

SENATE BILL REPORT

SB 5483

As of April 12, 2021

Title: An act relating to transportation funding.

Brief Description: Concerning transportation funding.

Sponsors: Senators Hobbs, Cleveland, Das, Keiser, Kuderer, Randall, Sheldon and Wilson, C..

Brief History:

Committee Activity: Transportation: 4/12/21.

Brief Summary of Bill

- Increases the state gas tax by \$0.098, the aircraft fuel tax by \$0.05, and a variety of other driver and vehicle related fees.
- Imposes a special transportation benefit assessment, per trips fees on for-hire vehicles and third-party food deliveries, and a sales and use tax on automobile parts.
- Increases the rental car tax, the capital vessel surcharge, the watercraft excise tax, and other fees and taxes.
- 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.
- Shifts the state sales and use tax revenue from electric and hybrid vehicle sales to transportation funds, and transfers state general fund dollars associated with transportation construction projects to transportation funds.

SENATE COMMITTEE ON TRANSPORTATION

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.

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Background: The 18th Amendment and Fuel Taxes. Since 1921, the state of Washington has levied a motor vehicle fuel tax (MVFT). The current MVFT is \$0.494 per gallon and is distributed among state highway programs, the state ferry system, and local governments. The state highway programs include revenue packages, such as the 2003 Transportation Nickel package, the 2005 Transportation Partnership, and the Connecting Washington package which the Legislature passed in 2015.

The 18th Amendment to the Washington Constitution requires the state's MVFT, vehicle licensing fees, and all other state revenue intended to be used for highway purposes be deposited into the Motor Vehicle Fund. Moneys in that fund may only be spent for highway purposes, which are defined to include expenditures on construction, preservation, maintenance, operation, and administration of highways and ferries.

Transfers to Non-Highway Accounts. Transfers are made from the Motor Vehicle Fund to the ORV and Non-highway Vehicle Account, the Marine Fuel Tax Refund Account, and the Snowmobile Account for motor vehicle fuel taxes paid by non-highway users. Each of these transfers is currently made based on a calculation based on a fuel tax rate of \$0.349 per gallon. After July 1, 2031, the rate for use in calculating the transfers will be based on the motor vehicle fuel tax rate in effect at that time.

Sales and Use Taxes. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent. State sales and use tax revenues are deposited into the state general fund.

An additional 0.3 percent sales and use tax on motor vehicle purchases was enacted in 2003. Revenue generated from the 0.3 percent sales and use tax on vehicles is deposited into the Multimodal Transportation Account for transportation purposes.

For-Hire Vehicles and Transportation Network Companies. Certain private transportation providers, such as for hire vehicles and taxicabs, are regulated by state law. Generally, cities, counties, and port districts may license, control, and regulate for-hire vehicles within their respective jurisdictions, including imposing regulatory fees. Current law does not specifically provide for the regulation of what are commonly known as ridesharing companies, which are companies that use a digital network to connect passengers to drivers for providing a prearranged ride, often by use of the driver's personal vehicle. These are sometimes referred to as transportation network companies (TNCs). To the extent that regulatory and other fees are imposed on for-hire vehicles, taxicabs, and TNCs, this is generally done by local governments.

Third-Party Food Delivery. A third-party food delivery service connects customers with restaurants and allows them to place orders and have orders delivered to their homes. The regulation for third-party food delivery services are generally done by local governments through business and licensing laws. Besides regular licensing provisions, third-party food delivery services are not regulated at the state level and the state does not impose fees on these activities.

Plate Fee. The current fee for original and replacement license plates for most vehicles is \$10. The current fee for original and replacement motorcycle license plates is \$4.

Watercraft Excise Tax. The watercraft excise tax generally applies to all registered boats 16 feet or longer, or equipped with a motor capacity more than ten horsepower. The tax is 0.5 percent of the boat's fair market value and paid annually. A vessel is exempt from the tax if it is:

- used exclusively for commercial fishing purposes;
- less than 16 feet in length and is not used on federally regulated waters;
- owned and held for sale by a dealer; and
- owned by certain nonprofit youth organizations.

Driver Licenses & Identicards. The Department of Licensing issues driver licenses and identification cards known as identicards. The fee for a 6-year driver license or identicard is \$54.

Enhanced Driver Licenses and Identicards. An enhanced driver license (EDL) or enhanced identicard (EID) may be issued to a Washington resident who is also a United States citizen if they have confirmed their identity and citizenship. A person applying for an EDL must be at least 18 years old and any age for an enhanced ID card.

The fee for a 6-year EDL or EID is \$24 in addition to any other fees due for a driver license or ID card. The EDL and EID revenues are deposited into the Highway Safety Fund unless prior to July 1, 2023, a clean fuel standard policy is initiated or adopted, in which case the EDL and EID fees are deposited into the Connecting Washington Account.

Rental Car Tax. Rental cars are subject to an additional 5.9 percent state sales and use tax that is imposed on each rental car contract. Rental cars are also subject to some locally imposed taxes. Proceeds from the state rental car tax are deposited into the Multimodal Transportation Account.

Personal Vehicle Sharing. Personal vehicle sharing is generally described as a transaction in which a privately-owned vehicle owner uses a broker or online platform to connect with customers wishing to rent their vehicle. Current law provides regulations around vehicle safety certifications and auto insurance coverage. Personal vehicle sharing is subject to sales and use tax provisions, but not the rental car tax.

Vehicle Registration and Weight Fee. Motor vehicles used on public highways must generally be registered annually with the Department of Licensing. Most vehicles, such as passenger cars, motorcycles, sports utility vehicles, tow trucks, for-hire vehicles, certain trailers, and taxicabs, are subject to the following:

- a \$30 annual registration fee;
- an annual weight fee of \$25 to \$72 based on the scale weight of the vehicle; and
- other fees totaling \$8.75.

There are also fees and charges based on where the vehicle is registered geographically and whether the vehicle qualifies for a fee based on vehicle type, such as electric vehicles and motor homes.

The majority of the proceeds from vehicle weight fees are deposited in the Multimodal Transportation Account. Funds in the account are used for transportation purposes, which is broader than highway purposes and can include public transportation and rail.

Beginning July 1, 2022, an additional \$10 per year weight fee is added and the increased revenues will be deposited into the Multimodal Transportation Fund, unless prior to July 1, 2023, a clean fuel standard policy is initiated or adopted, in which case the weight fee is deposited into the Connecting Washington Account.

License Fee by Weight for Light Duty Trucks. In lieu of the vehicle license fee and weight fees, trucks, including light duty trucks, are subject to a license fee based on gross vehicle weight. For light duty trucks, which are those trucks under 10,000 pounds, the current annual license fees by weight, range from \$53 to \$93.

Beginning July 1, 2022, an additional \$10 per year fee is added on vehicles with a gross vehicle weight of less than or equal to 12,000, which is distributed to various accounts within the Motor Vehicle Fund, consistent with the distribution of other license fees by weight.

Freight Project Fees. A freight project fee of 15 percent of the license fee by weight applies to vehicles that have a gross vehicle weight of more than 10,000 pounds. Proceeds from the fee are deposited in the Connecting Washington Account.

Driver Abstract Fee. The driver abstract is a summary of an individual's driving record that is often used by employers or prospective employers, data brokers, volunteer organizations, insurance carriers, alcohol and drug assessment or treatment agencies, or other entities. The current fee for a driver abstract is \$13.

Stolen Vehicle Check Fee. Vehicles previously registered in another state and registering in the state for the first time, must have a stolen vehicle check, whereby the vehicle is checked against national and state databases for any titling or other issues. The stolen vehicle check

fee is \$15.

Capital Vessel Surcharge. There are two capital vessel surcharges imposed that total \$0.50 on every ferry fare sold with the proceeds being deposited in the Capital Vessel Replacement Account.

Trip Permit Fee. A vehicle trip permit issued by the state allows a vehicle owner to operate an unregistered vehicle on public highways up to three days. The trip permit is usually used for unregistered vehicles, license tabs that have expired, or when a current gross weight license is insufficient for the load being carried. No more than three trip permits may be used for any one vehicle in any consecutive 30-day period, and no more than two trip permits may be used for any one recreational vehicle in a one-year period.

Personal Trailer Fee. Private-use single-axle trailers of 2,000 pounds scale weight or less that are not used for commercial purposes are subject to a \$15 annual license fee.

Title Fee and Quick Titles. A \$15 title fee is imposed on an initial title application, a change in ownership, a lost title, or for certain other reasons. For an extra fee, a quick title may be issued with a faster turnaround. The current quick title fee is \$50.

Driver License Photo Only Fee. Individuals who wish to correct information on a driver license or identicaid, such as obtaining an updated photograph, may do so by paying a \$10 fee.

Motor Home Vehicle Weight Fee. A motor home is a motor vehicle originally designed, reconstructed, or permanently altered to provide facilities for human habitation. A person applying for a motor home vehicle registration must, in lieu of the motor vehicle weight fee, pay a motor home vehicle weight fee of \$75 per year in addition to all other fees and taxes required by law.

Service Fee and License Plate Technology Fees. Most vehicles are subject to a \$0.50 license service fee at time registration or renewal. Most vehicles are also subject to a \$0.25 license plate technology fee at time registration or renewal. Light, medium, and heavy duty trucks are not subject to the \$0.75 in combined fees.

Aircraft Fuel Tax. The current aircraft fuel tax is \$0.11 per gallon and is used for the operations of the Washington Department of Transportation's Aviation Division, and grants for preservation of small public-use airports. Exemptions from the fuel tax include:

- exported fuel;
- fuel used for commercial purposes;
- fuel used for the operation of aircraft for testing or experimental purposes;
- fuel sold to emergency medical air transport entities; and
- fuel used for the operation of aircraft used in specified kinds of training.

Vehicle Look-Up Fee. Certain kinds of individuals and entities can do a vehicle look-up which will include certain kinds of information, such as the name and address of an individual vehicle owner and some vehicle information. These records are accessed only with a disclosure and use agreement. The current vehicle look-up fee is \$2.

Driver Record Monitoring Fee. Employers, volunteer organizations, insurance carriers, alcohol and drug assessment or treatment agencies, or other entities can monitor an individual's driving record on an on-going basis. These records are accessed only with a disclosure and use agreement. The current driver record monitoring fee is \$0.06.

Bulk Data Fee. Research organizations, data brokers, parking enforcement agencies, insurance carriers, or other entities can obtain certain kinds of bulk information for a fee. These records are accessed only with a disclosure and use agreement. The current fee is \$0.025 per record or \$25 per 1,000 records.

Unmanned Aircraft Systems. Unmanned aircraft systems (UAS), also known as drones, are aircraft without a human pilot on board. The flight is controlled either autonomously by computers, or under remote control by a pilot. Washington has no laws that specifically regulate drones, but it does require manned aircraft to register annually and pay a \$15 fee.

Intermittent-Use Trailer Fee. Owners of trailers with a scale weight of 2,000 pounds or less and only using it on an intermittent basis may do so by paying a \$187.50 one-time fee. The intermittent use trailer is essentially a permanent registration that only expires when the trailer changes ownership or is disposed of.

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 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 test 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 capable of being reenergized by an external source of electricity, and capable of traveling at least 30 miles using only battery power powered by electricity, is 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 or 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.

Toll Exemptions. The WSTC has provided a toll exemption for buses, including transit, school buses, and qualifying private buses serving employees or the general public.

Hazardous Substance Tax Distribution. The hazardous substance tax is imposed on the first possession of hazardous substances in the state. The tax is generally imposed on a per-barrel basis and applies to petroleum products, certain pesticides, and certain chemicals.

Until the biennium after the enactment of an additive transportation funding act, \$50 million per biennium is transferred from hazardous substance tax collections to the Motor Vehicle Fund. An additive transportation funding act means an act in which the combined total of new revenues deposited into the Motor Vehicle Fund and the Multimodal Transportation Account exceed \$2 billion per biennium.

Auto Dealer Documentary Service Fee. Current law allows auto dealers to charge an optional fee up to \$150 for the administrative costs associated with titling, registration, tax collection, and other services. To collect this fee, the auto dealers must take a variety of actions including, disclosing to the buyer that the fee is negotiable.

Tacoma Narrows Bridge Finance History. The eastbound Tacoma Narrows Bridge (TNB) opened to traffic in July 2007 as a toll bridge. Toll rates are set by the Transportation Commission, and are currently \$5.00 with a Good to Go! Pass, \$6.00 with cash, and \$7.00

with pay by mail for a standard, 2-axle vehicle. The eastbound TNB cost \$786 million to complete, approximately \$57.6 million of which was construction sales tax, and was funded by selling general obligation bonds backed by the Motor Vehicle Account and the full faith and credit of the state of Washington. Toll revenue is used to repay the debt service, the sales tax deferred until fiscal year 2032, and any motor vehicle account loans. Tolls may only be collected on the facility until these costs are paid in full. The eastbound TNB was financed with an escalating debt structure, resulting in toll rate increases and occasional loans or transfers to the TNB account as debt payments have increased.

The 2017-19 transportation budget included direction to the Commission to convene a refinance workgroup for the TNB, tasked with reviewing and providing recommendations on various scenarios for future toll payer relief. The workgroup's preferred policy solution was to transfer non-toll state funding into the TNB Account to offset future debt service payment increases, allocated across the remaining years of tolling at levels that would avoid any toll rate increases over current toll rates. Legislation in 2018 authorized a series of intended loans up to a total of \$85 million to keep TNB toll rates at no more than \$0.25 higher than current rates. The first loan of \$12.5 million was provided in the 2019-21 transportation budget.

Summary of Bill: Fuel Taxes. Beginning July 1, 2021, the state motor vehicle fuel tax is increased from \$0.494 to by \$0.592 per gallon. Revenue from the \$0.098 per gallon increase is deposited in the Forward Washington Account.

The rate used to calculate transfers from the Motor Vehicle Fund to the ORV and Non-highway Vehicle Account, the Marine Fuel Tax Refund Account, and the Snowmobile Account for motor vehicle fuel taxes paid by non-highway users is increased to \$0.447 per gallon, which represents a \$0.098 per gallon increase.

Shift Car Sales and Use Tax on Electric Vehicles and Hybrids. Beginning July 1, 2026, the revenue from the state 6.5 percent sales and use tax imposed on new and used sales of electric or hybrid vehicles is deposited in the Forward Flexible Account. The vehicles covered in this redirection are passenger cars or light trucks that are:

- an electric or hybrid vehicle that uses at least one method of propulsion that is capable of being reenergized by an external source of electricity;
- a hybrid electric and gasoline vehicle that is not a plug-in hybrid; and
- an alternative fuel vehicle, including those powered by an electric fuel cell.

Statewide Special Transportation Benefit Assessment. Beginning January 1, 2023, an additional assessment is imposed on new construction for developed parcels for the purposes of mitigating the impacts of growth on state transportation infrastructure throughout the state. The benefit assessment is determined by applying any increase in assessed value over the prior year derived from new construction to the applicable rate:

- for residential developed parcels, the rate is \$1.50 per \$1,000 of assessed value resulting from new construction which translates into 0.15 percent;

- for manufacturing developed parcels, the rate is \$1 per \$1,000 of assessed value resulting from new construction which translates into 0.1 percent; and
- for all other developed parcels, including most commercial property, the rate is \$3 per \$1,000 of assessed value resulting from new construction which translates into 0.3 percent.

Parcels that are classified as designated forestland, agriculture land or timberland are exempt from the special transportation benefit assessment. All revenues collected from the special transportation benefit assessment will be deposited in the Forward Flexible Account.

Sales and Use Tax on Construction to Transportation. For fiscal years 2026 through fiscal year 2037, the state treasurer must make annual transfers of \$47 million from the general fund to the Forward Flexible Account. This represents an estimate of the state sales and use tax generated off of the construction projects in the Forward Washington transportation package over sixteen years.

Automobile Parts Sales and Use Tax. Beginning October 1, 2021, an additional 1 percent sales and use tax is imposed on automobile parts and accessories. All revenues collected from the additional 1 percent tax will be deposited in the Forward Flexible Account.

For-Hire Vehicles and Transportation Network Company Fees. Beginning January 1, 2022, a new \$0.50 per trip fee on prearranged and non-prearranged rides by for-hire vehicles operating in the state is imposed at the state level. However, in a county with a population greater than 2 million, the per trip fee is \$0.25.

The local imposition of per trip fees on prearranged rides by transportation network company drivers is preempted, except that this preemption does not apply to local laws and ordinances enacted regarding per trip fees in place prior to January 1, 2021.

For-hire vehicles for purposes of this fee are defined as vehicles used for the transportation of passengers for compensation including, taxicab transportation services and a TNC driver providing prearranged trips through a digital network. Most other types of transportation providers are specifically exempted from this fee. The Department of Licensing (DOL) is directed to adopt rules for the:

- administration, enforcement, and collection of the per trip fee in the most efficient manner;
- imposition of audit requirements to ensure compliance;
- establishment of penalties on drivers and companies for noncompliance; and
- potential implementation of cooperative arrangements with cities, counties, or port districts for the collection and remittance of the per trip fee.

All per trip fee revenue will be deposited in the Forward Flexible Account. Of this amount, 20 percent of the revenues generated from the for-hire vehicle fee will be used to enhance the special needs transportation grant program and the transit coordination grant program.

By August 1, 2021, DOL must convene a work group to negotiate and develop a comprehensive framework and recommendations for the regulation of transportation network companies and coordinated linkages with existing systems for taxi and for-hire services regulated by state and local governments. A final report of an agreed to framework and recommendations, including draft legislation, must be submitted by December 1, 2022.

Third-Party Food Delivery Fee. Beginning January 1, 2022, a new \$0.25 cent per trip fee on prearranged food delivery trips operating in the state is established. This fee will be paid by the third-party food delivery service provider based on each order processed. All per trip fee revenue will be deposited in the Forward Flexible Account. The local imposition of per trip fees on prearranged food deliveries is preempted.

The third-party food delivery service fee does not apply to trips by drivers exclusively employed by a grocery store, mini-market, convenience store, or restaurant or other similar business actually preparing the food product or meal. The per trip fee also does not apply to food deliveries to senior citizens made by a nonprofit organization.

Plate Fee. Beginning October 1, 2021, the fee for original and replacement license plates for most vehicles is increased from \$10 to \$15. Beginning October 1, 2021, the fee for original and replacement motorcycle license plates is increased from \$4 to \$6. The plate fee increases will be deposited in the Forward Washington Account.

Watercraft Excise Tax. Beginning October 1, 2021, the watercraft excise tax is increased from 0.5 percent to 1.0 percent, with the additional 0.5 percent being deposited in the Forward Flexible Account.

Enhanced Driver Licenses and Indenticards. Beginning October 1, 2021, the enhanced driver license or enhanced ID card fee for a 6-year license is increased from \$24 to \$42. The revenue from the fee increase will be deposited in the Forward Flexible Account.

Rental Car Tax. Beginning October 1, 2021, the additional rental car tax is increased from 5.9 percent to 6.9 percent. Proceeds from the increase in the state rental car tax will be deposited in the Forward Flexible Account.

Personal Vehicle Sharing Tax. Beginning October 1, 2021, a new personal vehicle sharing tax is imposed at a rate of 5.0 percent of the selling price of the rental. The revenue from the personal vehicle sharing tax will be deposited in the Forward Flexible Account.

Freight Project Fees. Beginning October 1, 2021, the freight project fee of 15 percent is increased to 20 percent. Proceeds from the 5 percent freight project fee will be deposited in the Forward Washington Account.

Driver Licenses & Indenticards. Beginning October 1, 2021, the fee for a six-year driver's

licenses and identicards is increased from \$54 to \$60. The revenue from the fee increase will be deposited in the Forward Flexible Account.

Driver Abstract Fee. Beginning October 1, 2021, the driver abstract fee is increased from \$13 to \$14. The revenue from the fee increase will be deposited in the Forward Flexible Account.

Stolen Vehicle Check Fee. Beginning October 1, 2021, the stolen vehicle check fee is increased from \$15 to \$25. The revenue from the fee increase will be deposited in the Forward Washington Account.

Vehicle Weight Fees. The additional \$10 per year weight fee increase on most vehicles, such as passenger cars, motorcycles, sports utility vehicles, tow trucks, for-hire vehicles, certain trailers, and taxicabs scheduled to go into effect July 1, 2022 is moved up to July 1, 2021. The weight fee increase will be deposited in the Forward Washington Account.

License Fee by Weight for Light Duty Trucks. The additional \$10 per year weight fee increase on light duty trucks scheduled to go into effect July 1, 2022 is moved up to July 1, 2021. The weight fee increase will be deposited in the Forward Washington Account until June 30, 2022 and then it will be deposited in various motor vehicle accounts.

Capital Vessel Surcharge. Beginning October 1, 2021, the Transportation Commission is directed to impose an additional \$0.25 surcharge on every ferry fare sold and the proceeds will be deposited into the Capital Vessel Replacement Account. This would be in addition to existing \$0.50 surcharge that is deposited in the Capital Vessel Replacement Account.

Trip Permit Fees. Beginning October 1, 2021, the three day trip permit fee is increased from \$25 to \$45 with the additional \$20 being deposited into the Forward Washington Account.

Personal Trailer Fee. Beginning October 1, 2021, the annual license fee on private-use single-axle trailers of 2000 pounds scale weight or less is increased from \$15 to \$20. The fee increase will be deposited in the Forward Washington Account.

Title Fee and Quick Titles. Beginning October 1, 2021, the title fee is increased from \$15 to \$16. Beginning October 1, 2021, the quick title is increased from \$50 to \$55. The increases in the fees will be deposited in the Forward Washington Account.

Driver License Photo Only Fee. Beginning October 1, 2021, the fee for individuals wishing to correct information on a driver license or identicard, such as obtaining an updated photograph, is increased from \$10 to \$20. The revenue from the fee increase will be deposited in the Forward Flexible Account.

Motor Home Vehicle Weight Fee. Beginning October 1, 2021, the motor home vehicle

weight fee is increased from \$75 per year to \$95. The revenue from the fee increase will be deposited in the Forward Flexible Account.

Service Fee and License Plate Technology Fees. Beginning October 1, 2021, light, medium and heavy duty trucks are made subject to the \$0.50 license service fee and the \$0.25 license plate technology fee. The additional license service fee revenue will be deposited in the Forward Washington Account. The additional license plate technology fee revenue will be deposited in the Forward Flexible Account.

Aircraft Fuel Tax. Beginning July 1, 2021, the aircraft fuel tax is increased from \$0.11 per gallon to \$0.16 per gallon. The revenue will be deposited in the Aeronautics Account.

Vehicle Look-Up Fee. Beginning October 1, 2021, vehicle look-up fee is increased from \$2 to \$4. The revenue from the fee increase will be deposited in the Forward Flexible Account.

Driver Record Monitoring Fee. Beginning October 1, 2021, the driver record fee is increased from \$0.06 to \$0.08. The revenue from the fee increase will be deposited in the Forward Flexible Account.

Bulk Data Fee. Beginning October 1, 2021, the bulk data fee is \$0.025 per record or \$25 per 1000 records, to \$0.05 per record or \$50 per 1000 records.

Registration of Commercial Drones and Related Provisions. Beginning July 1, 2021, commercial unpiloted aircraft systems must be registered with Washington Department of Transportation (WSDOT) and pay a \$15 annual fee. An unpiloted aircraft system state coordinator is established in the Aviation Division of WSDOT to serve primarily in an advisory role with specified duties.

WSDOT, in collaboration with the Department of Commerce (Commerce), the Department of Revenue, and other industry representatives, must review the fee schedule based on the number of drones registered under any single entity. Consideration should be given to the cost to administer the program and the number of commercial aircraft registered in the state. WSDOT must make recommendations and report to the legislative transportation committees by December 1, 2022.

By December 1, 2022, WSDOT must also provide a report that details the specific activities, accomplishments, and opportunities by the unpiloted aircraft system coordinator. The report must be made available to the Legislature, Commerce, and to interested aviation and aerospace stakeholders.

Intermittent-Use Trailer Fee. Beginning October 1, 2021, the intermittent use trailer fee is increased from \$187.50 to \$200. The fee increase will be deposited in the Forward Washington Account.

Per Mile Fee Funding System. Beginning July 1, 2026, at the time of initial and 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 \$0.02 per mile driven. On July 1, 2029 and thereafter, the per mile rate is \$0.025 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.

Per Mile Early Adoption Program. By July 1, 2025, 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 \$0.02 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 July 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 December 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.

Per Mile Funding System Implementation Plan. By December 1, 2023, 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 a variety of specified elements.

Per Mile Funding 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.

Toll Exemptions. The authority for the Washington State Transportation Commission to provide toll exemptions is removed for:

- publicly owned or operated transit buses;
- passenger motor vehicles licensed for certain ride sharing programs;
- school buses; and
- privately owned and operated passenger buses.

Hazardous Substance Tax Distribution. The provision requiring termination of the \$50 million per biennium transfer from hazardous substance tax collections to the Motor Vehicle Fund, upon passage of additive transportation act, is eliminated. This means that the \$50 million per biennium transfer will continue even after enactment of an additive transportation act.

Auto Dealer Documentary Service Fee. Beginning July 1, 2021, the maximum authorized level for the optional auto dealer document service fee is increased from \$150 to \$200.

Tacoma Narrows Bridge Tolling. A total of \$146 million in transfers from the Forward Washington Account to the Tacoma Narrows Bridge Account are made from fiscal year 2022 through fiscal year 2030. Statutory provisions are repealed relating to future toll rate increases for the Tacoma Narrows Bridge tolled facility and intended loans to the account, as the transfers should mitigate the need for both.

Forward Washington Account. The Forward Washington Account is created in the motor vehicle fund. The account is appropriated and can be used only for projects or

improvements identified as Forward Washington projects or improvements in a transportation appropriations act, including any principal and interest on bonds authorized for the projects or improvements. The account is allowed to retain its own interest.

Forward Flexible Account. The Forward Flexible Account is created in the state treasury. The account is appropriated and can only be used only for transportation projects, programs, or activities identified as forward flexible projects, programs, or activities in a transportation appropriations act. The account is allowed to retain its own interest.

Appropriation: None.

Fiscal Note: Requested on April 7, 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: Please refer to the April 12, 2021 recording of the public hearing on the Senate Transportation Committee Schedules, Agendas & Documents website at: <https://app.leg.wa.gov/committeeschedules/#!/TRAN/>.

Persons Testifying: PRO: Senator Steve Hobbs, Prime Sponsor; Michael Moran, Confederated Tribes of the Colville Reservation; Roger Finley, Confederated Tribes of the Colville Reservation; Mayor Pro Tem Heather Rousey, Monroe City Council; Ted Jackson, WA ATV Association - On Sec. 103, 105; Jerry VanderWood, AGC of Washington; Alexandra Mather, Pierce Transit; Peter Heffernan, King County Metro; Chris Herman, Washington Public Ports Association; Karen Doherty; Leah Dobey, Department of Natural Resources.

CON: Mark Johnson, Washington Retail Association; Jeff Pack, Washington Citizens Against Unfair Taxes; Tim eyman, PermanentOffense.com; Joe Kunzler; Alex Hur, Master Builders Association of King and Snohomish Counties; Rose Feliciano, Internet Association; Samantha Kersul, TechNet; Catalina Jelkh Pareja, LKQ Corporation; Pablo Benavente, Turo; Laura Curtis, DoorDash; Bruce Agnew, ACES NW Network; Sean Wheatley, Experian Information Solutions; Mel Sorensen, American Property Casualty Insurance Association; Brenda Wiest, Teamsters 117; Steve Gano, Uber; Chris Thomas, Lyft; Gaston Kelly, Getaround; Brent Ludeman, Turo; Nurayne Fofana, Drivers Union; Jamaal Ahmed, Drivers Union; Jan Himebaugh, Building Industry Association of Washington.

OTHER: Reema Griffith, Washington State Transportation Commission; Mike Ennis, AWB; Krystal Monteros, Disability Mobility Initiative; Leigh Spruce, Disability Mobility Initiative; Jaime Torres, Disability Mobility Initiative; Micah Lusignan, Disability Mobility Initiative; Anna Zivarts, Disability Mobility Initiative, Disability Rights WA; Bob Wise, President, Recreational Boating Association of Washington; Peter Schrappen, President,

Washington Maritime Federation; George Harris, NW Marine Trade Association, CEO; Beau Perschbacher, Dept. of Licensing; Scott Hazlegrove, WA State Auto Dealers Association; Jon Van Arsdell, Avail Car Sharing; Jeff DeVere, Northwest Grocery Association; Jeff Gombosky, Enterprise Holdings; Sheri Call, Washington Trucking Associations; Carolyn Logue, Washington Food Industry Association; Jeff Gadman, Thurston County Treasurer and Washington State Association of County Treasurers Legislative Chair; Ingrid Elliott; Steven Drew, Washington State association of county assessors, Thurston county assessor.

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