



# Oregon

John A. Kitzhaber, M.D., Governor

## Department of Transportation

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**DATE:** March 2, 2011  
**TO:** House Revenue Committee  
**FROM:** James Whitty, Manager  
ODOT Office of Innovative Partnerships and Alternative Funding  
**SUBJECT:** Update on Activities of the Road User Fee Task Force

### Introduction

The Oregon Legislative Assembly created the Road User Fee Task Force in order to study alternatives to the existing road revenue system and investigate alternatives. The 2009 Jobs and Transportation Act reconstituted the Road User Fee Task Force last year. The reconstituted task force met three times in the fall of 2010.

### Background

The Road User Fee Task Force, also known by its acronym—RUFTF—has nearly a decade-long history of developing and proposing alternative methods for funding Oregon's highways and bridges. Created by legislative enactment in 2001, the task force:

- Proposed an alternative road revenue system in 2003 for tolling new highway capacity, studded tire fees, congestion pricing and a per-mile charge;
- Developed policy that led to Oregon's mileage fee concept;
- Established evaluation criteria for ODOT's groundbreaking Road User Fee Pilot Program that concluded in 2007.

The legislature removed the sunset clause in 2009, making the task force permanent.

### Discussion

A key objective of the reconstituted task force was to address an emerging hole in the state's principal road revenue mechanism—the gas tax—owing to wide introduction of electric and plug-in hybrid electric vehicles for which operators will pay little or no gas tax. The emerging market for highly fuel efficient vehicles will severely challenge Oregon's reliance upon the fuels tax as the principal component of the state's road finance structure. Oregon depends on state and federal fuels taxes for approximately 60 percent of road revenue. Furthermore, the state pegs its weight mile tax rate for heavy trucks on fuels tax collections. This means Oregon's road funding is dependent upon fuels tax collection receipts for 80 percent of revenues.

Technology for vehicle fuel consumption has dramatically improved over the past decade since the early hybrid electric gasoline vehicles came to market. Common on the state's roads and streets are vehicles that get 50 miles per gallon. Now entering the marketplace are electric vehicle and plug-in hybrid vehicles that will pay no fuels tax or a miniscule amount. This development is driven by two factors; one, the increased public demand for fuel efficiency improvements for reasons of climate change and simply the rising price of oil and, two, the

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federal government's new requirement for increase of the Corporate Average Fuel Economy standard to 35 miles per gallon by 2020. The task force concluded that now is the time to apply this new charge to motorists who will not pay a share for road use because they drive vehicles that use no gasoline at all or very little.

The situation at hand is serious. The plug-in gasoline hybrid Chevrolet Volt can achieve 100 miles per gallon with a range of over 300 miles. European automakers report new plug-in hybrid diesel vehicles will come to market within the next few years with a fuel efficiency that will exceed 200 miles per gallon. Policymakers and industry analysts across the nation now agree that the fuels tax will not provide sustainable revenues for the nation's roadway infrastructure. Oregon and the nation require an alternative.

This past fall the Road User Fee Task Force determined a mileage-based charge would best parallel the broadly applied gas tax for these highly energy efficient vehicles.

In seeking how to apply a mileage charge to electric vehicles, the task force examined the pilot program that ODOT completed in 2007. While regarded across the nation as successful, the pilot program's pay-at-the-pump model would only work for vehicles visiting commercial station to refuel or recharge. Therefore, collection from operators of all-electric vehicles would require a new model. Fortunately, ODOT had already developed a collection methodology for the electric vehicles based on an *open systems architecture* that does not rely on collection at the point of sale.

The task force noted that policymakers and technicians from across the nation—all well as everyday citizens—perceived other deficiencies with the pay-at-the-pump model.

- Reliance upon GPS receivers to identify where a particular vehicle traveled raised the specter that a government could invade motorists' privacy. Despite ODOT's care in designing the on-vehicle technology to avoid this outcome, the perception of privacy invasion proved not erasable.
- The government-only data collection and payment system might result in an inefficient and costly bureaucracy.
- The proprietary technology used in the pay-at-the-pump model would likely become *stuck in time* and accordingly unable to evolve quickly along with other technologies of our age.

**Introduction of a *Vehicle Road Usage Charge* for Electric Vehicles.** The Road User Fee Task Force on December 2<sup>nd</sup> approved a legislative bill draft—now captured in HB 2328 and introduced in this Legislative Assembly—which provides a model for collection of a *vehicle road usage charge* from electric vehicle operators. The legislation is founded on a new conception for collection of a charge on miles driven. This new conception, based on the *open system model*, has the great potential to resolve the deficiencies perceived in the original pay-at-the-pump method for mileage charge collection. This *open system model* has several positive attributes that align with existing data collection and payment processes already familiar to the public and therefore may make collection of a charge on distance traveled acceptable.

1. The new collection system would *not* rely on vehicle location technology. This means *the collection system would not rely upon GPS*. Rather, the system would collect a mileage reading directly from the vehicle's existing odometer system through electronic data transfer.
2. The system would allow motorists the option of choosing a mileage counting computer that uses GPS—just as millions do now with mobile smart phones—but they would *opt-in* and the government could not require them to do so.
3. ODOT would provide the basic data collection and payment system but motorists would have the option of selecting private sector providers of mileage data collection and payment services. Thus, motorists could select a *trusted third party* and avoid the government data collection and payment process.
4. The new collection system would be based on an open technology platform with common standards that allows on-board technology to evolve quickly as technology opportunities and market preferences change
5. The new collection system would provide a payment methodology that will allow electric vehicles to pay the per-mile charge.

### **Conclusion**

In essence, the Road User Fee Task Force concluded that a charge based on vehicle road usage is a viable way to collect revenue for the state's highways and bridges and that the new model for collection that does not rely upon GPS will potentially gain public acceptance.

Attachments: 2010 Road User Fee Task Force Members

## **Members of the 2010 Road User Fee Task Force**

- Appointed by the Speaker
  - Representative Terry Beyer
  - Representative Cliff Bentz
- Appointed by the Senate President
  - Senator Bruce Starr
  - Senator Rod Monroe
- Appointed by Chair of the Oregon Transportation Commission
  - Commissioner Alan Brown
  - Commissioner Mary Olson
- Jointly appointed by the Governor, Senate President and Speaker
  - Commissioner Don Lindly of Lincoln County Commission
  - Mayor Craig Dirksen, City of Tigard
  - Tammy Dennee, Umatilla County
  - Jack Roberts, Lane County
  - Susan Brody, Nultnomah County
  - Craig Campbell, representing AAA Oregon/Idaho
  
- Ex Officio Members Appointed by the Speaker
  - Representative Vickie Berger
  - Representative Margaret Doherty