



ISSUE BRIEF

Road Usage Charge (RUC) in Lieu of Gas Tax

Key facts

- The Transportation Commission has made a recommendation to start a voluntary policy charging 2.5 cents per mile on vehicles rated 25 mph or greater in 2025.
- It takes legislation to authorize the imposition of such a fee.

Hyperlinked words are in blue in the text below.

Many states and the federal government are looking to transition from the gas tax to a fee based on mileage driven on public roads. The Washington Transportation Commission has been investigating this policy for a decade at the direction of the Legislature via provisos in the transportation budget. **These policies have different names in different locations: road usage charge, road user charge, pay-by-mile tax, mileage-based-user fee, highway users charge, or highway usage charge.**

The debate

Decarbonization policies and innovations have had an impact in reducing the growth of tax revenues paid on motor vehicle fuels. The cost of transportation infrastructure outpaces the growth of current transportation revenues. For decades, the transportation system has been paid for by fees on vehicles and drivers, with the gas tax being a predominant source of funding. The change to a road usage charge is a controversial policy yet some see it as a crucial part of the transition to electric vehicles rather than having the general fund pay for the transportation system.

Many drivers are leery of such a program because they see it as requiring them to pay more and also do more. They don't like the thought of being tracked by the government and having to report information they currently don't have to share. Concerns include:

- People will have to make payments separately than what they do now. The gas tax is embedded in current gas purchases, paid for by companies before the gas is distributed to stations. There is little opportunity for fraud or nonpayment. A RUC has to be collected on 8 million vehicles. The policy is going to be far more complex than what currently exists, and people will have to make payments they currently don't even think about.
- The RUC is being discussed as revenue neutral, but the goal of the program is to pay for needs of the transportation system, thus it is likely to have to be increased to be more than the 2.5 cents proposed. Administrative costs are likely to be more, so people will end up paying for those additional costs.
- Constituents often are upset that they may pay more based on their vehicle choice and driving pattern. They already have made those choices under the current system. The new policy puts in place a more accurate user fee for all vehicles than the miles per gallon rating of their vehicle. People driving trucks or SUVs that get gas mileage below 22 mpg are likely to pay less than they do under a gas tax.

- The privacy concern is prevalent. Most discussions of adopting a RUC include some exemptions for information disclosure. The Washington pilot project is looking at offering an option for reporters to use odometer readings. It's not a perfect solution because people end up paying for miles driven outside of the state or on private property. However, most people do that with the gas tax currently. There is also an option for new vehicles to report the actual miles to a private company that will then figure out the charge so the government does not get the data.

There is also a schism as to whether the road usage charge will only pay for highways or will it pay for other transportation system operations, grants and programs. Public transit systems have been advocating that the new system also provide more state funding for their purposes. There are objections to this expansion because (1) public transit agencies are their own taxing districts, which generate comparable revenues to the state; (2) ridership of public transportation is declining for a variety of reasons; (3) the state could easily use all of the revenue for highway maintenance, preservation and support of the state agencies; and (4) the 18th amendment prohibits the gas tax from being used for non-highway purposes, so a replacement tax or fee should be subject to the same restrictions.

Background

The Transportation Commission has convened a steering committee to investigate a transition to a road usage charge. Reps. Orcutt and Barkis are on the steering committee. The original direction to the Transportation Commission was that the transition to a road usage charge would be revenue neutral to replace the gas tax – not be in addition to the gas tax. Circumstances and political inclinations are pushing for the revenues to do more while also considering whether to exempt some people from paying the RUC as part of an equity policy.

Much of the consultants' work has been related to theoretical operational functions through third-party vendors. The Department of Licensing has had very little involvement in discussing what could be administrative costs, so there is substantial work to be done to get to a realistic transition cost. The pilot programs use third-party vendors to collect the RUC in an attempt to both avoid state government costs and the government having information that might have to be disclosed. State agencies will still have to administer vendor contracts, create policies, and ensure that all vehicles are paying. This will likely require costly upgrades to the Department of Licensing database and increased personnel.

Transportation revenues vs. spending

The transportation budget has been relying on financing to build projects for more than two decades, and debt servicing is over \$1.7 billion. The governor's proposed spending for 2023-25 is \$12.3 billion. The November 2022 [revenue forecast](#) indicated state motor vehicle fuel collections would be \$3.5 billion for the 2023-25 biennium. Unfortunately, actual revenues have been less and costs greater than expected for all of the transportation packages adopted by the Legislature. The Washington State Department of Transportation has asked for more than \$1 billion each year for maintenance and preservation of the state highway system, yet the Governor's proposal did not provide that amount (nor have transportation budgets done so in the past).

RUC pilot programs

The Transportation Commission did a pilot program during 2020 that included 2,000 participants and issued a report that can be found at <https://waroadusagecharge.org/>. The same consultants are doing follow-on projects starting in January 2023 for 3 to 6 months. They are focusing on specific issues and using much smaller participant groups. These projects include:

1. Flex Pay will test an invoice statement and payment installment system.
2. Auto Pilot will test viability of a policy using telematics embedded in vehicles to report mileage. This requires specific vehicles that are model year 2020 or newer from Ford, Ram, Dodge, GM, Jeep or Chrysler. The manufacturers will release the information to a company called VIA.

3. Miles Exempt will explore options for providing exemptions from payment of a road usage charge for out-of-state or private road travel. This is for people that cross the borders often and are willing to track mileage in a travel log.
4. Consultants will create a RUC Mock Standards Committee with up to 15 people to identify content and recommend standardization of processes across jurisdictions.

2022 Transportation Commission recommendations

In December, the Transportation Commission adopted [recommendations](#) related to RUC policy development, including:

- Beginning July 1, 2025 implement a voluntary RUC program open to any vehicle rated 25 mpg or higher, and waive the \$225 EV registration fees and \$75 hybrid feesⁱ if the vehicle joins the RUC program. (The vehicle registration fees cover \$100ⁱⁱ to offset travel on roads while the other amounts were put in place to offset the loss of revenues to pay for green infrastructure tax incentives and programs. This is not obvious when reading the statute.)
- Beginning July 1, 2027 require all vehicles model year 2028 or newer to pay a RUC in lieu of fuel taxes and the electric vehicle registration fees.
- Set the RUC rate at 2.5 cents per mile for all subject vehicles.
- Require annual odometer readings to implement the initial RUC program, collecting this information on all vehicles as soon as possible.
- Dedicate RUC revenue to preservation and maintenance of highways.
- Designate the Department of Licensing (DOL) as the operating agency for the RUC program and authorize DOL to certify third-party vendors to offer advanced mileage reporting options and account management services.
- Enact laws for personal privacy protection based on the commission's [model privacy policy](#).
- Direct the commission and DOL to collaborate with other states, nations and automakers to advance long-term solutions for mileage reporting and payment across borders.

What to expect in the 2023 session

From the governor and other Democrats, there could be the following proposals:

- A voluntary-to-mandatory road usage charge policy on electric vehicles while repealing the extra registration fees on electric and hybrid vehicles.
- Budget provisos that incorporate some of the Transportation Commission recommendations.
- Continuation of funding for the Transportation Commission to investigate a RUC.

From Republicans, expect to see proposals:

- Senator Fortunato has offered [SJR 8200](#), a constitutional amendment to place any road usage charge under the 18th Amendment to be used for highway purposes only.

And discussion about unresolved issues:

- Is a road usage charge sustainable funding for the transportation system in light of all of the policies to reduce vehicle miles travelled?
- Discussion of the differences in rural and urban areas based on travel distances, vehicle types, income levels, and vast differences in cost to build roads and the related infrastructure in the different areas. Should there be one set fee paid by all or tiers of different fees?
- Should low-income people get an exemption? Any other types of users?
- Discussion of limiting the RUC revenues to paying for highway maintenance and preservation only.
- Discussion of the need for a far better understanding of the actual administration costs for the Department of Licensing for any bill that is being proposed.

- Should there be geofencing so that local governments can also receive funding for miles in their communities? That would require specific technology.
- What about the gas tax? How is that going to be phased out so no one is double taxed?
- Discussion of the details needed to be determined on how to phase in or transition to such a program.

Additional information

- Washington State Transportation Commission [website](#) or also <https://waroadusagecharge.org/>.
- Washington Policy Center [analysis of HB 2026](#) (2022) that would have imposed a RUC.
- As of December 8, 2022 there are 112,634 battery, electric or plug-in hybrids registered in Washington.
- The Western Road Usage Charge Consortium has become [RUC America](#).
- Eastern Transportation Coalition at <https://tetcoalitionmbuf.org/>.
- The [Mileage Based User Fee Alliance](#) did a commercial truck pilot project: <https://tetcoalitionmbuf.org/findings/>
- [Virginia Highway Use Fee](#) or voluntary [Mileage Choice Program](#) through emovis.
- [Utah's voluntary RUC](#) for electric and hybrid vehicle owners is 1.52 cents per mile in lieu of a flat fee for such vehicles. This is collected by a third-party commercial account manager, [emovis](#). They use an On Board Diagnostic (OBD) device to track actual miles driven.
- WSDOT's June [Vehicle Miles Travelled report](#) indicated the peak in vehicle miles travelled was 2019 at 62.5 billion miles. In 2021, [WSDOT reported](#) 57.8 billion statewide vehicle miles travelled. They won't have 2022 numbers until June.

ⁱ [RCW 46.17.324](#).

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