

# SENATE BILL REPORT

## SB 6586

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As of January 30, 2020

**Title:** An act relating to implementing a per mile charge on electric and hybrid vehicles.

**Brief Description:** Implementing a per mile charge on electric and hybrid vehicles.

**Sponsors:** Senators Saldaña, Hobbs, Lias and Conway.

**Brief History:**

**Committee Activity:** Transportation: 1/29/20.

**Brief Summary of Bill**

- Requires the Washington State Transportation Commission and the Department of Licensing to develop an implementation plan for imposing a per mile fee on electric and hybrid vehicles.
- Establishes a per mile fee on electric or hybrid vehicles on July 1, 2024.
- Repeals the transportation electrification and hybrid transportation electrification vehicle fees on July 1, 2024.

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### SENATE COMMITTEE ON TRANSPORTATION

**Staff:** Bryon Moore (786-7726)

**Background:** Road Usage Charge Pilot. The Washington State Transportation Commission (WSTC) conducted a road usage charge (RUC) pilot project. The year-long RUC pilot involved approximately 2000 participating drivers who evaluated a variety of methods of reporting miles and provided feedback.

In January 2020, WSTC submitted their final report to the Governor, the Legislature, and the Federal Highway Administration. The final report provided information on the legal, fiscal, operational, and policy implications of a RUC and offered recommendations on how RUCs could be implemented in Washington. One of the recommendations of WSTC was that the Legislature enact an RUC system initially on a small number of vehicles as part of a longer-term transition away from the gas tax.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Electric Vehicle Fees. An annual \$30 electric vehicle fee is imposed on vehicles that either use at least one method of propulsion capable of being reenergized by an external source of electricity, or are capable of traveling at least 30 miles using only battery power. This fee is collected at the time of vehicle registration renewal. If in any year the amount collected exceeds \$1 million, the excess amount is distributed as follows:

- 70 percent to the Motor Vehicle Fund;
- 15 percent to the Transportation Improvement Account; and
- 15 percent to the Rural Arterial Trust Account.

Transportation Electrification Fee and Hybrid Transportation Electrification Vehicle Fee. An annual \$75 transportation electrification fee is imposed at the time of vehicle registration renewal on vehicles that either use at least one method of propulsion capable of being reenergized by an external source of electricity, or are capable of traveling at least 30 miles using only battery power.

An annual \$75 hybrid vehicle transportation electrification fee is imposed on hybrid and alternative fuel vehicles that do not pay the electric vehicle fee or the transportation electrification fee. This fee is collected at the time of vehicle registration renewal.

Revenues collected from the transportation electrification fee and the hybrid vehicle transportation electrification fees are deposited in the Electric Vehicle Account until July 1, 2025, after which time, revenues will be deposited in the Motor Vehicle Fund.

**Summary of Bill:** The bill as referred to committee not considered.

**Summary of Bill (Proposed Substitute):** Per Mile Fee. Beginning July 1, 2024, at the time of initial application or annual vehicle registration renewal, the following vehicles will be subject to a per mile fee of:

- \$0.035 cents per mile for an electric or hybrid vehicle using at least one method of propulsion that is capable of being reenergized by an external source of electricity and is capable of traveling at least 30 miles using only battery power; and
- \$0.02 cents per mile for a vehicle using a hybrid electrical and internal combustion engine.

This fee is in addition to all other fees and taxes required by law. Proceeds from the per mile fees must be used for preservation and maintenance and must be deposited in the Motor Vehicle Fund.

Transportation Electrification Fee and Hybrid Transportation Electrification Vehicle Fee. On July 1, 2024, the transportation electrification and the hybrid vehicle transportation electrification fees are repealed.

Implementation Plan. By December 1, 2021, the Department of Licensing (DOL) and WSTC must collaborate to develop an implementation plan for imposing a per mile fee on electric and hybrid vehicles. The plan must include, but is not limited to:

- different mileage reporting options;

- recommended fee methods and rates for achieving cost efficiency, fairness, minimal administrative cost, payment compliance, consumer choice, and preserving individual privacy;
- alternatives in the payment method to allow for monthly or quarterly payment rather than payment on an annual basis;
- any recommended statutory changes, including suggested offsets or rebates to the per mile fee to recognize other taxes and fees paid by electric and hybrid vehicle owners;
- specific recommendations to better align the system with other vehicle-related charges and potentially establish the framework for broader implementation of a per mile funding system, including analysis of the preferred method for addressing eighteenth amendment restriction considerations; and
- a recommended implementation and governance structure whereby DOL is the operator of the per mileage payment system, but WSTC serves in a policy role that ensures independent oversight and reporting to the Legislature and appropriate public input.

**Appropriation:** None.

**Fiscal Note:** Requested on January 23, 2020.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** The bill contains several effective dates. Please refer to the bill.

**Staff Summary of Public Testimony on Proposed Substitute:** PRO: This is a starting point for the further evaluation of the road usage charge. The current funding system does not adequately address the needs around maintenance and preservation, climate resiliency, and the need for infrastructure investments. This is part of helping policy makers design the system that is fair and with minimal administrative burden on consumers. By implementing on a smaller number of vehicles first, this will give us time to get it right and create a system that works. The motivation behind the bill is to partially to address declining gas tax collections. This is a measured approach and we realize that this will be a work in progress. The addition of the state fleet would provide information that would be valuable to further evaluation of a road usage charge.

CON: The rates in the bill will make electric vehicles pay twice as much as gas powered vehicles. This penalizes the very vehicles which are reducing carbon emissions. This is unfair to low income individuals. The need to address pollution, climate impacts, and the associated health issues of gas powered vehicles is real and this bill undermines all those efforts. This bill presumes that the state is going to a road usage charge. The language of the bill seems like you are trying to get out of the 18th amendment restrictions. Finding sustainable revenue sources for transportation is needed, but this is the wrong approach. There are other alternatives, such as indexing gas tax collections and charging based on emissions that are better public policy. Electricity is already taxed and this needs to be factored into this equation. Diesel fuel taxes needs to go up similar to the federal diesel tax and could provide some of the needed resources. The existing taxes on electricity could also be utilized for providing transportation resources. The concept of a road usage charge is viable, but the 18th amendment restriction issue needs to get addressed and strengthened.

The privacy issues are very important and what is done with all the new data being collected need to figured out at the start before moving into the new system.

OTHER: The bill undermines efforts to promote fuel efficiency improvements. The transportation sector is responsible for a significant portion of climate emissions and the policy in this bill does not make the needed changes to address that fact. The rates will have a greater impact on low income and cause inequalities. This bill is not fair and transparent. The multimodal needs are not dealt with in this bill. A holistic approach is needed to address these issues. There are also a lot of details that need to get worked out, but equity needs to be one of those issues at the forefront. While supportive of the concept, the revenues should be solely limited to 18th amendment funds. The transportation alternatives, such as transit, should be looked at as essential going forward. The per mile rates need to be tiered based on vehicle class. The rates are too high but we look forward to engaging further to get the rates right and still provide the needed resources for transportation investments. Since the Transportation Improvement Board receives some of the electric vehicle fees, we would like to be part of the implementation conversation as this new road usage goes forward. The 18th amendment issues need to get protected in a constitutional amendment. The need for off-road and recreational vehicle funding sources need to be addressed as part of the implementation of road usage charge since the gas tax is providing resources for these activities currently. The system for off-road uses and boating is already working through gas tax refunds, but further direction should be included in the bill to make sure they are adequately incorporated into the new system.

**Persons Testifying:** PRO: Senator Rebecca Saldaña, Prime Sponsor; Jane Wall, Washington State Association of Counties; Reema Griffith, Transportation Commission; Adam Cole, Recreation and Conservation Office.

CON: Craig Kenworthy, Puget Sound Clean Air Agency; Kate White Tudor, Natural Resources Defense Council; Rita Caywood, citizen.

OTHER: Bryce Yadon, Transportation Choices Coalition; Annabel Drayton, Northwest Energy Coalition; Jeff Gombosky, Tesla; Jim Lazar, Olympia Safe Streets; Jerry VanderWood, Associated General Contractors; Tom Gaetz, Washington Asphalt Pavement Association; Ronald Murray, citizen; Michael Mann, Forth; Leah Missik, Climate Solutions; Ashley Probart, Transportation Improvement Board; Mike Ennis, Association of Washington Business; Michael Breish, Washington Department of Commerce; Ted Jackson, WATV Access Coalition; Doug Levy, Recreational Boating Association of Washington, Washington Recreation and Park Association; Linda Driscoll, Premier Polaris.

**Persons Signed In To Testify But Not Testifying:** No one.