

POLICY BRIEF

The Road Usage Charge: Pilot project vs. likely policy outcomes

By Mariya Frost,
Director, Coles Center for Transportation

November 2018

Key Findings

1. There is a significant difference between the Road Usage Charge Pilot Project and the policy that could be enacted in our state, which would likely take the form of a general mileage tax.
2. The pilot project is an isolated experiment in which volunteers receive simulated invoices based on a flat charge of 2.4 cents per mile driven on public roads.
3. If the assessment of the pilot project's success depends on public satisfaction or perception (which can be manipulated) and eliminates very real policy variables from the discussion, then the pilot will undoubtedly be called a tremendous success.
4. If a Road Usage Charge is implemented as a state policy, Puget Sound Regional Council officials note they would like "a broader consideration of possible uses" (they do not want mileage tax revenue to be protected by the 18th amendment, like the state gas tax is, for highway purposes only).
5. Used for spending unrelated to roads, a Road Usage Charge is not a targeted user fee, but a general tax.
6. Social policy objectives identified by the Washington State Transportation Commission suggest officials would attempt to use a mileage tax to change people's driving behavior, which would be in line with current state law that recommends a 50% reduction in per capita driving by 2050.
7. A Road Usage Charge, as a policy in Washington state, is likely to be ineffective as a true user fee.



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Introduction

This year, I have had the chance to be a volunteer participant in the state's Road Usage Charge (RUC) Pilot Project, intended to test the concept of imposing a mileage tax on Washington drivers. The idea is being floated by the Washington State Transportation Commission (WSTC).

I have tried the most invasive of the mileage reporting methods (the controversial GPS-enabled transponder installed in my car) and recently switched to a less invasive method (the odometer reading), to see how this would work in daily life.¹

I wanted to experience the pilot for myself in a way that would hopefully help inform my view of what a state mileage tax would look like should it become policy. To be clear, there is a significant difference between a user fee pilot and a mileage tax policy, which I want to outline here.

The pilot project

The pilot project is an isolated experiment in which volunteers receive simulated invoices based on a flat charge of 2.4 cents per mile driven on public roads. Drivers are credited for the fuel tax they have supposedly paid, and the remaining balance is what they would hypothetically owe. Drivers with electric or fuel-efficient vehicles would owe more in mileage tax than those whose vehicles are less fuel-efficient.

Drivers have five reporting options (mileage permit, odometer charge, non-GPS or GPS-enabled transponder, or smartphone app).

The pilot program concludes later this year, and the WSTC and RUC Steering Committee will produce their assessment in 2019. The assessment will be measured against guiding principles and evaluation measures set by the RUC Steering Committee.

The *principles* can be found on page 33 of the Commission's Pilot Project Implementation Plan Final Report, and includes considerations like transparency, privacy, simplicity, enforcement, and interoperability.² These elements are shown in the list below.

1 "My first trip as a Road Usage Charge Pilot participant was a bit shocking," by Mariya Frost, Washington Policy Center, March 8, 2018, at <https://www.washingtonpolicy.org/publications/detail/my-first-trip-as-a-road-usage-charge-pilot-participant-was-a-bit-shocking>.

2 "Washington State Road Usage Charge Assessment: Pilot Project Implementation Plan Final Report," Washington State Transportation Commission, January 31, 2017, at http://wstc.wa.gov/StudiesSurveys/RoadUsage/RUC2013/documents/2017_0131_RUC_AssessmentRpt.pdf.

RUC Steering Committee Guiding Principles and Fast Act Criteria

Guiding Principle	Objective	Related Criteria from FAST Act Section 6020
Transparency	A road usage charge system should provide transparency in how the transportation system is paid for.	Public acceptance
Complementary policy objectives	A road usage charge system should, to the extent possible, be aligned with Washington's energy, environmental, and congestion management goals.	Congestion mitigation (if appropriate)
Cost-effectiveness	The administration of a road usage charge system should be cost-effective and cost efficient.	Cost of system administration
Equity	All road users should pay a fair share with a road usage charge.	Income equity, geographic equity, urban vs. rural equity
Privacy	A road usage charge system should respect an individual's right to privacy.	Protection of personal privacy
Data Security	A road usage charge system should meet applicable standards for data security, and access to data should be restricted to authorized people.	Reliability and security of technology
Simplicity	A road usage charge system should be simple, convenient, transparent to the user, and compliance should not create an undue burden on motorists.	Ease of compliance
Accountability	A system should have clear assignment of responsibility and oversight, and provide accurate reporting of usage and distribution of revenue collected.	Implementation
Enforcement	A road usage charge system should be costly to evade and easy to enforce.	Auditing and enforcement
System Flexibility	A road usage charge system should be adaptive, open to competing vendors, and able to evolve over time.	Use of independent third-party vendors
User Options	Consumer choice should be considered wherever possible.	Flexibility and user choice
Interoperability and Cooperation	A Washington RUC system should strive for interoperability with systems in other states, nationally, and internationally, as well as with other systems in Washington. Washington should proactively cooperate and collaborate with other entities that are also investigating road usage charges.	Interoperability
Phasing	Phasing should be considered in the deployment of a road usage charge system.	N/A

Section 2: Pilot Project Goals, Objectives and Evaluation Measures

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Some of the objectives under the principles category that stand out include:

- A road usage charge should, to the extent possible, be aligned with Washington's energy, environmental, and congestion management goals.
- A road usage charge system should respect an individual's right to privacy.
- A road usage charge system should be costly to evade and easy to enforce.

The *evaluation measures* can be found on page 35 of the same report, as shown below.

Adopted Pilot Evaluation Measures

Guiding Principle	Evaluation Measures
Transparency	1. Change in participant understanding of gas tax rate, collection method, and use 2. Change in participant understanding of RUC rate, collection method, and use
Complementary policy objectives	3. Impact of pilot on driving habits of participants 4. Impact of pilot on stated vehicle purchasing preferences of participants
Cost-effectiveness	<i>As a small-scale effort, the pilot project will not itself generate data that can be evaluated for cost-effectiveness. We recommend that information from the pilot be used to refine and update the RUC business case analysis.</i>
Equity	5. Total and per-mile RUC vs. gas tax paid by urban, suburban, vs. rural status of participant 6. Total and per-mile RUC vs. gas tax paid by participant income 7. Total and per-mile RUC vs. gas tax paid by in-state vs. out-of-state participants 8. Participant expectations and before-and-after perceptions of RUC equity relative to gas taxes
Privacy	9. Participant perception of privacy protection, including any changes in perception during the pilot 10. Relative ability of mileage reporting methods to protect participant privacy
Data Security	11. Participant perception of data security, including any changes in perception during the pilot 12. Relative ability of mileage reporting methods to provide data security
Simplicity	13. Time and indirect costs expended by participants to comply with pilot tasks 14. Participant understanding of compliance requirements
Accountability	15. Description of assignment of responsibility and oversight for Washington agencies and other entities involved in pilot 16. Accuracy of reported road usage, revenue collected, and revenue distributed
Enforcement	17. Participant perceptions of relative effectiveness of enforcement methods in maintaining compliance 18. Reasons for non-compliance expressed by participants (e.g., confusion, negligence, fraud) 19. Participant-stated locations of fuel purchases (potentially only for interoperability participants) Relative level of effort of enforcement methods (if tested) to implement and operate on a small-scale basis
System Flexibility	<i>In a short-term pilot project, long-term system flexibility cannot be effectively measured. We recommend outside policy analysis to address this principle.</i>
User Options	20. Participant overall satisfaction and relative satisfaction with choices available in the pilot project 21. Reason for participant preferences of various mileage reporting methods
Interoperability and Cooperation	22. Relative level of effort (staff time and direct costs) to achieve interoperability with (Oregon) and without (British Columbia) real money transactions 23. Participant understanding of interoperable RUC 24. Relative ease of compliance for interoperability test participants vs. others
Phasing	Information from policy analysis, legal analysis, and business case analysis will inform this guiding principle.

Section 2: Pilot Project Goals, Objectives and Evaluation Measures

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Many of the Commission’s evaluation measures depend on driver perception and satisfaction. For example, a couple evaluation measures look at perception of privacy protection and data security.

As we know from Washington’s past participation in a Road Usage Charge Pilot Program under the direction of the USDOT, “While participants generally trusted that [the pilot] provided privacy protection and account security and provided similar protections as mobile phones and credit cards, they had no means of verifying this. Likewise, it is difficult for participants to truly measure the security and privacy protection of their mobile phones and credit cards. All of these systems require an implicit level of trust between the user and service provider. In the case of road usage charging, initial results from participant surveys indicate a strong level of trust, but at the same time, an inability to verify that trust in a meaningful way.”³

Perception of security is meaningless without exposure to real evidence and data. If the assessment of the pilot project’s success depends on public satisfaction or perception, which can be manipulated, and eliminates very real policy variables from the discussion, then the pilot will undoubtedly be called a tremendous success.

Thus, although I am interested in the technical process of submitting mileage data and how legitimately eerie it does feel to be tracked, I am primarily concerned about what this could transform into should it become state policy.

³ “Road Usage Charge Pilot Project Final Evaluation Report for Washington State Participants,” D’Artagnan Consulting, May 2013, at <https://www.wsdot.wa.gov/research/reports/fullreports/807.1.pdf>.

The likely policy outcomes

Therefore, I have focused on what a RUC would look like in practice, after its journey through what will surely be a messy and contentious political process.

In general, mileage-based user fees are seen by many transportation analysts as a fair and even ideal way of paying for public roads. The tool works or is technically feasible. However, the tool in the wrong hands is certain to worsen the problem public officials say they want to solve – namely the funding and maintenance of our road system. Used for spending unrelated to roads, a Road Usage Charge is not a targeted user fee, but a mileage tax.

We already know that Puget Sound Regional Council (PSRC) planners, as announced in their Transportation 2040 plan, are counting on there being \$40 billion more available in new taxes, fees and tolls from the traveling public.⁴ Combined with current revenues, that would be \$196.8 billion over roughly two decades. Of the \$40 billion in new revenue, planners anticipate 70% from the Road Usage Charge. They would like to see 53% of this new spending go toward transit, and 17% toward highways.

If a Road Usage Charge is implemented – PSRC officials note they would like “a broader consideration of possible uses” (they do not want mileage tax revenue to be protected by the 18th amendment, like the state gas tax is, for highway purposes only).

This would allow officials to spend the new tax money on what they feel is best according to their own plans rather than on actual public demand, a concern we have highlighted [repeatedly](#). If PSRC officials and like-minded elected officials get what they want, the charge would not be a true user fee but a new general tax, and *less* public money could go to roads than it does under the current gas tax.

This is a major policy concern.

Additionally, social policy objectives suggest officials would attempt to use a mileage tax to change people’s driving behavior, which would be in line with current state law that recommends a 50% reduction in per capita driving by 2050.

However, any reduction in driving would reduce either fuel or RUC revenue, meaning this state policy conflicts with the RUC objective to generate more revenue than the current fuel tax.

Below is an excerpt from the Washington State Transportation Commission’s RUC Feasibility Assessment, Work Plan, and Budget, as reported to the legislature in 2013:⁵

4 “Regional planners want billions in higher car tabs, tolls and mileage taxes,” by Mariya Frost, Washington Policy Center, January 12, 2018, at <https://www.washingtonpolicy.org/publications/detail/regional-planners-want-billions-in-higher-car-tabs-tolls-and-mileage-taxes>.

5 “Washington State Road Usage Charge Assessment Feasibility Assessment, Work Plan, and Budget Report to the Legislature,” Washington State Transportation Commission, January 23, 2013, at http://wstc.wa.gov/StudiesSurveys/RoadUsage/RUC2012/documents/2013_02_WARoadUsageChargeAssessment.pdf.

Working with the consultants, Steering Committee members expressed their policy objectives for road usage charging in Washington, recognizing that there may be some tradeoffs in how well different objectives are met:

- Create a **sustainable transportation revenue source** to address erosion in revenue due to vehicle fuel efficiency gains;
- **Demonstrate equity** in who uses and who pays for transportation;
- Increase the **transparency** of what road use costs and how funds are spent; and
- Accomplish other **social objectives**, such as:
 - > **Reduce the amount of driving;**
 - > Reduce energy usage;
 - > Reduce greenhouse gas emissions; and
 - > Reduce congestion through pricing.

While it is not intended for a RUC to conflict with policies the legislature has enacted, but to align with them, it is unlikely this policy conflict would be resolved in a way that is favorable to the public. There are only two ways a RUC would not undermine state driving reduction targets, which are questionable and likely unachievable to begin with.

First, lawmakers could make the rate progressively higher, perhaps by indexing it to inflation, eliminating any need for future public votes on rate increases. Second, they could impose a carbon tax to make driving high MPG cars less attractive as a means of escaping payment of a higher mileage tax (which is intended to capture dollars from the owners of more fuel-efficient vehicles).

People would then be left with either paying a very high fuel tax (inclusive of a carbon tax), or a very high mileage tax.

Conclusion

The 18th amendment trust fund debate, as well as social objectives of a potential mileage tax, have policy implications that could fundamentally eliminate the possibility of a true mileage-based user fee, allowing government officials to collect and spend public money from drivers the way they want to, with little or no public accountability. Even more worrying is the great social cost the public would pay in the form of reduced privacy, less autonomy, and restricted mobility.

A Road Usage Charge, as a policy in Washington state, is likely to be ineffective as a true user fee. This negative policy outcome is far more important and consequential than the pilot project itself.

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Mariya has lived in both Eastern and Western Washington, and believes strongly in the freedom of mobility for all Washingtonians. She is on the Board of Directors for the Eastside Transportation Association, a member of the Jim MacIsaac Research Committee, and a member of the Women of Washington civic group.