framework for a demonstration
3. Design a public input and communications plan
4. Create a demonstration plan that works for Washington

# 1. Address prioritized unresolved policy issues

## Tier 1: Address prior to a demonstration

- How to operationalize the four road usage charge operational concepts
- Whether and how to charge out-of-state drivers
- Mileage exemptions
- Refunds
- Private account managers
- Public understanding of a proposed system
- Motor fuel tax bonds
- Interoperability with other states

## Tier 2: Address as part of a demonstration

- How will motorists react to the proposed RUC system?
- Public acceptance of a proposed system
- State IT needs
- Institutional roles

## Tier 3: Address outside the scope of a demonstration

- Per-mile rate setting
- Dedication of RUC revenue
- Interoperability with toll system
- Rate setting for time-based permit
- Vehicles subject to charge
- Legal issues (e.g., Interstate Commerce Clause, status of RUC as a tax or fee)

## 2. Develop evaluation framework for a demonstration project

### **Example:**

**Guiding Principle:** Transparency

**Objective:** A RUC system should provide transparency in how the transportation system is funded

**Example Criterion:** improvement in understanding of how transportation system is funded among participants

**Demonstration measurement method:**  
Participant surveys

# 3. Design a public input and communications plan

*A strategic communications plan* provides the framework for engagement on all aspects of advancing RUC in Washington:

- Communicate the purpose and details of the demonstration
- Address questions about road usage charging
- Assessment of understanding and baseline opinions about RUC as a source of revenue

# 4. Create a demonstration plan that works for Washington

- Articulate the need for and purpose of a demonstration
- Define key parameters that reflect the guiding principles and evaluation criteria, such as:
  - Location, number, and type of participants
  - Degree of agency involvement
  - Concepts to test
  - Duration of test
- Leverage other activities:
  - Approaches in other states
  - Western RUC Consortium (WRUCC)
  - Federal Grant Funding
  - DOL's Vehicle System Upgrades

# Proposed 2016 Work Plan Budget

Task	Budget
1. Address policy questions	\$98,750
2. Evaluation framework	\$123,750
3. Public input and communications plan	\$133,750
4. Create a demonstration plan	\$243,750
Total	\$600,000

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# Outline of 2015 Report to the Legislature & Governor (1/2)

- **2014 Steering Committee**
  - Members and affiliations
- **Prologue / Executive Summary**
  - Summary of where we are, what lies ahead and how the Steering Committee recommends we get there.
- **Section 1: Introduction**
- **Section 2: Work done to date in Washington on Road Usage Charge**
- **Section 3: Legislative Direction and 2015 Work Plan**
- **Section 4: Recent and Emerging Transportation Funding and Policy issues at the Federal, State and Local Level related to Road Usage Charge**

# Outline of 2015 Report to the Legislature & Governor (2/2)

- **Section 5: RUC Business Case Analysis Update**
- **Section 6: Status of Road Usage Charging Initiatives in the US and Other Countries**
  - Oregon, California, Wisconsin, Other Countries
  - Western State Road Usage Charge Consortium
- **Section 7: Moving forward to explore RUC in Washington: The Roadmap**
- **Section 8: Work Program Priorities for 2016**