

# SENATE BILL REPORT

## SB 5444

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As of February 18, 2021

**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, Nguyen and Nobles.

**Brief History:**

**Committee Activity:** Transportation: 2/18/21.

### Brief Summary of Bill

- Establishes a per mile fee on certain electric and hybrid vehicles effective July 1, 2026.
- Repeals the \$150 in combined electric vehicles fees and the \$75 transportation electrification fee effective July 1, 2026.
- Establishes an early adoption program from July 2025 to June 2026 to allow electric and hybrid vehicles to opt into the per mile funding system one year earlier and also requires involvement of at least 500 state fleet vehicles.
- Requires the Washington State Transportation Commission and the Department of Licensing to develop an implementation plan.
- Includes provisions related to privacy of the per mile funding system data and information, including making any related personally identifiable information exempt from the public records act.

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### SENATE COMMITTEE ON TRANSPORTATION

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

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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 part of the legislation nor does it constitute a statement of legislative intent.*

**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 its 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.

In July 2020, the U.S. Department of Transportation awarded the WSTC a \$5.5 million federal grant to conduct additional research and testing of a road usage charge. This work was initiated in October 2020 and has an expected completion date in 2023.

Electric Vehicle Fees. In addition to any other fees due at annual vehicle registration renewal, 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 powered by electricity, are subject to two electric vehicle fees that total \$150. The first fee is \$100 and is deposited into the Motor Vehicle Fund, up to \$1 million annually. 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.

The second fee is \$50. The first \$1 million raised by the fee must be deposited into the Multimodal Transportation Account. Any remaining amounts must be deposited into the Motor Vehicle Fund. The \$1 million threshold was reached in November 2017, and fee revenues from the \$50 fee are currently deposited into the Motor Vehicle Fund.

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 an electric or hybrid vehicle using at least one method of propulsion capable of being reenergized by an external source of electricity and is 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:** Per Mile Fee. Beginning July 1, 2026, at the time of annual vehicle

registration renewal, an electric or hybrid vehicle using at least one method of propulsion capable of being reenergized by an external source of electricity, and is capable of traveling at least 30 miles using only battery power will be subject to a per mile fee.

From July 1, 2026, through June 30, 2029, the per mile rate is two cents per mile driven. On July 1, 2029 and thereafter, the per mile rate is two and one-half cents per mile driven.

Transportation Electrification Fee and Hybrid Transportation Electrification Vehicle Fee. On July 1, 2026, the \$150 in combined electric vehicles fees and the \$75 transportation electrification fee are repealed.

Early Adoption Program. By July 1, 2025, the Department of Licensing (DOL), in consultation with the WSTC, must establish a voluntary early adoption program that allows the registered owner of an electric or hybrid vehicle that uses at least one method of propulsion capable of being reenergized by an external source of electricity, and is capable of traveling at least 30 miles using only battery power, to start paying a per mile fee earlier than the mandatory participation date of July 1, 2026.

Participants in the voluntary early adoption program must pay two cents per mile driven in addition to all other fees and taxes required by law. For active participants in the voluntary early adoption program, DOL must waive the \$150 in combined electric vehicles fees and the \$75 transportation electrification fee.

By January 1, 2024, DOL, after consultation with the WSTC, must adopt rules to implement the voluntary early adoption program, including procedures for recoupment of any waived fees if the participant is not actively participating in the voluntary early adoption program.

The voluntary early adoption program must also include participation of at least 500 electric, hybrid, and internal combustion state-owned passenger or light duty truck fleet vehicles. These vehicles are not subject to a per mile fee. DOL, in consultation with the WSTC, must establish the types of state fleet vehicles for participation to further test the viability of a per mile fee on the full range of vehicles that may be subject to a per mile fee in future years. The portion of the voluntary early adoption program involving state fleet vehicles may be initiated as early as July 1, 2024.

Proceeds from the Per Mile Fee. Revenue generated from the per mile fee must be used for preservation and maintenance and must be deposited in the Motor Vehicle Fund.

Implementation Plan. By December 1, 2022, DOL and WSTC must collaboratively develop an implementation plan for the voluntary early adoption program and for the per mile funding system on certain electric and hybrid vehicles. This plan must incorporate the ongoing work of the WSTC in evaluating a road usage charge, including coordinating with federal grant-funded research and development. The plan must include, but is not limited to:

- different mileage reporting methods;
- recommended payment collection means and rates for achieving cost efficiency, fairness, minimal administrative cost, payment compliance, consumer choice, and preserving individual privacy;
- options for collaborating with other states or countries in the development and administration of the per mile funding system;
- evaluation and comparison of the benefits and costs of allowing for payment plan options and annual payment;
- any recommended statutory changes, including suggested offsets or rebates to the per mile fees—these offsets or rebates will not be used in the per mile funding system until approved by the Legislature;
- 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;
- a recommended implementation and governance structure, and transition plan with DOL as the designated lead agency to operate and administer the per mile funding system;
- a recommendation on the best agency to be lead for public outreach and education;
- recommendations for augmenting vehicle owner privacy in light of new and emerging mileage reporting methods or technologies, and proposed rules to be adopted by the commission related to extend privacy protections in a per mile funding system; and
- detailed information on the recommended periodic review and evaluation process to best ensure the per mile funding system is achieving the policy and revenue goals established by the Legislature.

Privacy Related Provisions. Any personally identifying information of persons related to the per mile funding system is exempt from public disclosure. The information may be disclosed in aggregate form as long as the data does not contain any personally identifying information. Personally identifying information related to the per mile funding system may be released to law enforcement agencies only if the request is accompanied by a court order.

The per mile system may not involve the collection of any personally identifying information beyond what is necessary to properly calculate, report, and collect the per mile fee, unless the vehicle owner provides their written consent for the collection of additional information. The per mile reporting methods may record or report general location data under certain circumstances. The per mile reporting methods shall not report specific location data to DOL or any subdivision of the state unless a vehicle owner specifically consents to the recording or reporting of such location data. DOL and any per mile account manager has an affirmative public duty regarding specified elements of the collection, use, and retention of the per mile information.

**Appropriation:** None.

**Fiscal Note:** Requested on February 9, 2021.

**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:** PRO: The state gas tax is declining, and we need to find alternative ways to provide sources of transportation funding, particularly for preservation. With the work that has been done evaluating a road usage charge, Washington is ready to scale up with a test on another set of vehicles. This will provide a real-world experience to test the efficacy of a per mile funding system and build off the extensive work of the Transportation Commission.

This will provide a mechanism for addressing road maintenance needs and it is a more equitable way to fund the state transportation system. The gas tax revenue cliff is here, and it is now time to get on with finding alternative methods of funding for the needed investments. We have a lot of science to uncover as part of the rate setting. Fairness, predictability, and durability are important components of the funding system and should be addressed as the Legislature establishes the appropriate per mile rates.

The state needs to look beyond just addressing the preservation needs, including funding for multimodal investments. This might include establishing adding an additional per mile rate for these activities. There is a need to provide a discount for low income drivers. Environmental justice should be a focus of establishing the policies around the per mile funding system going forward.

CON: The per mile system outlined in the legislation is not a viable option for replacing the gas tax. This does not address the disproportionate impact of different weight of vehicles. This, along with the differences between electric vehicles, needs to be factored into the rates to make it more equitable and achieve the desired environmental goals.

The legislation will be devastating to farmers in eastern Washington who have to travel many miles on private roads. This legislation also fails to address the double taxation that applies to electric vehicles. One solution is to have a graduated per mile fee based on the weight of the vehicle. Please do not make the odometer a cash register. Without changes, this will hurt the poorest workers in the state. To mitigate this impact, there is a need to cap the amount an individual driver will have to pay under the per mile funding system. There is also a need to build in rebates to address the impacts more adequately on gig workers and others who drive a lot of miles for their employment.

OTHER: Due to the repeal of the electric vehicle fees, this legislation will result in less funding for city and county road preservation needs. This needs to get addressed to ensure revenue neutrality and to avoid this unintended consequence.

As a principle, there needs to be a more equitable and sustainable transportation funding system, but there needs to be more flexibility in the funds to achieve this goal. Equity impacts need to be considered and be part of the work going forward. This could saddle gig workers with higher costs unless this is mitigated in some way. The 18th amendment requirements are not being adequately addressed in this legislation.

**Persons Testifying:** PRO: Senator Rebecca Saldaña, Prime Sponsor; Reema Griffith, Washington State Transportation Commission; Sharon Nelson; Mary Lou Pauly, City of Issaquah; Katherine Stinken, Plug In America; Vlad Gutman-Britten, Climate Solutions; Janet Ray; Jim Justin, Lyft; David Gent, Washington Asphalt Pavement Association.

CON: Jim Lazar; Ash Knapp, AutoAdvisor.com.

OTHER: Ashley Probart, Transportation Improvement Board; John Koster, County Road Administration Board; Jane Wall, Washington State Association of Counties & County Engineers; Max Baumhefner, Natural Resources Defense Council; Michael Wolfe, Drive Forward; Brad Boswell, Uber; Bryce Yadon, Transportation Choices Coalition; Travis Dunn, Washington State Transportation Commission, Consultant.

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