
Transportation Committee

HB 1921

Brief Description: Establishing new sources of transportation revenue based on motor vehicle use of public roadways.

Sponsors: Representatives Fey, Ramel, Wylie, Ormsby, Parshley, Zahn and Macri.

Brief Summary of Bill

- Establishes a voluntary road usage charge program from July 2027 to July 2031 that places a per mile road usage fee on motor vehicle usage of public roadways in the state.
- Establishes a mandatory road usage charge program that is phased in between July 2029 and July 2035, to apply to light-duty electric and hybrid-electric vehicles, as well as light-duty internal combustion vehicles with a fuel economy rating of 20 miles per gallon or greater.
- Sets the road usage fee rate at 2.6 cents per mile, offsets the amount due by the amount of fuel tax paid, and waives the electric and hybrid-electric vehicle fees otherwise due.
- Defines the road usage fee as a motor vehicle license fee that may only be used for highway preservation and maintenance purposes.
- Establishes a road usage assessment set to 10 percent of the total road usage fee imposed that applies to participants in the mandatory road usage charge program, and restricts the use of revenue collected from the assessment to rail, bicycle, pedestrian, and public transportation purposes.

Hearing Date: 2/13/25

Staff: Jennifer Harris (786-7143).

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.

Beginning in 2018, the Washington State Transportation Commission (Transportation Commission) conducted a road usage charge pilot project with approximately 2,000 participating drivers who evaluated a variety of methods of reporting miles and provided feedback on them. In January 2020, the Transportation Commission submitted its final report and recommendations 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 road usage charge and offered recommendations on how a road usage charge could be implemented in Washington. One of the recommendations of the Transportation Commission was that the Legislature enact a road usage charge system applicable to a small number of vehicles as part of a longer-term transition away from the gas tax.

In July 2020, the US Department of Transportation awarded the Transportation Commission a \$5.5 million federal grant to conduct additional research and testing of a road usage charge.

Fuel Tax.

The state motor vehicle and special fuel tax rate is 49.4 cents per gallon. Subject to certain exceptions, fuel tax is imposed when fuel is removed from a terminal if the fuel is removed at the rack or when fuel is removed from a refinery, or when fuel enters the state for sale, consumption, use, or storage, subject to certain exceptions. Fuel tax revenues must be deposited in the Motor Vehicle Fund.

Transportation Revenue and the State Constitution.

The Eighteenth Amendment of the state Constitution requires motor vehicle license fees, fuel taxes, and other fees intended to be used for highway purposes, to be used only for highway purposes. The state debt limit established in the state Constitution does not apply in the case of the pledge of the state's full faith, credit, and taxing power to guarantee payment of an obligation from revenues received from fuel taxes or motor vehicle license fees.

Electric and Hybrid-Electric Vehicle Registration Fees.

In addition to any other fees due at annual vehicle registration renewal, an electric or hybrid-electric 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: (a) 70 percent to the Motor Vehicle Fund; (b) 15 percent to the Transportation Improvement Account; and (c) 15 percent to the Rural Arterial Trust Account.

The second electric and hybrid-electric vehicle registration 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.

These fees apply to annual vehicle registration renewals until the effective date of enacted legislation that imposes a vehicle miles traveled fee or tax.

Other Electric and Hybrid-Electric Vehicle Fees.

An annual \$75 transportation electrification fee is imposed at the time of vehicle registration renewal on an electric or hybrid-electric 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-electric vehicle transportation electrification fee is imposed on hybrid-electric 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-electric vehicle transportation electrification fees are deposited in the Electric Vehicle Account until July 1, 2025, after which time, revenues must be deposited in the Motor Vehicle Fund.

Summary of Bill:

Voluntary Road Usage Charge Program.

A voluntary road usage charge program is established that places a per mile fee on motor vehicle usage of public roadways in the state. The following vehicles are eligible for enrollment in the voluntary program:

- from July 1, 2027 to June 30, 2029, all electric and hybrid-electric vehicles; and
- from July 1, 2029 to June 30, 2031, internal combustion engine (ICE) vehicles with a fuel economy rating of 20 miles per gallon (mpg) or higher.

Enrollment in the voluntary road usage charge program occurs at the time of vehicle registration, with payment of the road usage fee made at the time of next vehicle registration renewal. The electric and hybrid-electric vehicle registration renewal fees and the transportation electrification fees are waived when payment of the road usage fee is made for that registration cycle. The road usage fee may not exceed the amount in electric and hybrid-electric renewal and electrification fees otherwise due.

Mandatory Road Usage Charge Program.

A mandatory road usage charge program is established that places a per mile fee on motor vehicle usage of public roadways in the state. The following vehicles are required to be enrolled in the mandatory program:

- beginning July 1, 2029, all electric and hybrid-electric vehicles;
- beginning July 1, 2031, ICE vehicles with a fuel economy rating of 40 mpg or greater;
- beginning July 1, 2032, ICE vehicles with a fuel economy rating of 35 mpg or greater;
- beginning July 1, 2033, ICE vehicles with a fuel economy rating of 30 mpg or greater;
- beginning July 1, 2034, ICE vehicles with a fuel economy rating of 25 mpg or greater; and
- beginning July 1, 2035, ICE vehicles with a fuel economy rating of 20 mpg or greater.

Enrollment in the mandatory road usage charge program occurs at the time of vehicle registration, with payment of the road usage fee made at the time of next vehicle registration renewal. Vehicles exempt from vehicle registration renewal or from licensing fees generally are required participate in the mandatory road usage charge program if not otherwise exempted from the road usage fee.

Program Eligibility and Rate.

The voluntary and mandatory road usage charge programs apply to vehicles capable of driving at a speed of more than 35 miles per hour and that have a gross vehicle weight rating of 10,000 pounds or less.

The road usage fee is 2.6 cents per mile. The rate automatically adjusts if the fuel tax rate is adjusted in law by applying the percentage change to the fuel tax rate enacted to the road usage fee rate.

Road Usage Fee Revenue.

The road usage fee is a motor vehicle license fee that must be used for preservation and maintenance highway purposes. It is required to be deposited in the Road Usage Charge Highway Account, which is created in the Motor Vehicle Fund. Funds deposited in the Road Usage Charge Highway Account may only be used for highway preservation and maintenance purposes.

Beginning July 1, 2029, revenues from the road usage fee must be distributed by the State Treasurer in the same manner as fuel tax revenues, and deposited in designated state transportation accounts and distributed to cities, towns, and counties accordingly.

Road Usage Assessment.

A road usage assessment applies to participants in the mandatory road usage charge program. The road usage assessment is 10 percent of the total road usage fees imposed, after the application of road usage fee credits and exemptions.

Revenues from the road usage assessment may only be used for rail, bicycle, pedestrian, and public transportation purposes, and must be deposited in the Road Usage Assessment Account. Expenditures from the Road Usage Assessment Account may not be used for purposes other than rail, bicycle, pedestrian, or public transportation purposes.

Program Administration.

The Department of Licensing (DOL) is responsible for administering the road usage fee and assessment and may adopt and enforce rules to carry out provisions related to road usage fees and assessments, including to establish rules to set periodic payment options for road usage fees.

Participants in the road usage charge programs are required to report number of miles driven through submittal of periodic odometer mileage. The DOL may also offer vehicle owners the option of one or more automated methods to report miles driven, without assuming responsibility for any customer fees. The road usage fee owed is reduced by a credit in the amount of the motor vehicle fuel tax imposed, as determined by the DOL based on constructive or actual amount of fuel usage. The credit is an offset for fuel taxes paid that is credited to the road usage fee otherwise due.

A standard deduction of 200 miles per twelve-month period applies to the mileage used to determine the road usage fee. The DOL is required to establish a process by rule for submission of documentation to claim a road usage fee exemption for the operation of an enrolled vehicle on roadways other than public roadways in the state in excess of the applicable standard deduction.

Registered owners of vehicles who transfer ownership of a vehicle enrolled in a road usage charge program must report the mileage shown on the odometer at the time of vehicle transfer on the report of sale filed with the DOL, unless the DOL determines that the odometer reading is unavailable due to damage sustained by the vehicle. The DOL, county auditor or other agent, or subagent appointment by the DOL is required to collect road usage fees and assessments that would have otherwise been due at the time of annual vehicle registration renewal if not for the transfer of the ownership of the vehicle, subject to the exception for an unavailable odometer.

Road Usage Fee Exemptions.

The following uses are exempt from the road usage fee:

1. the use of vehicles by publicly owned and operated urban passenger transportation systems;
2. the use of vehicles by private, nonprofit transportation providers when providing transportation services for people with special transportation needs;
3. the use of vehicles by privately owned urban passenger transportation systems and carriers on any trip where part of the trip is more than 25 miles beyond the borders of the county;
4. the use of vehicles by federally recognized Indian tribes to provide public transportation services;
5. the use of vehicles owned and operated by the state, any county, or any municipality when

- used for street and highway construction and maintenance purposes; and
6. the use of publicly owned firefighting equipment.

Legislative intent is included to address the impact of the mandatory road usage charge program on drivers who operate on the platforms of transportation network companies by July 1, 2027.

Privacy Protections.

The collection of personally identifying information for the road usage charge programs is limited to what is necessary to properly calculate, report, and collect the per mile fee, unless the participating vehicle owner provides written consent for the collection of additional information. Per mile reporting methods may only record or report general location data if this method is selected by the vehicle owner with informed consent. General location data may not be reported to the state or any subdivision of the state.

The DOL and any per mile account manager has an affirmative public duty to:

- ensure that per mile information is protected with reasonable operational, administrative, technical, and physical safeguards to ensure its confidentiality and integrity;
- implement and maintain reasonable security procedures and practices in order to protect per mile information from unauthorized access, destruction, use, modification, or disclosure; and
- implement and maintain a usage and privacy policy to ensure that the collection of per mile information is consistent with respect for individuals' privacy and civil liberties.

Personally identifying information of people who report their vehicle odometer mileage or any vehicle location information is exempt from public disclosure. This information may only be released to law enforcement agencies when the release is mandated by a court order.

Additional Program Development.

The DOL is required to complete the following activities for further development of the road usage charge program:

- provide a report to the Legislature on periodic payment options for the road usage charge program, with input from relevant stakeholders, by June 30, 2027; and
- coordinate a task force to evaluate options for road usage fee and assessment revenue collection enforcement to address potential challenges to collection, and provide recommendations to the Legislature by January 1, 2028.

The Joint Transportation Committee (JTC) is required to oversee studies on the following topics to inform further development of the mandatory road usage charge program:

- assess the applicability and impacts of the road usage charge program in a tribal context, with input from relevant stakeholders, and make recommendations to the Transportation Committees of the Legislature and the Governor in a report due June 30, 2026;
- examine the road wear and safety impacts of large and heavy passenger vehicles and

provide a report to the Legislature by January 1, 2027, to inform legislative consideration of implementation of differentiated road usage rates based on hood height and/or vehicle weight;

- evaluate the impact of the collection of the road usage fee on funding for off-road vehicle infrastructure and options available to address that impact, with a report provided to the Transportation Committees of the Legislature by January 1, 2028; and
- explore possible local jurisdiction revenue-generating mechanisms that could be used to complement the state road usage charge program.

The Governor must conduct a consultation with the state's federally recognized Indian tribes to determine the manner in which the mandatory road usage charge program will apply to federally recognized Indian tribes. The Governor may enter into an agreement with any federally recognized Indian tribe to provide for a mutually agreeable approach to address any tribal immunities or preemption of the road usage fee and assessment.

Other Agency Activities.

The DOL, in consultation with the Washington State Transportation Commission (Transportation Commission), must carry out a public outreach and education program prior to implementation of the road usage charge programs.

Beginning January 1, 2027, the DOL is required to provide semi-annual reports to the JTC on the status of preparations for, and implementation of, the voluntary and mandatory road usage charge programs and recommendations for program enhancements, and must continue to report semi-annually to the JTC on road usage charge program status and recommendations.

The Transportation Commission is required to pursue federal grant funding opportunities for which the road usage charge programs are eligible, as directed by the Legislature.

Additional Provisions.

The electric and hybrid-electric vehicle registration fees remain in place for vehicles that are not enrolled in a road usage charge program.

Beginning July 1, 2026, the DOL is required to request odometer readings at the time of vehicle registration and registration renewal for all vehicles. Providing odometer reading information at the time of vehicle registration is voluntary, unless the vehicle is enrolled in a road usage charge program.

Intent.

The stated legislative intent is to establish a road usage licensing fee for preservation and maintenance highway purposes that imposes a per mile fee for the use of public roads and that is phased in over time using a rate to maintain the same net level of revenue as the fuel tax rate

generates today, and to establish a road use assessment on the use of public roadways that can be collected alongside a road usage fee to, in combination, provide support to all elements of the state's transportation system.

Appropriation: None.

Fiscal Note: Requested on February 10, 2025.

Effective Date: The bill contains multiple effective dates. Please see the bill.