



# Sustainable Transportation Funding for the Future



**Minnesota Transportation Alliance**

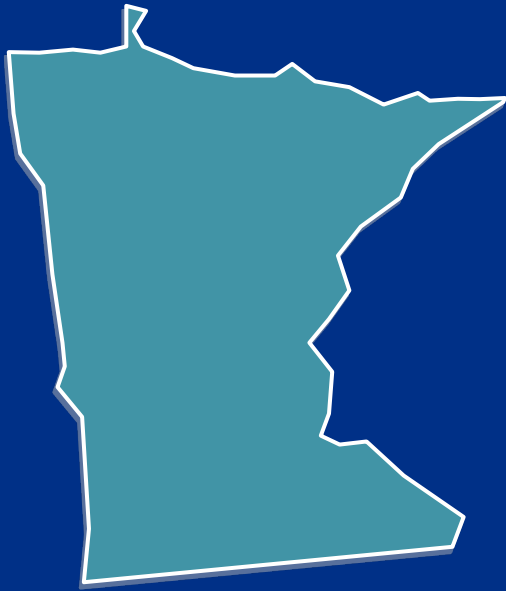
November 14, 2024

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# Minnesota Transportation Alliance



## Agenda

Funding challenge

Fundamentals of RUC

RUC in the United States

Other funding mechanisms

- Delivery fee

- Other fees

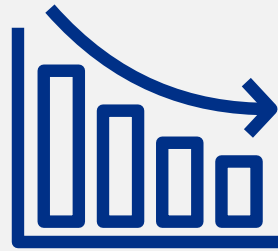
## Funding conundrum: more driving but less gas tax



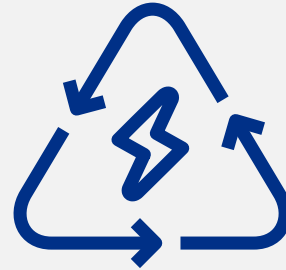
The gas tax is no longer a sustainable transportation revenue source. As vehicles become more fuel efficient and electric vehicles more prevalent, drivers are purchasing less fuel – or none at all.



**Inflation**  
of Construction Costs



**Flat/Declining**  
Revenue



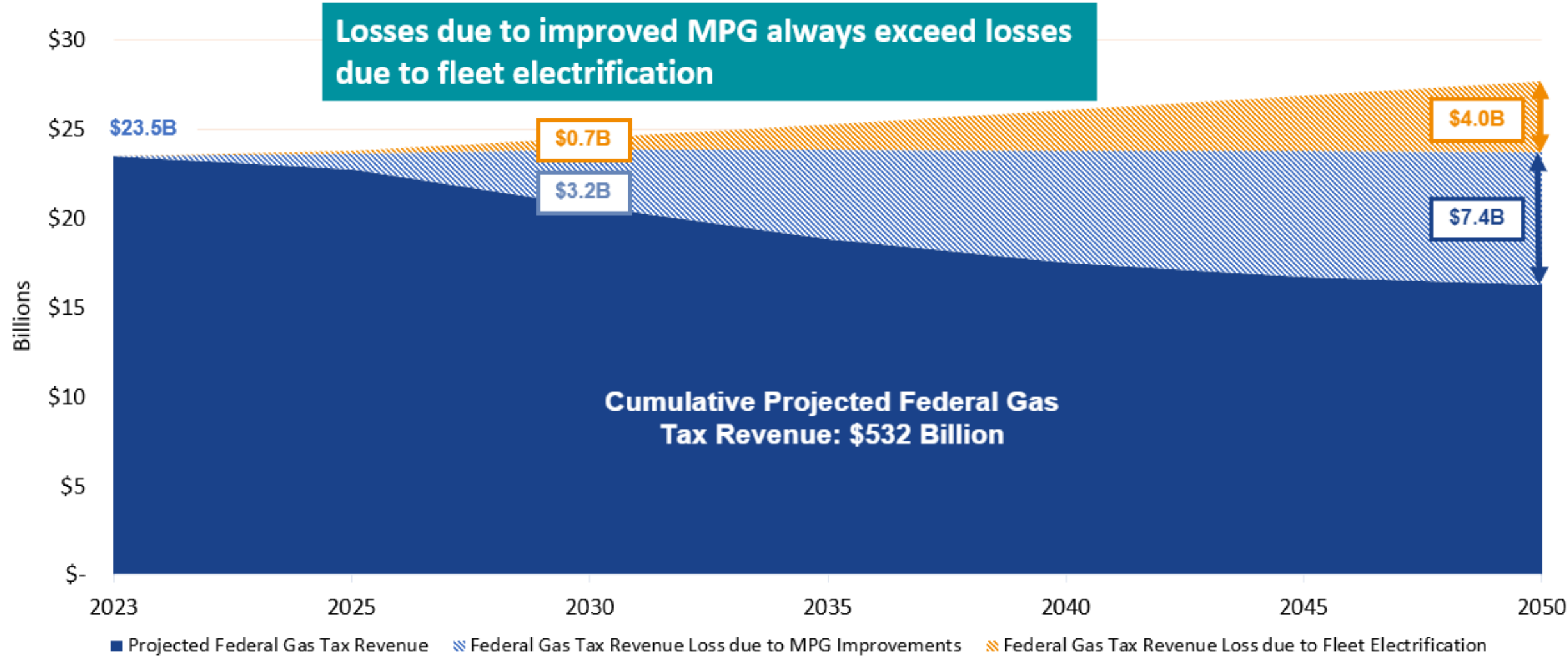
**Greater**  
Fuel-Efficient Vehicles



**More**  
Electric Vehicles

# Federal Gas Tax Revenue Stream

Slow EV Adoption (EIA)

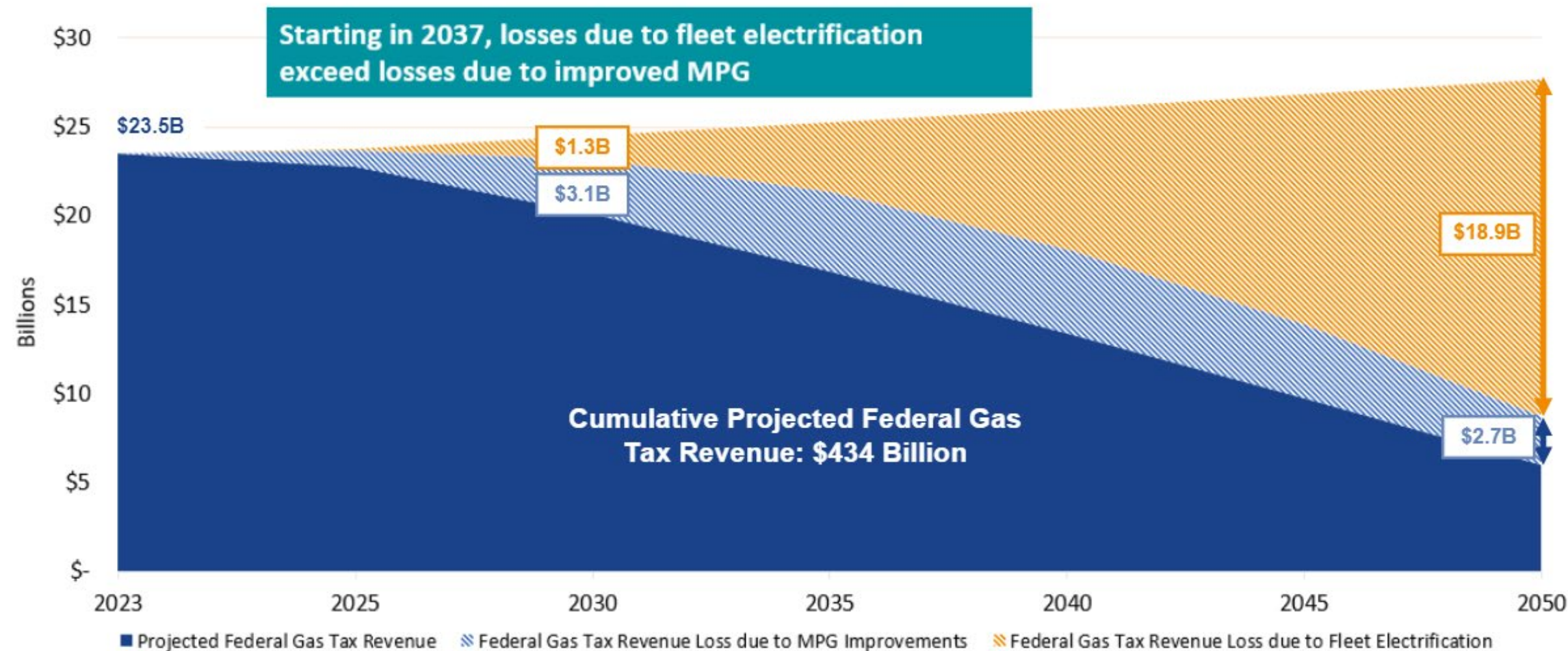


Note: Nominal dollars.



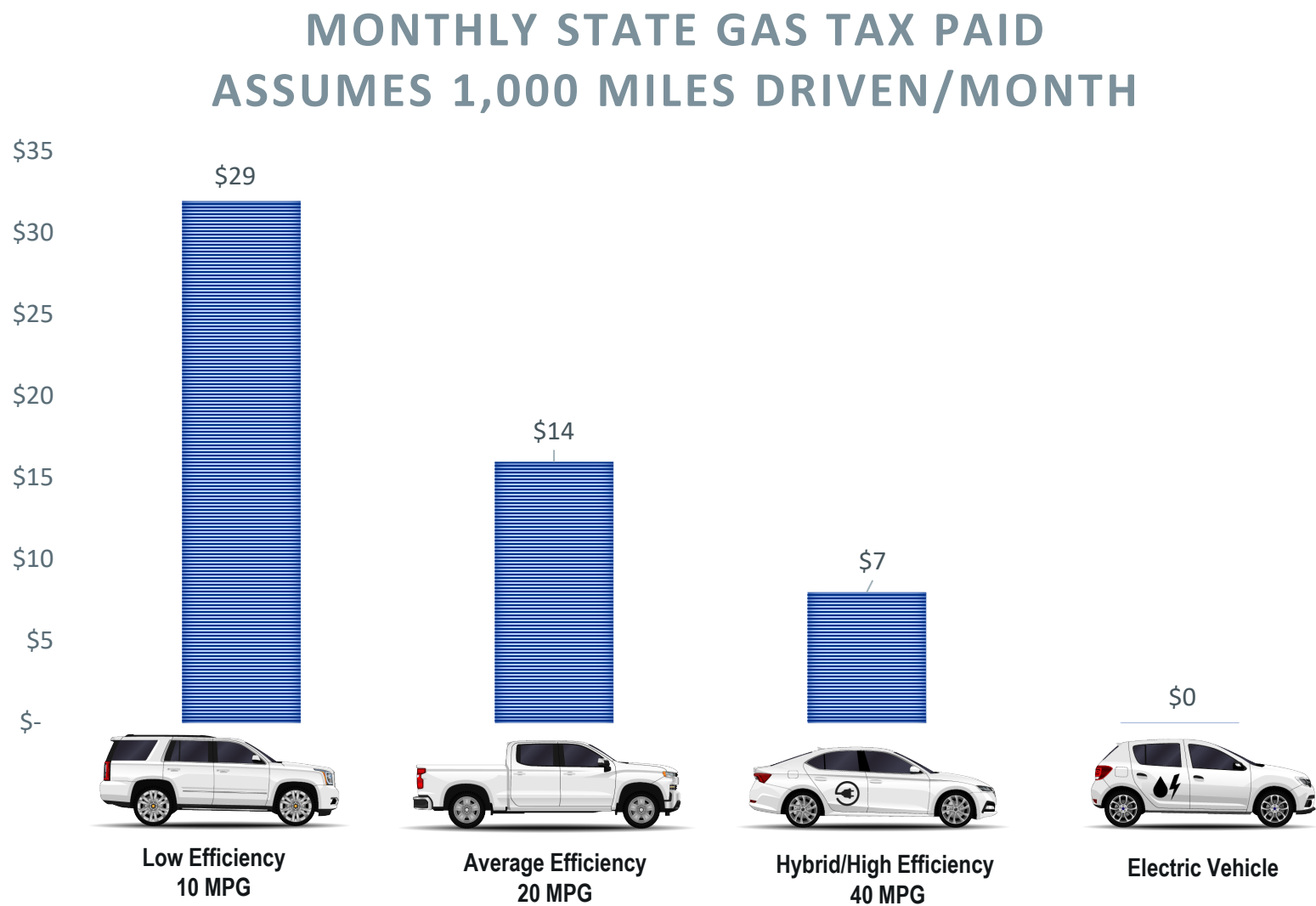
# Federal Gas Tax Revenue Stream

*Faster EV Adoption Scenario*



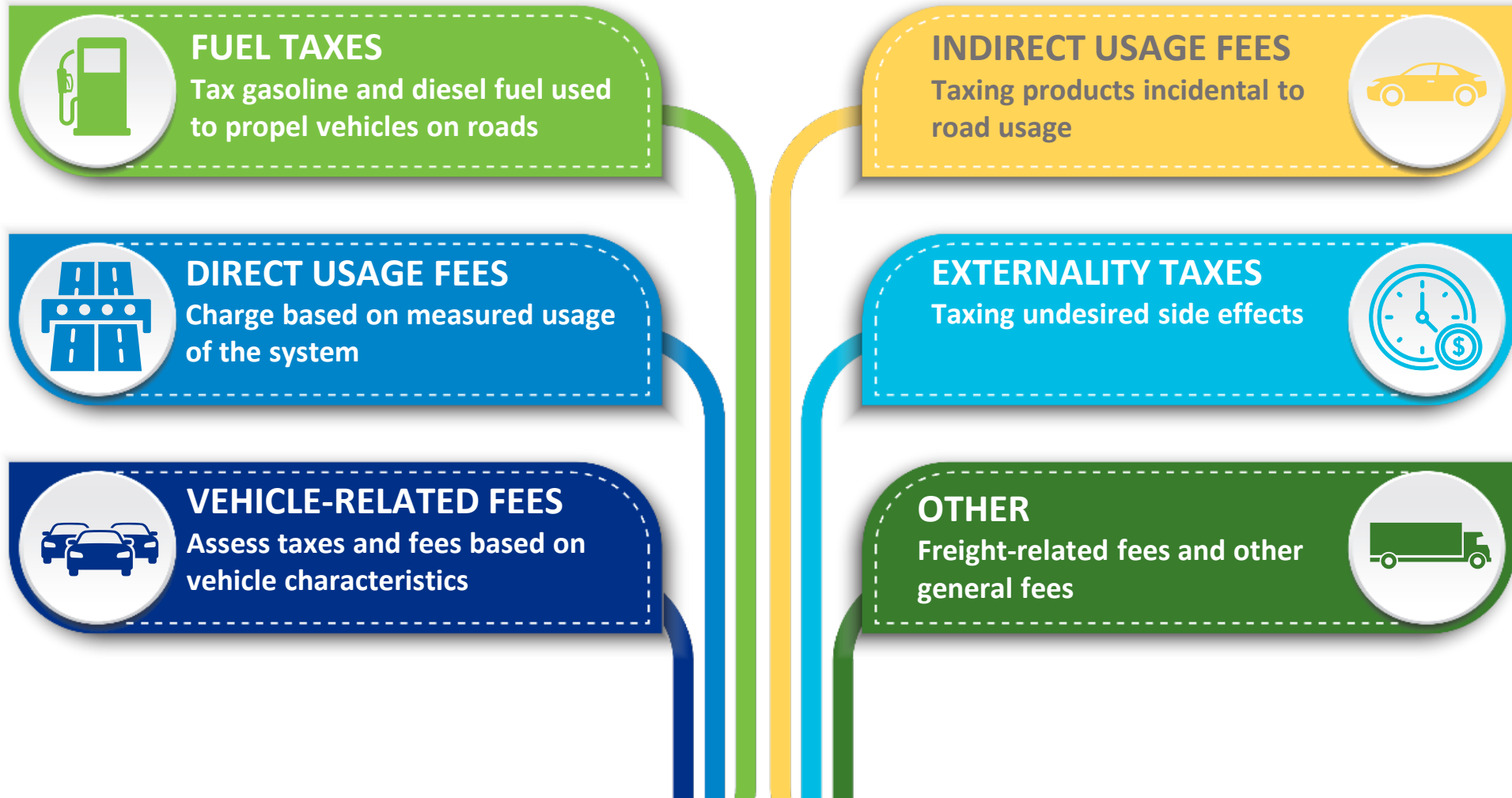
Note: Nominal dollars.

# User Pay Disparity from Fuel Tax in Minnesota

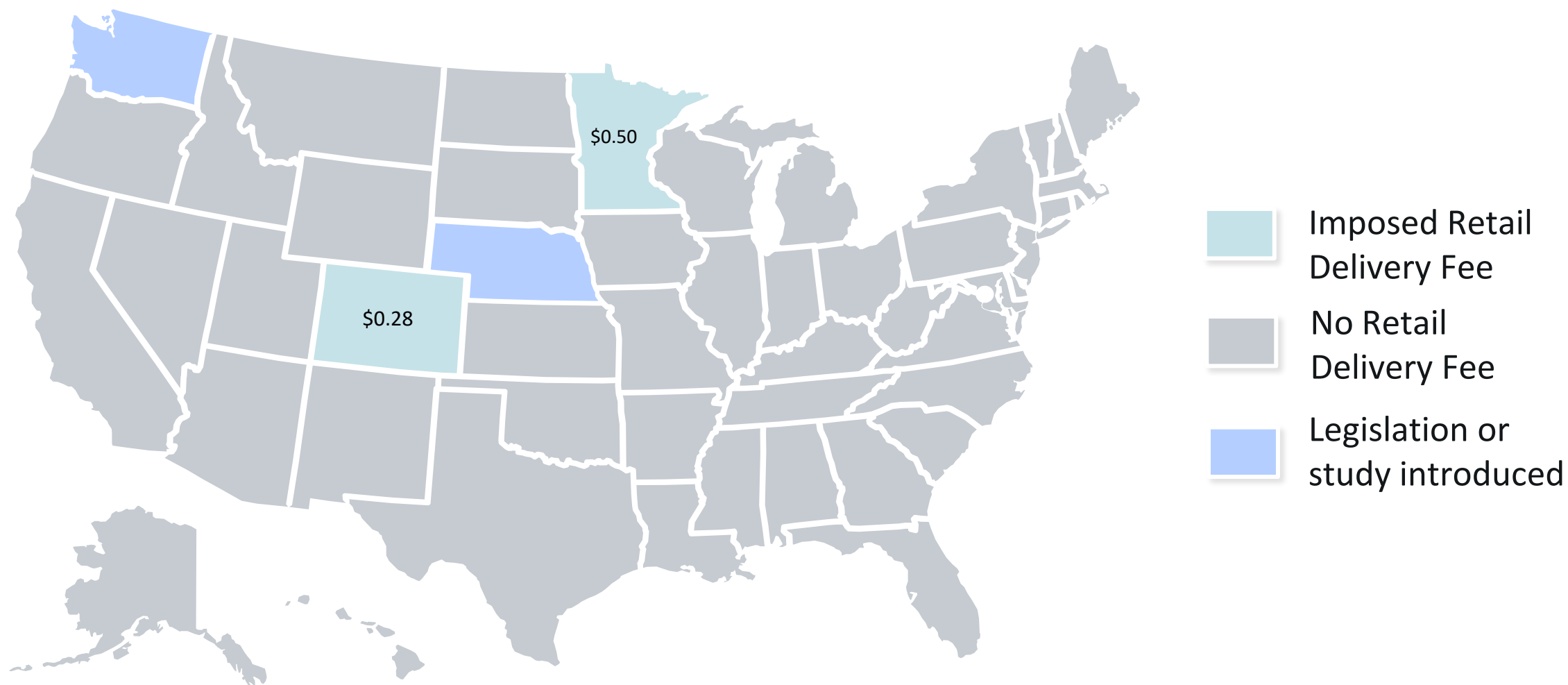


# A multi-legged funding stool

States use many sources to fund road and bridge maintenance



# 2024 Retail Delivery Fees by State



Sources: [2023-sut-legislative-bulletin.pdf \(state.mn.us\)](#), [2023-sut-legislative-bulletin.pdf \(state.mn.us\)](#), & [Retail Delivery Fee | Department of Revenue - Taxation \(colorado.gov\)](#)

Note: Rates as of April 2024



# Retail Delivery Fee: Colorado and Minnesota

Policy Factors	Minnesota	Colorado
Rate	\$0.50 per delivery	\$0.28 per delivery (indexed to inflation)
Delivery eligibility	Applies to deliveries over \$100.	Applies to all deliveries regardless of price.
Revenue generation	Estimated to generate \$59 million in the first fiscal year.	In the first year, the fee generated \$75.9 million, matching the projections in the original fiscal note.
Collection	Provides businesses a choice of how to collect fee. Applies only to businesses with \$1M in sales or higher.	Provides businesses a choice of how to collect fee. Applies only to businesses with \$1M in sales or higher.

# Washington RDF study

In June, a study was completed that looked at the feasibility of implementing a RDF in the state

- A 30-cent rate would **generate \$122 and \$145 million** by 2030
- Individuals in **urban areas** and those with **higher incomes** would bear more of the **burden** of a fee
- \$250,000 startup and **\$125,000 ongoing administrative costs**
- Impacts to businesses can be **mitigated by creating a small business threshold exemption**



# Revenue Generation Tool

The tool provides the Legislature ability to explore revenue generation estimates, and corresponding revenue distribution, based on user inputs

## Historical Taxable Retail Sales

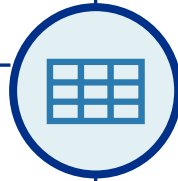
- Statewide level
- County/City level
- E-commerce sales from the retail industry
- Average online order values

## Forecasting Parameters

- Retail taxable sales
- Retail e-commerce sales
- Retailers' exemption
- Exemption based on order value
- Retail delivery fee
- Fee adjustment

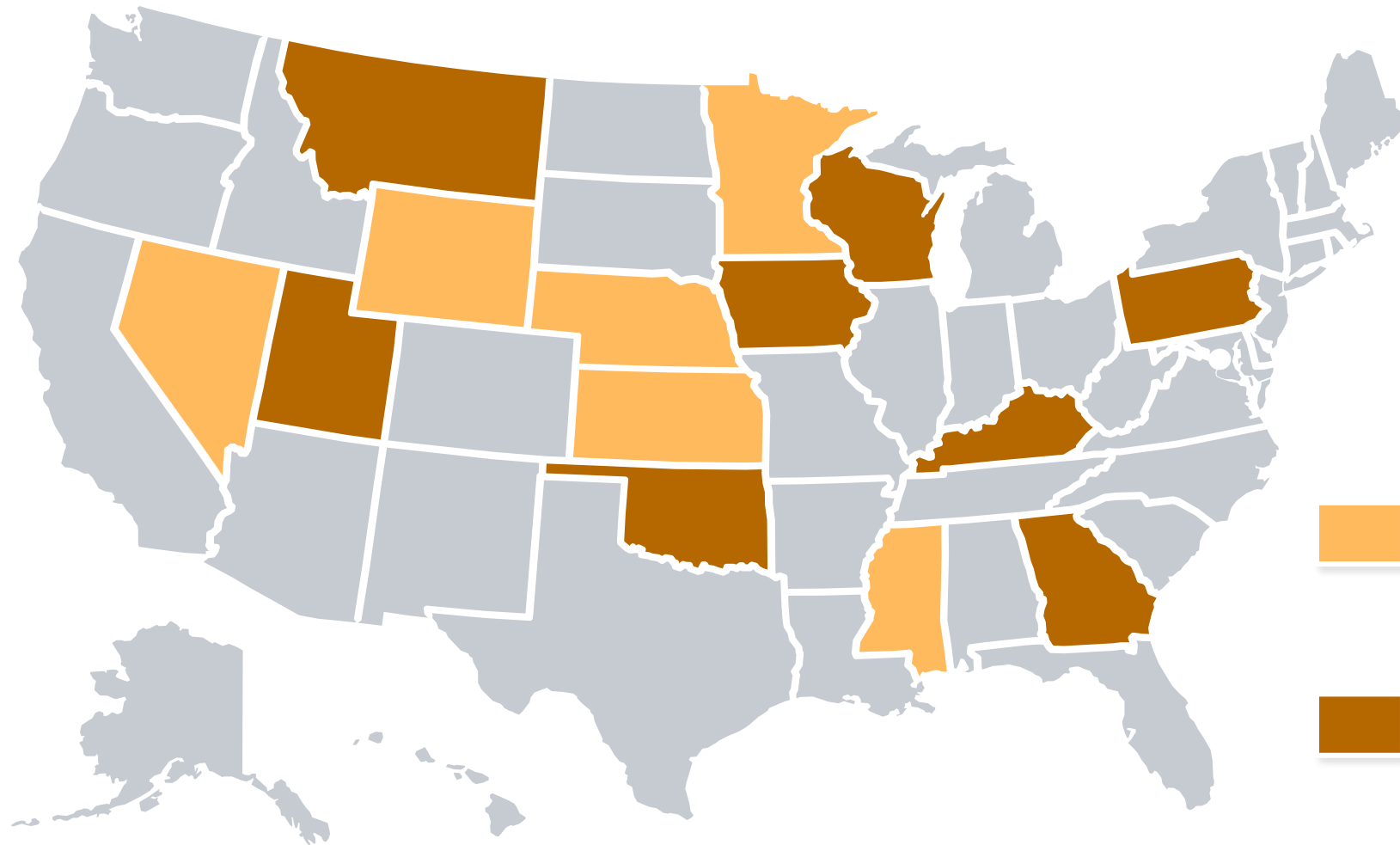
## Distribution Factors

- Population
- Lane-miles
- Vehicle miles traveled
- E-commerce share
- Equal share




- ✓ Inform the design of policies to promote fairness and mitigate unintended negative consequences.
- ✓ Illuminate policy options around rate-setting.
- ✓ Estimate the revenue generation potential due to various policy considerations
- ✓ Conduct “what-if” scenarios to inform decision-making.

# Kilowatt Hour Tax (kWh) Fee in 2024



Per kWh Fee:  
~1.7¢ (Pennsylvania)  
~2.4¢ (Georgia)  
2.6¢ (Iowa)  
3¢ (OK, KY, MT)  
Sales tax: Utah: 12.5%  
(=~1.5¢/kWh)

 kWh legislation introduced for charging stations

 kWh tax enacted for charging stations

100

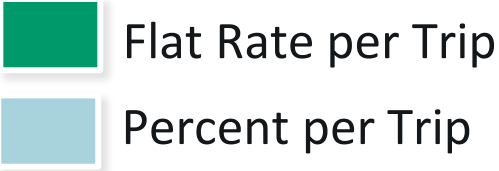


Note: Rates as of April 2024

*\*\*Gas tax revenue and consumption data is analyzed to determine whether current gas tax amount is efficient for spending targets*

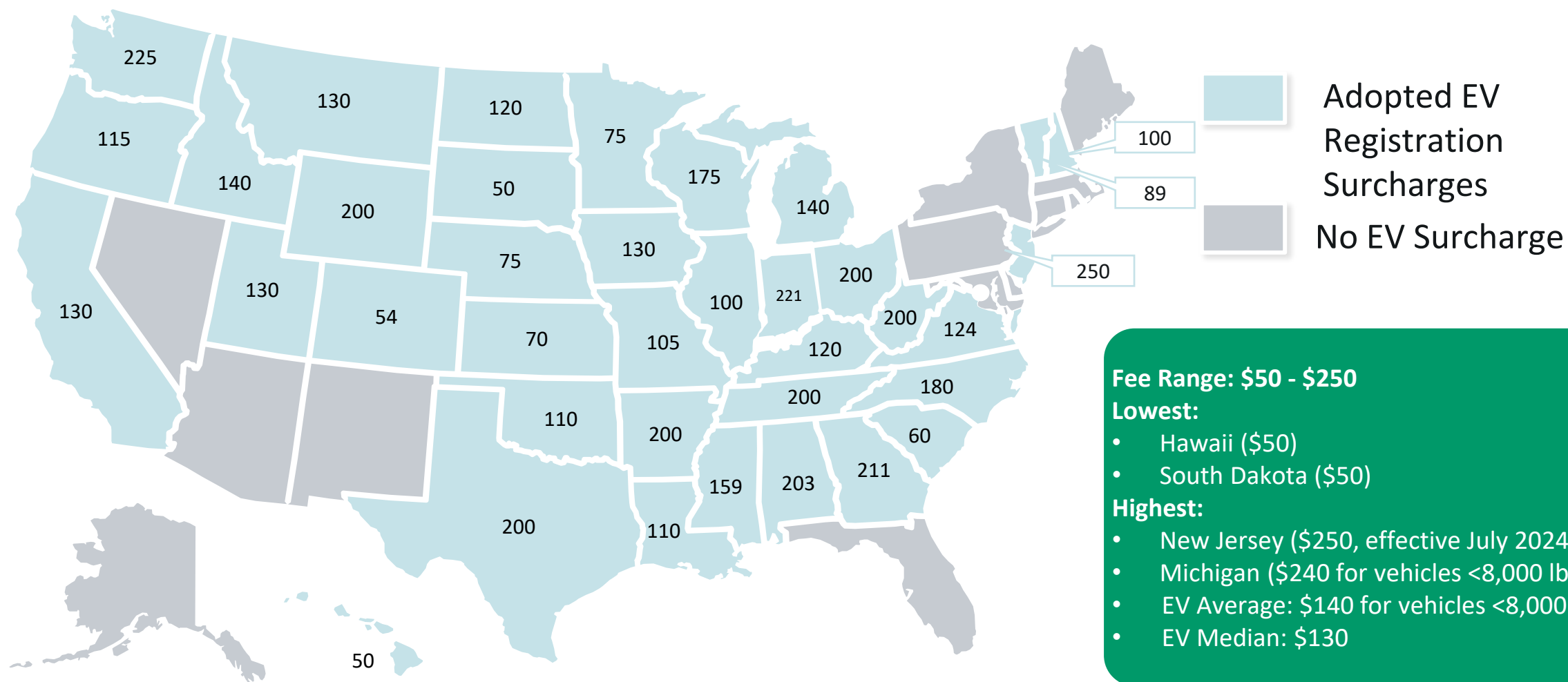


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Note: Rates as of April 2024

# 2024 Annual Light EV Surcharges by State



**Fee Range: \$50 - \$250**

**Lowest:**

- Hawaii (\$50)
- South Dakota (\$50)

**Highest:**


- New Jersey (\$250, effective July 2024)
- Michigan (\$240 for vehicles <8,000 lbs)
- EV Average: \$140 for vehicles <8,000 lbs
- EV Median: \$130

Source: [Special Fees on Plug-In Hybrid and Electric Vehicles \(ncsl.org\)](https://www.ncsl.org/legislative-policy/transportation/special-fees-on-plug-in-hybrid-and-electric-vehicles) cross referenced with State DMV websites

Note: Rates as of April 2024

# States are exploring RUC as a fuel tax alternative

RUC is a roadway consumption tax using miles as the measure of consumption instead of the amount of fuel one uses



Returns us  
to the “user  
pays” model



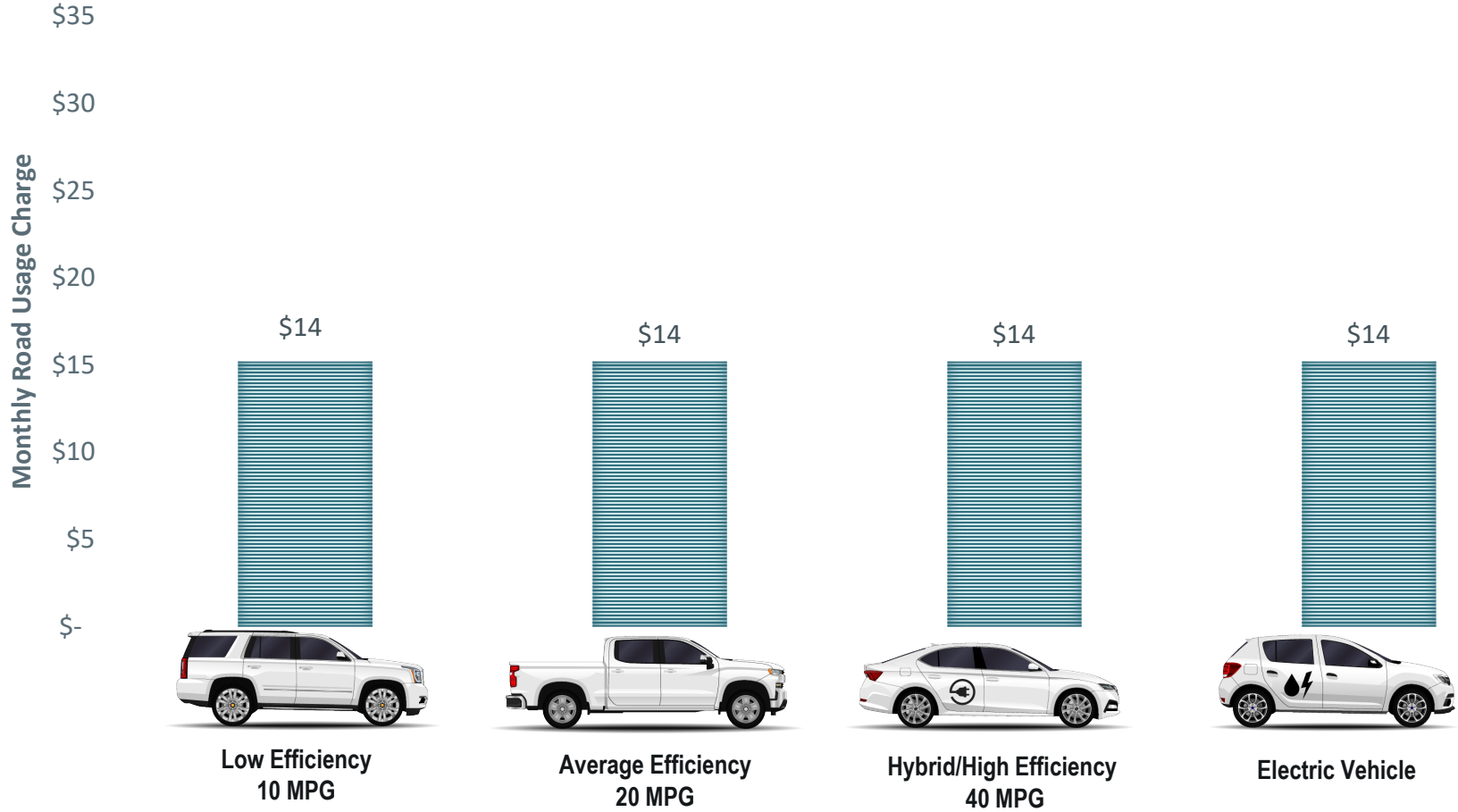
More  
equitable  
payment for  
public  
roadways



Long-term  
funding  
sustainability

# RUC Model – Pay for What You Use

MONTHLY RUC PAID  
ASSUMES 1,000 MILES DRIVEN/MONTH



# Key RUC Elements

These elements constitute a complete functional RUC program:



## Vehicle Owner

- Generate distance traveled for subject vehicle
- Submit payment



## Account Manager

- Access distance traveled data
- Apply distance charge rates
- Provide invoice to owner/lessee
- Collect payment
- Acknowledge payment
- Enforce data reporting and payment
- Remit net revenues to appropriate fund



## State

- Identify subject vehicle and its owner/lessee
- Enforce data reporting and payment
- Remit net revenues to appropriate fund

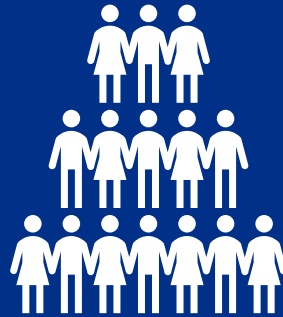


# Important Considerations for RUC Enactment

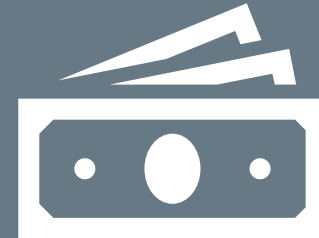
## PUBLIC OPINION



## EQUITY



## COST TO ADMINISTER



## PRIVACY



## USER EXPERIENCE

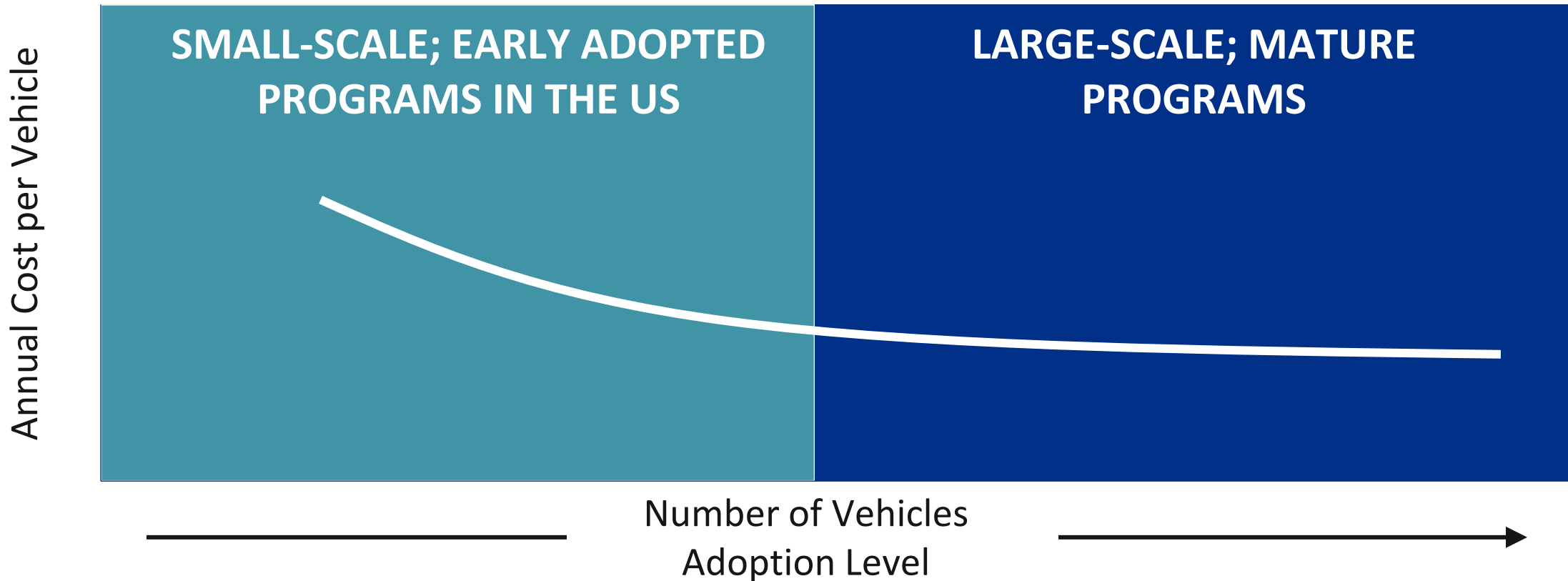


## HOW TO IMPLEMENT

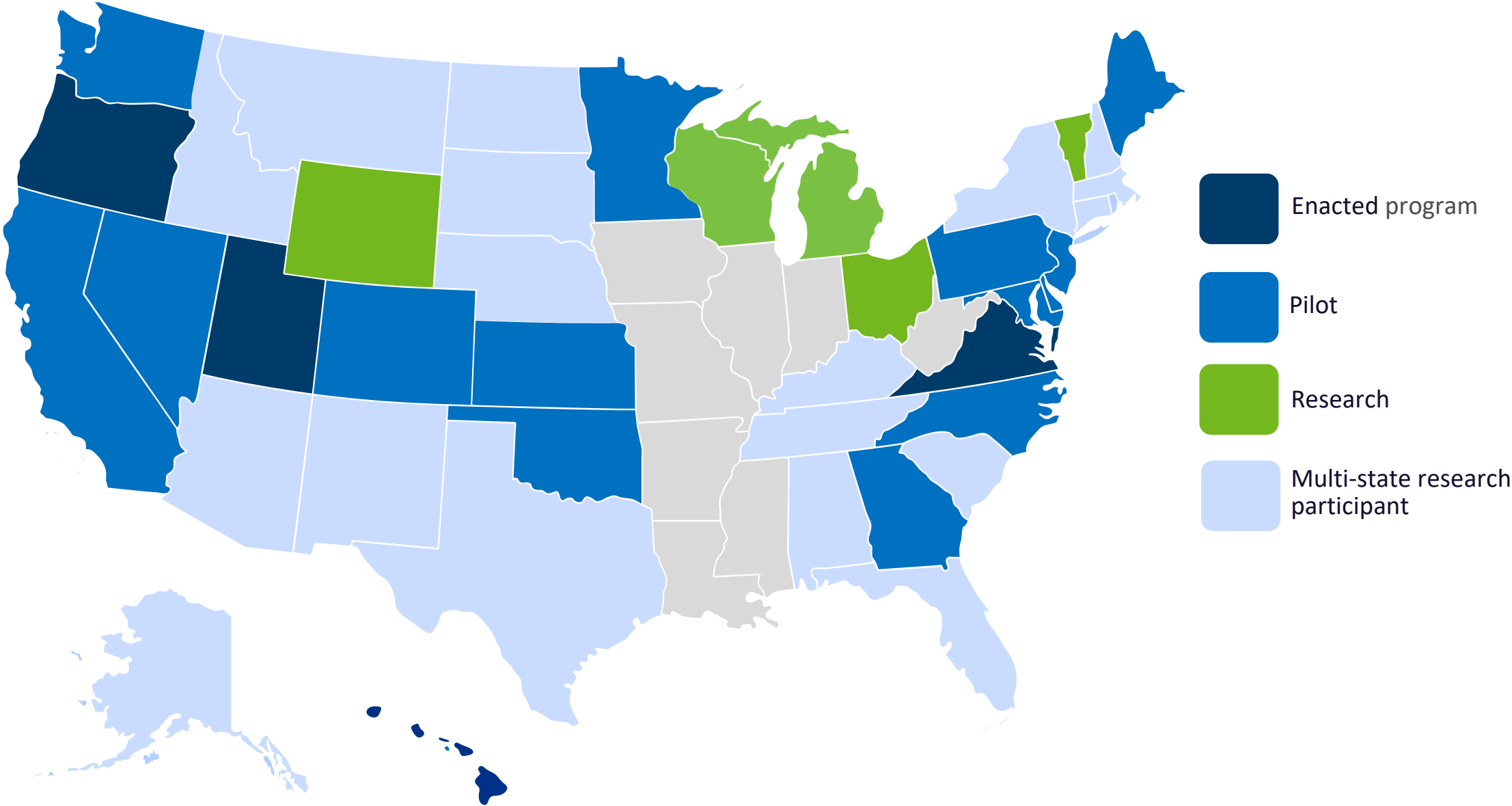


## Cost of Collection

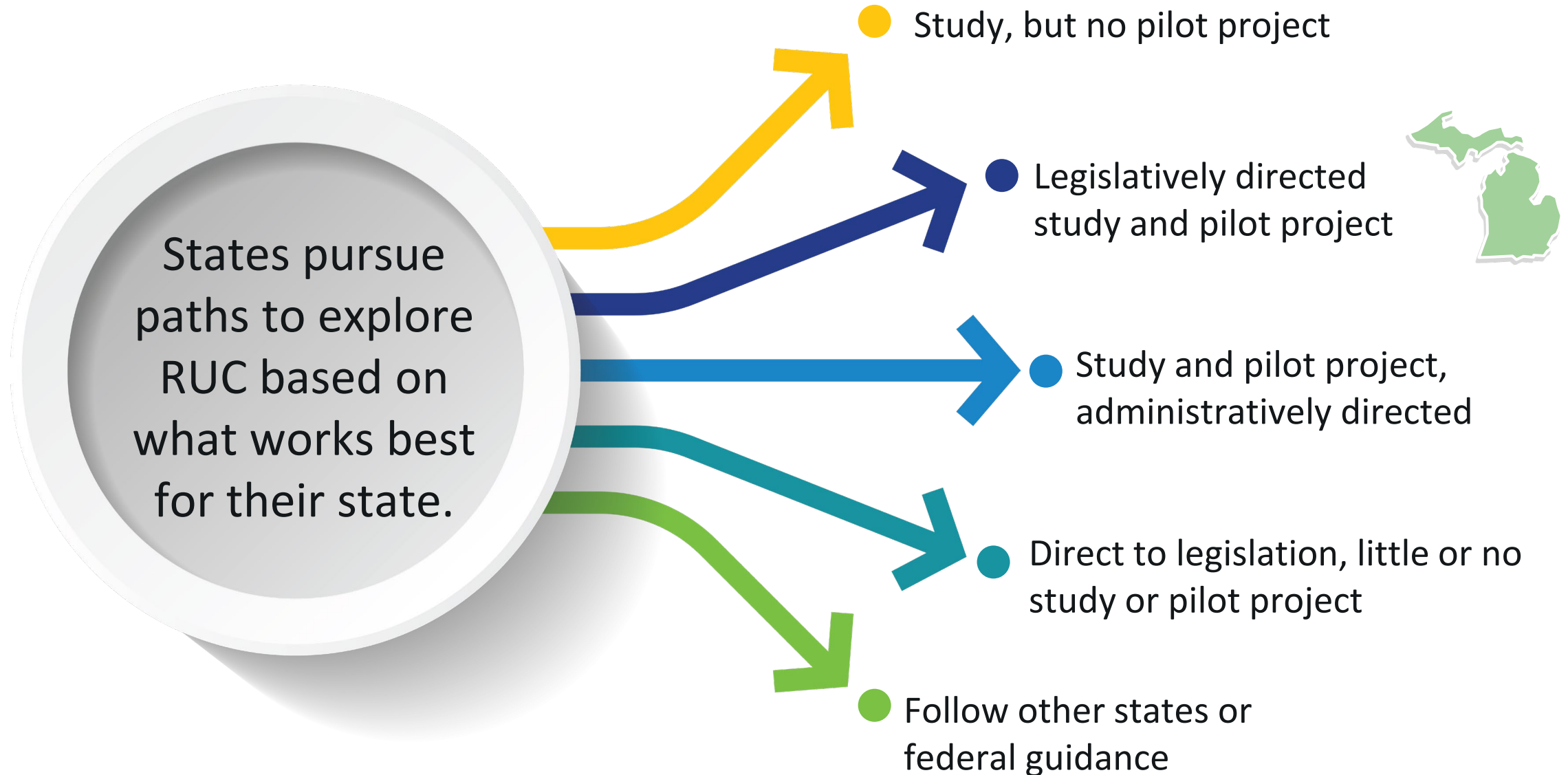
Cost of collection depends on customer service delivery configurations, mileage reporting technology used, the number of vehicles in the program, etc.



# Road Usage Charging Landscape: 2024



# States take Different Paths to Explore RUC



# Four Enacted RUC Programs in the U.S.



Hawaii

- Starts **July 2025**
- Replaces EV flat fee with fee cap
- Optional RUC for three years for EVs
- **Mandatory for all EVs in 2028**
- Plan to expand to all vehicles by 2033



Utah

- Established **January 2020**
- Replaces EV flat fee with fee cap
- **5,000 EVs and hybrids**
- Only enrolling EVs as of Jan 1, 2023



Virginia

- Established **July 2022**
- Replaces highway use fee with fee cap
- **22,000 EVs, hybrids, and fuel-efficient vehicles**



Oregon

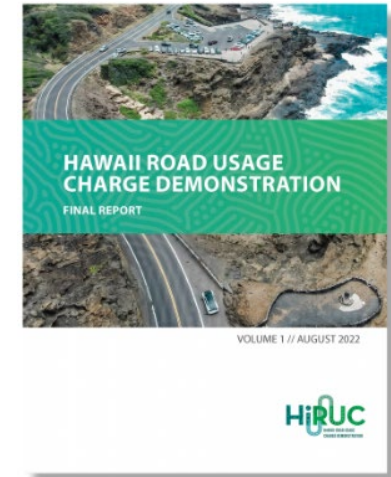
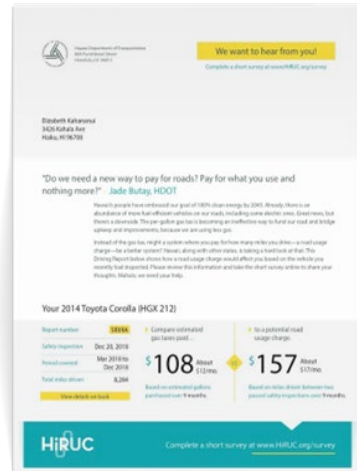
- Established **July 2015**
- Discounted registration fee
- No fee cap
- **810 EVs, hybrids, and fuel-efficient vehicles**





# From pilot project to policy

The key to success was extensive **public outreach** and **legislative engagement**



## Community Meetings

Mar. – May 2019

## Driving Report

July 2019 – Dec. 2020

## Technology Test Drive

July 2020 – Jan. 2021

## Policy Issues & Analysis

Jun. 2019 – Aug. 2022

# Hawai'i is the country's fourth state to adopt RUC

- **Beginning July 1, 2025**, all EVs will be subject to a choice of paying a RUC or a \$50 flat fee
- HIRUC is the **first mandatory RUC program in the United States**
- RUC law is the first to require a **plan to transition all vehicles to RUC by 2033**



**Now to  
July 1, 2025**

Mandatory vehicle **safety inspections** with odometer reading, \$50 EV fee.

**July 1, 2025**

Option for EV drivers to **opt-in to RUC capped at \$50 or pay a \$50 flat fee**. Drivers that opt in will pay less than a penny per mile.

**July 1, 2028**

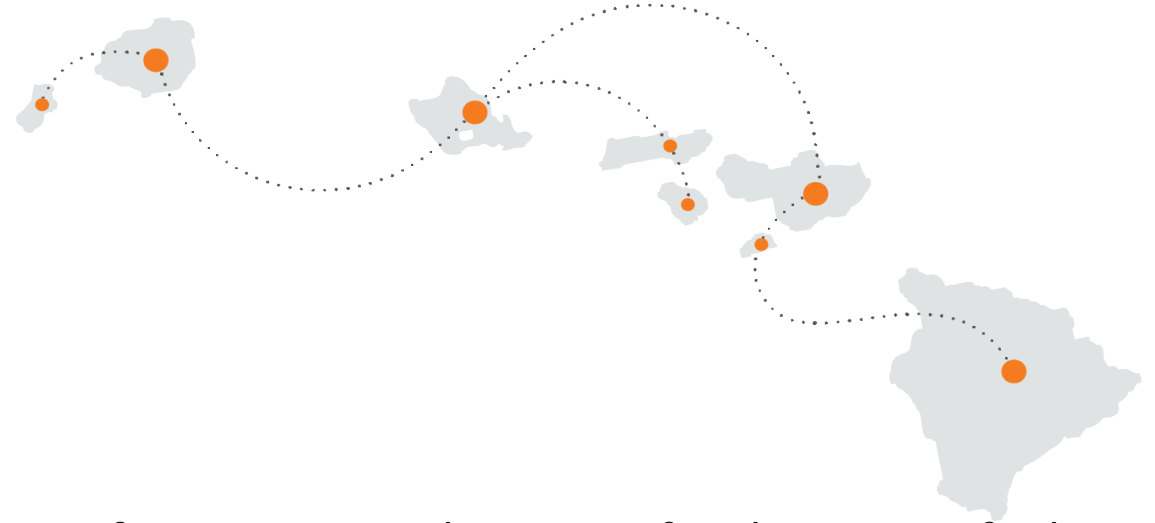
RUC mandatory for EVs.

**2033**

Target date to extend RUC to **all passenger vehicles**. Plan must be submitted to legislature by December 2025.

# County RUC authorization legislation status

Proposed legislation will permit each of Hawai'i's four counties to enact a county RUC consistent with the state RUC program.



## Key components:

- **Authorizes the counties** to enact a mandatory county RUC for EVs as a replacement for the county fuel tax starting July 1, 2028.
- **Repeals the RUC cap** of \$50 in the state RUC effective July 1, 2028.
- **Permits counties to establish** their own RUC rate, consistent with each counties ability to set their own fuel tax rate
- **Requires county RUC programs** to operate consistent with the state RUC to ensure seamless and implementation
- **Transition plan** due to Legislature in 2025 will include recommendations on expanding state and county RUC programs.



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# THANK YOU!

**CDM  
Smith**



For more on RUC

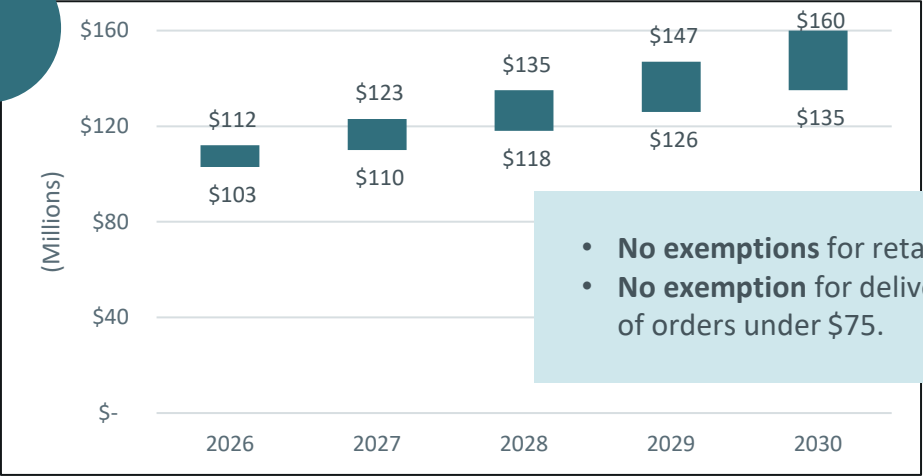




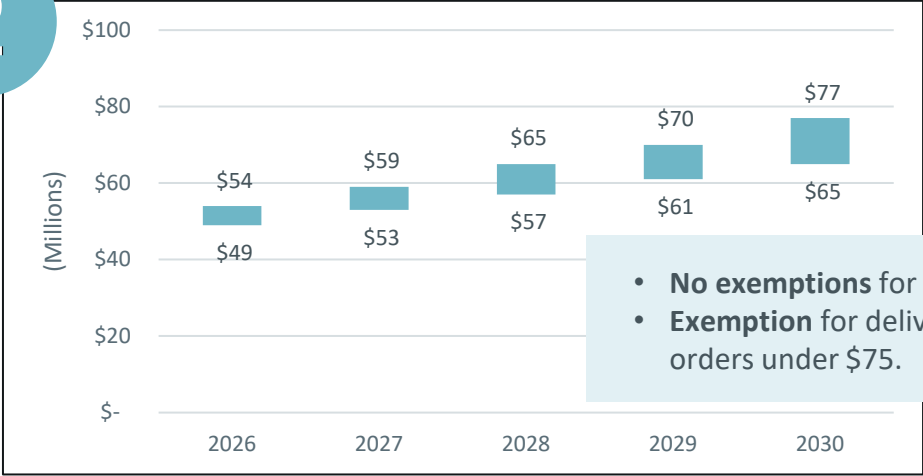
# Revenue Generation Potential

All scenarios assume a **\$0.30 delivery fee** and a **steady e-commerce adoption rate**.

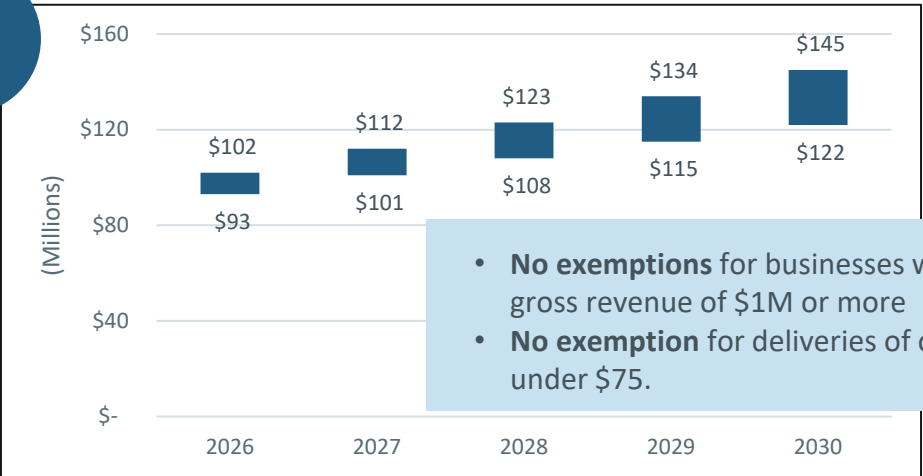
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