



Alliance for
Transportation
Electrification



April 2020

Electric Vehicle (EV) Fees – Key Considerations White Paper

Who We Are

The Alliance for Transportation Electrification (ATE), a 501(c)(6) non-profit corporation, is led by utilities, electric vehicles (EV) infrastructure firms and service providers, automobile and bus manufacturers, and EV charging industry stakeholders and affiliated trade associations. We started with 20 organizations at the launch in early 2018. By taking a “big tent” approach to advance the industry, we have grown rapidly to include about 45 national members today and are actively engaged in regulatory proceedings across the country.

What We Do

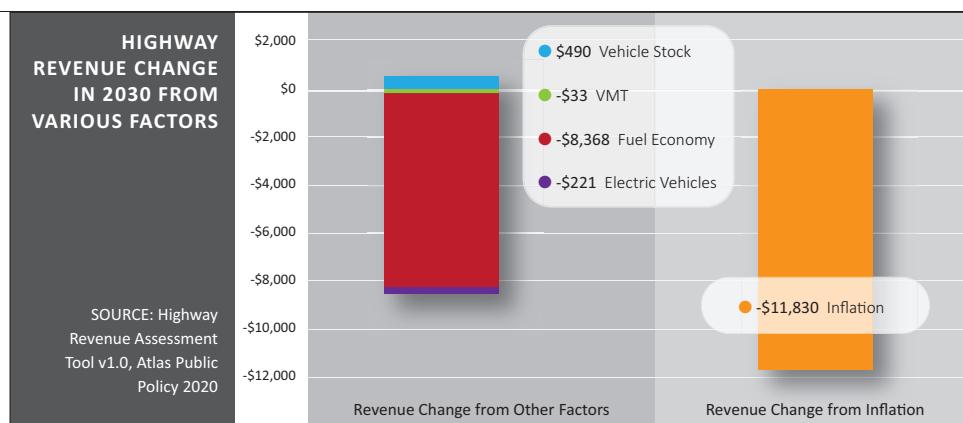


Our goals are to engage with Public Service Commissions and other state agencies to remove barriers to EV adoption by encouraging a collaborative and open approach to accelerate the deployment of EV charging infrastructure in states. We do this by advocating for a strong and robust utility role while recognizing the importance of non-utility service providers in market development, by developing effective outreach and education measures, and by promoting interoperability and open standards in all parts of the EV charging ecosystem.

The Alliance established a multi-sector task force in 2019, under the auspices of its Policy-Regulatory Committee, to examine the current state of EV registration fees in the States, as well as assess funding alternatives such as Road User Charges (RUC). The task force will continue to meet and advise the Committee and the Board of Directors of ATE on its deliberations.

Problem Statement:

Our transportation system is rapidly changing as alternative fuels, automation, connectivity, shared mobility, and other technologies are adopted. Electric vehicles (EVs) are attracting significant attention from policymakers and others as a critical technology for decarbonizing the transportation sector. However, they are also spurring consideration of emerging challenges for decision makers at both the federal and state levels, particularly around transportation infrastructure funding, already under decline in many jurisdictions. A valid question of how best to fund future transportation infrastructure investments, historically funded in many states substantially by taxes paid on gasoline and diesel, is now part of an active debate.



As a result, many states, as well as transportation and tax advocates across the country, are weighing how best to capture revenue from alternatively fueled vehicles, such as EVs. Some jurisdictions now charge new flat fees upon vehicle registration, others are exploring programs that charge vehicle operators based on miles driven or vehicle efficiency ratings (MPG equivalent). Still other alternatives exist.

The task now before legislators and other stakeholders is to consider the merits of each approach and understand the actual root cause of current and projected near-term funding shortfalls. Policymakers might find that different solutions work best in different jurisdictions and at different points along the adoption curve for EVs. We believe it is premature today to state conclusively whether a single comprehensive approach for funding state highways will come to predominate across the country. While a common approach might be helpful, State Legislatures need to examine their particular statutes, needs, and circumstances in developing the proper funding approach in a balanced way based on real data.

This white paper aims to inform these debates by highlighting various tradeoffs, administrative considerations, and revenue implications inherent to the different policies.

Policy Objectives: Avoid Stifling a Nascent EV Market

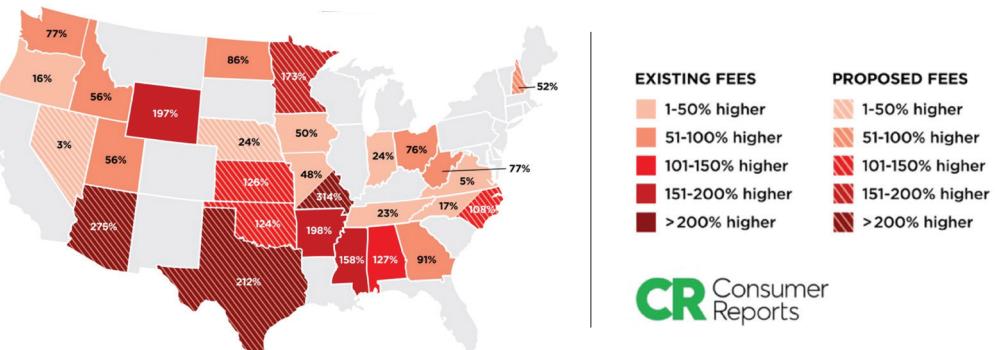


Key Factors To Consider:

- **Understand the actual problem.** Are revenue shortfalls actually attributable to EVs?
- **Current EV penetration rates in the vast majority of states make up a small portion of vehicle registrations. Therefore, the losses to the state transportation budgets attributable to EVs are exceedingly small. Careful quantitative analysis of projections should inform the decision of when such a fee would make a material contribution to state transportation goals.**
- **A portion of a state's transportation infrastructure funding occurs through sources beyond state fuel taxes (such as motor vehicle registration fees, tolls, general revenue funds, etc.). The result is that all taxpayers (including EV owners) participate in bearing the costs of these expenses, not just conventional vehicle owners.**
- **Consider delaying the introduction of any fees so that EV adoption is not inadvertently slowed. For example, tie the starting year of the fee initiation to meeting certain EV adoption thresholds (such as a certain percentage of new vehicle registrations).**
- **Consider how an EV fee might compromise broader climate and air quality goals and avoid sending mixed messages and creating muddled incentives in a nascent market.**
- **If unavoidable, EV fees should not exceed the fuel taxes and fees paid by comparable ICE vehicles.**
- **Longer-term solutions are needed to create a fair and equitable system. States should leverage the time they have now while EV adoption is relatively low to address any technical or other barriers preventing a fair and equitable solution, inclusive of all vehicle types.**

In most states, EVs currently make up a tiny fraction (typically below two percent) of the light duty vehicles on the road. Nevertheless, more than 20 states have recently assessed (or are considering) new fees on EVs with the stated goal of offsetting declining conventional fossil fuel taxes. While the aim to have all vehicles contribute their fair share to the construction and maintenance of the roadways is understandable, it will be exceedingly hard to argue that EVs in the near future (even with high adoption) are a significant contributor to the fundamental transportation funding shortfalls. As the accompanying bar chart clearly illustrates, many other factors have a greater impact on such shortfalls in highway revenue sources, such as: lack of an inflation index on conventional fossil fuel taxes, turnover in vehicle stock, fuel economy standards (CAFE). For states considering EV fees, therefore, the objective of closing revenue gaps versus incentivizing EV adoption in a still nascent market need to be weighed carefully. At a minimum, these discussions need to be informed by actual data, and if a new fee is deemed necessary, that it be developed in a way that does not exceed what a comparable gas or diesel powered vehicle would pay in state fuel taxes.

STATES WITH THE MOST PUNITIVE EV FEES



CR Consumer Reports

Existing and proposed EV fees in 26 states are up to 3x higher than the annual gas tax would be for the average new car in 2025.

Today, states are indeed exploring their options. Many states have implemented (or are considering) EV fees. These fees, ranging from 5% to almost 200% more than what an internal combustion vehicle (ICE) would pay in fuel taxes. We believe that many such fees are disproportional and could be considered excessive or punitive. A Consumer Reports study calculates what they call a ‘Maximum Justifiable Fee’. As they illustrate, owners of EVs in some states could be forced to pay fees that are double, triple, or even quadruple the amount that owners of new conventional vehicles pay in fuel taxes. They found that “seven of eight electric vehicle fees instituted or increased in 2019 will be extremely punitive by 2025, meaning they... far exceed gas tax-equivalent levels in those states...”

By balancing and prioritizing policy objectives, states can lay the groundwork for long-term mechanisms for revenue collection across all vehicle types, while not compromising transportation objectives, including climate and local air quality goals.

For states looking to design a RUC policy and fee-collection mechanism, there are many valuable lessons to be learned from the early adopters:

- Start simple, build the program over time, and allow for flexibility and an iterative process.
For example, the state of Oregon first established their RUC Task Force in 2001. Over more than 18 years, the state has engaged in extensive public and stakeholder engagement, numerous regional and multi-state pilot projects, as well multiple legislative actions.
- Engage stakeholders and the public early in the process and often throughout.
- Conduct trials and educational outreach. Include elected officials, media, and stakeholders in the trials.
- Provide choices for consumers when possible.
- Address the many privacy and data protection issues with a robust stakeholder process.
- Utilize a regulatory process to develop the program and justification.
- Ensure that program design is guided by data, reduces administrative burden, is flexible, and can integrate with other systems.
- Long-term programs can be complicated to implement and likely state-specific due to varying administrative structures and/or policies.

Exploring Road User Charges (RUC)



An equitable fee structure could certainly be achieved through road user charges (RUCs)—or similar mileage-based user fees (MBUFs) or vehicle miles traveled (VMT) fees. Such fees and user charges have been considered and studied by transportation experts and State legislative bodies for many years. It is not the intention of this white paper to take a position on a single approach for a comprehensive, long-term solution for all funding shortfalls of transportation infrastructure in the states. We acknowledge the argument that transportation funding should eventually seek to more closely link transportation taxes to the actual road use and impact, or miles driven by users (adjusted for vehicle weight), as compared to traditional fuel taxes or flat fees.

A fully integrated RUC, such as is currently being developed and studied in Washington State, could eliminate the need for a fuel tax altogether, provide a more stable revenue source, and potentially support other policy goals. According to the National Conference of State Legislatures (NCSL), California, Colorado, Delaware, Hawaii, Minnesota, Oregon, and Pennsylvania, have also launched pilot RUC programs, while a number of other states and regions are also considering such programs. These programs take a much more comprehensive account of road use and proportional charges compared to flat fees, but the implementation is far more complex. They require new administrative processes, integrated technologies, and have other implementation challenges.

Moving Forward



We believe a systems-level approach is needed to address all the relevant issues, as states are presented with numerous technical, institutional, and political challenges. However, today is an opportune time for states to explore the future of transportation funding. With new technologies come new opportunities, but careful planning will be critical to ensure success.

Given the number of states already exploring the issue and developing programs, there is a robust national dialogue on the issue and a wealth of resources to support states as they develop sustainable and comprehensive programs. While not exhaustive, we list several relevant references on the next page.

Resources



Washington State Road User Charge Assessment- Final Report, January 13, 2020
<https://waroadusagecharge.org/final-report/>

SUPPLEMENTAL ELECTRIC VEHICLE REPORT SUBMITTED PURSUANT TO SECTION 35 OF ACT 59 OF THE 2019-2020 VERMONT LEGISLATIVE SESSION
<https://legislature.vermont.gov/assets/Legislative-Reports/EV-supplemental-report.pdf>

“Rising Trend of Punitive Fees on Electric Vehicles Won’t Dent State Highway Funding Shortfalls but Will Hurt Consumers,” Consumer Reports
<https://advocacy.consumerreports.org/wp-content/uploads/2019/09/Consumer-Reports-EV-Fee-analysis.pdf>

Oregon Road Usage Charge Program
<https://www.oregon.gov/ODOT/HWY/RUFPP/Pages/Road-Usage-Charge-Program-Development-Documents.aspx>

“The User Pays? A Potential Solution to the Transportation Funding Crisis,” National Governor’s Association
<https://www.nga.org/wp-content/uploads/2019/06/NGA-Transportation-Webinar-MBUF-RUC-06102019.pdf>

“Road Use Charges,” National Conference of State Legislatures
<http://www.ncsl.org/research/transportation/road-use-charges.aspx>

“Road User Charge Pilot Programs: Examples of Regional Collaboration and Innovation,” Batic Institute
http://www.financingtransportation.org/pdf/events/webinar_road_user_charge_pilot_051418.pdf

“Moving Toward Vehicle Miles of Travel Fees to Replace Fuel Taxes- Assessing the Path Forward,” Rand Corporation
https://www.rand.org/pubs/research_briefs/RB9576.html

“A Policymaker’s Guide to Road User Charges,” Information Technology & Innovation Foundations
<https://itif.org/publications/2019/04/22/policymakers-guide-road-user-charges>



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