



Oregon

John A. Kitzhaber, M.D., Governor

Department of Transportation

Director's Office

355 Capitol St. NE

Salem, OR 97301

DATE: April 11, 2013

TO: House Revenue Committee

FROM: James Whitty, Oregon Department of Transportation
Oregon Innovative Partnerships Program Manager

SUBJECT: HB 2453-A – A Road Usage Charge on Highly Fuel Efficient Vehicles

INTRODUCTION

A policy body created by the Oregon Legislature—the Road User Fee Task Force—designed the bill before you. The enactment of House Bill 2453-A would impose a road usage charge for operators of highly fuel efficient vehicles—those rates at 55 MPGe and above—beginning in 2015. The road usage charge would replace the fuel tax for operators of highly fuel efficient vehicles that actually pay a little fuel tax now. The charge would be a new tax for operators of electric vehicles that currently pay no fuel tax for road use.

BACKGROUND

Early last century, the Oregon Legislature adopted the policy of paying for road costs by charging vehicle operators based on road use. The legislature first applied this *user pays policy* in 1919 when the nation's first gas tax became law in Oregon and extended *user pays* in 1925 with adoption of the ton-mile tax for heavy vehicles. When the legislature directed the state's first cost responsibility study in 1935, the pay for road use policy was firmly established state policy. Since then, the Oregon Legislature has regularly accessed and reaffirmed the *user pays policy* to raise road revenue as needed.

In 2001, the Oregon Legislature saw that this longstanding policy of paying for the road system based on use was about to be undermined by an influx of highly fuel efficient vehicles into the marketplace. Some would pay no fuel tax. If these vehicles became widely operated, fuel tax revenues—the principal component of the highway trust fund—would decline as a revenue source. In response, the legislature created the Road User Fee Task Force (RUFTF), an independent body, to design a new revenue system for measuring and charging for road use (HB 3946 (2001)). The task force chose a distance based road user fee as the most feasible alternative to the fuel tax. This law also directs ODOT to develop pilot programs to test a fee based on highway use that replaces the fuel tax. ODOT has completed two such pilot programs, first in the nation in 2006-07 and a second that just concluded in February of this year.

With introduction of mass marketed electric vehicles in 2010 and the plug-in hybrid vehicles in 2011, the highly fuel efficient vehicles that pay little or no fuel tax for road use are now being mass marketed by the automakers with new models introduced every few months. Currently, these highly fuel efficient vehicles number slightly over 2,000 in Oregon and the loss of revenues is barely measurable. Nevertheless, this negative impact to fuel tax revenues will gradually become more severe.

Last year, the federal government reached agreement with the automakers to raise the fuel economy standards—known as the Corporate Average Fuel Economy standards (CAFE)—for new vehicles to 54.5 MPG on average beginning in 2025. Whether the automakers actually achieve this mark is not all that relevant. What is relevant is the automakers will *attempt* to achieve the 54.5 MPG standard. This effort will result in a large contingent of vehicles in Oregon that exceed 54.5 MPG as the 2025 date approaches.

The fuel tax cannot be adjusted to manage the loss of revenues from highly fuel efficient vehicles except by placing an ever greater burden on the operators of less fuel efficient vehicles that already pay a fair share for road use. Unless the legislature establishes an alternative revenue mechanism for highly fuel efficient vehicles, the burden will grow ever greater on those with a need to use less fuel efficient working vehicles or without the wherewithal or ability to operate highly fuel efficient vehicles. Passage of HB 2453-A would begin to rectify this situation before it becomes problematic.

WHAT THE BILL DOES

Using trial, error and redesign over several years, the Road User Fee Task Force has determined the best policies that make a road usage charge system both viable and acceptable to members of the public. These policies are contained in HB 2453-A.

- A road usage charge will apply only to owners and lessees of vehicle rated at 55 miles per gallon and above beginning on July 1, 2015 with the 2015 model year. Payers of the charge will be entitled to a fuel tax refund or offset. All other vehicles will not be subject to the road usage charge and their owners will continue with the current system—the fuel tax.
- Directs ODOT, in consultation with the Road User Fee Task Force, to develop the methods for reporting mileage data but at least one method will not use vehicle location technology (for example, no GPS will be required).
- Directs ODOT to develop the system as an open system. This will provide subject motorists access to the existing marketplace for mileage reporting technologies. ODOT will set the standards and all technologies that meet the standards will be certified for use.
- Owners of subject cars will have the opportunity to avoid reporting miles driven altogether by paying a high flat annual tax based on an assumed annual maximum for mileage driven.
- Directs ODOT to provide motorists subject to the road usage charge multiple options for how they report miles driven. ODOT demonstrated several of these reporting options in a recently concluded pilot program. Other mileage reporting options will be available as well so that subject motorists will be able to find a method they prefer.
- Directs ODOT to develop public private partnerships to offer subject motorists a private sector alternative for mileage data collection and tax processing.
- Prohibits anyone involved with collecting personal identifiable information for the road usage charge system from disclosing it for any other purpose except with consent. This includes both ODOT and private sector entities. An amendment added by the House Transportation and Economic Development Committee requires that personally identifiable travel pattern data be destroyed within 30 days after operational requirements are met.

Perhaps the key issue for this bill is setting the rate for the road usage charge. The Road User Fee Task Force could not reach consensus on the rate question. There were two differing schools of thought about the rate. One school of thought proposes that the rate for the road usage charge be set at a level equal to what the average motor vehicle pays in fuel tax—about 1.5 cents per mile. The other school of thought argues that the rate should be set at the level equal to what the most fuel efficient internal combustion vehicle pays in fuel tax—about 0.6 cents per gallon. Ultimately, the task force recognized the rate question will be settled by the legislature and left the rate blank.

CONCLUSION

The idea that this nation's motorists will make the switch to more fuel efficient vehicles is no longer just hope but a market reality. While Oregon's economy has plodded along but improved over the past two years, fuel consumption in Oregon has declined 6.3 percent over the past five years and 4.4 percent in just the past two years. Meanwhile, nationally the new vehicle fleet's fuel efficiency has improved by 20.6 percent over the past five years and 7.9 percent over the past two years.

Over this same period, fuel prices have been volatile. As fuel efficient vehicle alternatives become more available in the marketplace, it is not a stretch to believe they will become more popular. As a result, the consumption based fuel tax will not provide sufficient revenue to keep the road system in good repair and meet expansion needs, not unless the fuel tax rate is regularly increased on a smaller and smaller base. Barring that, some new revenue system is required for some of the new vehicle types we currently see and will see on Oregon's roads. The Road User Fee Task Force thinks the most appropriate new revenue system is a distance based charge and that passage of HB 2453-A will provide the tools to implement it.

Attachments:

HB 2453 Section by Section Review
2012 Road User Fee Task Force Members
Gallons of Fuel Consumed by Oregon Motorists Table
Oregon Fuel Sales Graph
Average Fleet Fuel Efficiency for New Vehicles Chart

**Road Usage Charge for Highly Fuel Efficient Vehicles
House Bill 2453 Section by Section Review**

DEFINITIONS

SECTION 2

- **Defines terms used throughout the bill.**
 - “subject vehicle”
 - “registered owner”
 - “lessee”
 - “motor vehicles”
 - “highway”

ROAD USAGE CHARGES

SECTION 3

- Requires owners and lessees of certain vehicles to pay a *road usage charge*.
 - Does not apply to a vehicle dealer.
 - The tax rate is left blank for the legislature to determine.

SECTION 4

- Creates an option to elect to pay a high flat fee instead of a road usage charge.
 - The high flat fee amount would equal the tax rate for the road usage charge multiplied by 35,000 miles.

REVENUE

SECTION 5

- Allocates moneys collected from the road usage charge 50 percent to ODOT, 30 percent to the counties and 20 percent to the cities.

ADMINISTRATION

SECTION 6

- ODOT shall establish methods for identifying vehicles subject to the road usage charge and recording and reporting the number of miles a vehicle travels on highways.
 - ODOT must take into account accuracy, privacy options, security, resistance to tampering and ability to audit compliance.
 - At least one method of collecting and reporting miles traveled must not use vehicle location technology.
 - ODOT must adopt standards for an open system for technologies and must collaborate with other state agencies to integrate with current or planned information systems.
 - ODOT must provide the opportunity to select a method from among multiple options for collecting and reporting metered use of the highways.

SECTION 7

- ODOT shall provide by rule for collection of the road usage charge, including penalties and interest for delinquent charges.

SECTION 8

- Requires ODOT to establish reporting periods for road usage charges.
 - ODOT shall consider individual factors in establishing reporting periods which may vary according to facts and circumstances.

SECTION 9

- Protects personally identifiable information.
 - Defines terms for this section
 - “personally identifiable information”
 - “certified service provider”
 - “VIN summary report”
 - Declares the confidentiality of personally identifiable information.
 - Prohibits disclosure of personally identifiable information except to the registered owner or lessee and entities responsible for services pertaining to collection of the road usage charge and entities approved by the registered owner or lessee. Further provides that disclosure of personally identifiable information to a person authorized to receive it is limited to the information necessary to the recipient’s function.
 - Provides that location and daily metered use information must be destroyed within 30 days after payment processing, dispute resolution or noncompliance investigation. Exceptions: (1) when an owner or lessee consents; (2) aggregated data used for traffic management and research; (3) monthly summaries of metered use.
 - Requires ODOT to provide for penalties for entities violating this section.
 - Provides access to personally identifiable information by a policy officer based on probable cause in an authorized criminal investigation.

SECTION 10

- Choice of Method for Mileage Reporting or Flat Annual Road Usage Charge.
 - Requires a person owning or leasing a subject vehicle to report metered use and pay the road usage charge or pay the flat annual road usage charge.
 - Requires a person to notify ODOT when the person becomes the registered owner or lessee of a subject vehicle and either which method the person chooses for reporting metered use on the highway or that the person opts for the flat annual road usage charge
 - Unless the registered owner or lessee presents evidence in a manner approved in rule by ODOT that a subject vehicle has been driven outside the state, all metered use reported shall represent miles driven on highways in Oregon.

REFUNDS AND EXEMPTIONS

SECTION 11

- Requires ODOT to provide a refund to a person who overpays the road usage charge and this refund may be a credit against future charges.

SECTION 12

- Provides for refunds for operation of vehicles on private roads or property.
 - Must apply for refund within a 15-month period after payment. ODOT determines the form of the application and additional information required.

SECTION 13

- Investigation of refund applications.

- Allows ODOT to investigate refund claims to prevent fraudulent claims. The applicant must permit ODOT to examine relevant records or waive refund claim.

SECTION 14

- Prohibits false statements in reports, petitions, or applications including for refunds. This is a Class A violation.

SECTION 15

- Provides for issuance of an emblem for vehicles to use diesel fuel (or other use fuel) without paying the diesel tax (or other use fuel tax).

SECTION 16

- Exempts a person who uses diesel fuel (or other use fuel) in a vehicle subject to the road usage charge from requirements to obtain a user's license.

SECTION 17

- Allows diesel (or other use fuel) sellers to not collect the use fuel tax if the use fuel is dispensed into the fuel tank of a vehicle subject to the road usage charge.

SECTION 18

- Refund of use fuel tax paid.
 - Provides that payers of the road usage charge who have paid the use fuel tax may be reimbursed the amount of the fuel tax paid or be granted a credit against future road usage charges.

SECTION 19

- Refund of fuel tax paid.
 - Provides that payers of the road usage charge who have paid the fuel tax may be reimbursed the amount of the fuel tax paid or be granted a credit against future road usage charges.

PENALTIES

SECTION 20

- Provides that section 21 is added to the Oregon Vehicle Code.

SECTION 21

- Offense of tampering with vehicle metering system.
 - Provides that a person who tampers with a vehicle metering system commits a Class A traffic violation.

CONFORMING AMENDMENTS

SECTION 22

- Provides that all moneys derived from road usage charges are part of the State Highway Fund.

SECTION 23

- For purposes of establishing public private partnerships, redefines the term "transportation project" to include collection of a road usage charge.

SECTIONS 24 and 25

- Requires ODOT to enter into agreements as public private partnerships for certification of technology, collection of metered use data, tax processing and account management relating to operation of a road usage charge system.

SECTION 26

- Provides that ODOT may not issue registration for a subject vehicle for which an applicant has not notified the department that metered use by the vehicle is subject to the road usage charge nor the method by which the applicant chooses to report metered use or that the applicant chooses to pay a flat annual road usage charge.

SECTION 27

- A road usage charge shall not be considered a tax for purposes of jurisdiction of the tax court.

TECHNICAL PROVISIONS

SECTION 28

- Requires ODOT to prepare plans and specifications to undertake public private partnership agreements for operation of a road usage charge system no later than April 1, 2014 and begin implementation of agreements not later than October 1, 2014.

SECTION 29

- The operative date for the road usage charge is July 1, 2015. Allows ODOT to take necessary action before the operative date to enable ODOT to exercise by the operative date all duties, functions and powers conferred on ODOT by this legislation.

SECTION 30

- The road usage charge first applies to 2015 model year vehicles.

SECTION 31

- Captions in this legislation are not part of statutory law.

SECTION 32

- The effective date is the 91st day after sine die of the 77th Legislative Assembly.

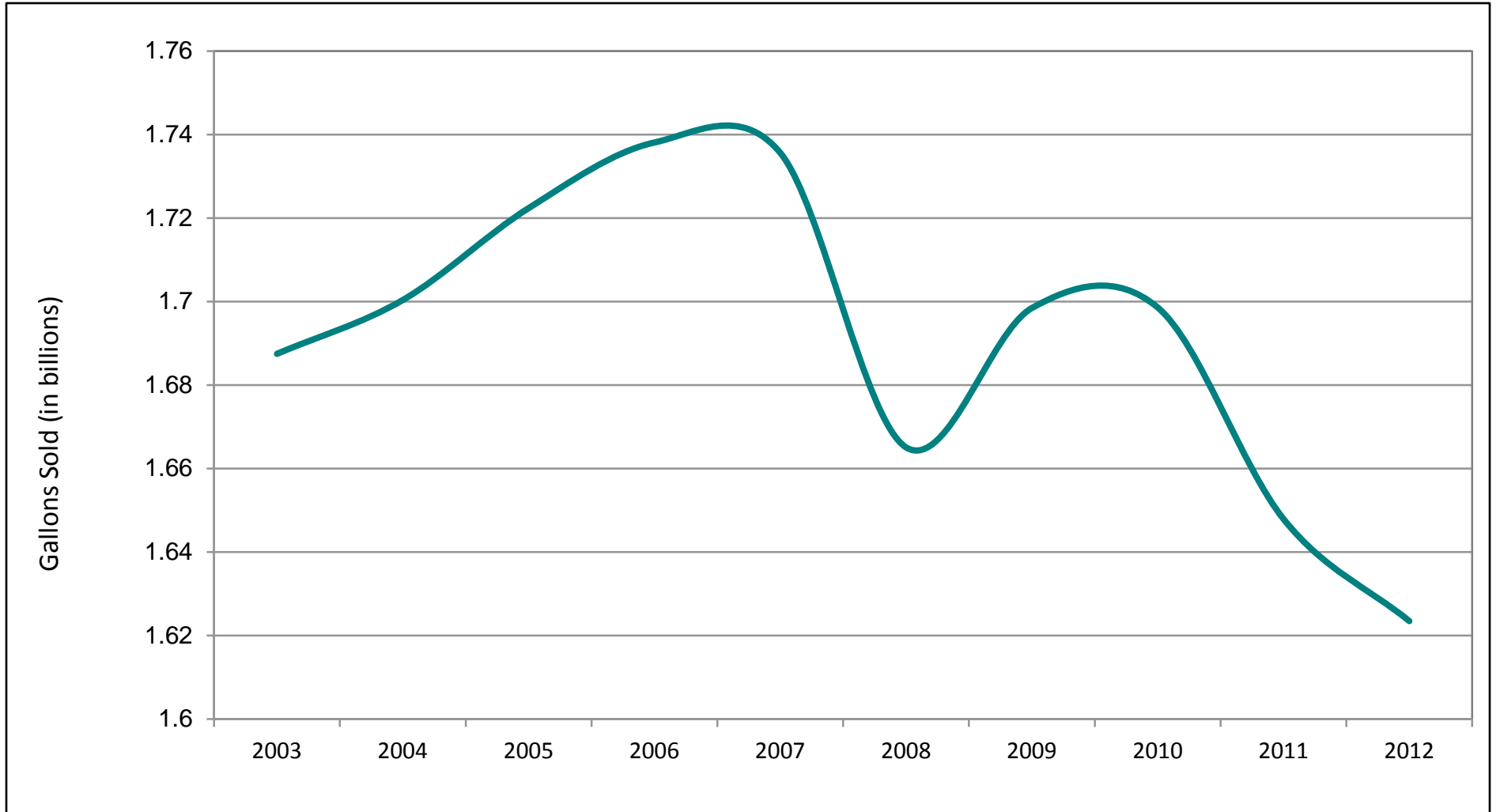
2012 Road User Fee Task Force Members

Commissioner Mary Olson	Oregon Transportation Commission
Commissioner Tammy Baney	Oregon Transportation Commission
Mayor Craig Dirksen	City of Tigard
Susan Brody	Citizen
Tammy Dennee	Citizen
Jack Roberts	Lane Metro Partnership/Oregon Environmental Council Board of Directors
Craig Campbell	AAA Oregon / Idaho
Rep. Cliff Bentz	Oregon State House of Representatives
Rep. Terry Beyer	Oregon State House of Representatives
Sen. Bruce Starr	Oregon State Senate
Sen. Rod Monroe	Oregon State Senate
Rep. Margaret Doherty (Ex Officio)	Oregon House of Representatives
Rep. Vicki Berger (Ex Officio)	Oregon House of Representatives

Gallons of Fuel Consumed by Oregon Motorists

Gallons	Gasoline	Diesel	Total	Annual % Change	5 year % change	5 year % gasoline change
1987	1,308,384,748	38,403,130	1,346,787,878			
1988	1,360,388,807	39,947,015	1,400,335,822	4.0%		
1989	1,357,880,659	41,114,250	1,398,994,909	-0.1%		
1990	1,361,342,058	46,012,993	1,407,355,051	0.6%		
1991	1,370,396,685	48,830,641	1,419,227,326	0.8%		
1992	1,374,674,382	52,091,396	1,426,765,778	0.5%	5.9%	5.1%
1993	1,427,886,104	56,532,654	1,484,418,758	4.0%	6.0%	5.0%
1994	1,445,642,857	62,719,196	1,508,362,053	1.6%	7.8%	6.5%
1995	1,481,269,562	67,847,615	1,549,117,177	2.7%	10.1%	8.8%
1996	1,493,172,654	75,405,168	1,568,577,822	1.3%	10.5%	9.0%
1997	1,528,286,369	84,093,596	1,612,379,965	2.8%	13.0%	11.2%
1998	1,539,843,904	94,978,427	1,634,822,331	1.4%	10.1%	7.8%
1999	1,559,900,515	108,144,199	1,668,044,714	2.0%	10.6%	7.9%
2000	1,526,267,204	105,321,269	1,631,588,473	-2.2%	5.3%	3.0%
2001	1,541,744,259	109,948,648	1,651,692,907	1.2%	5.3%	3.3%
2002	1,567,358,725	116,514,362	1,683,873,087	1.9%	4.4%	2.6%
2003	1,557,985,619	129,483,897	1,687,469,516	0.2%	3.2%	1.2%
2004	1,556,339,527	144,019,899	1,700,359,426	0.8%	1.9%	-0.2%
2005	1,568,086,639	154,278,989	1,722,365,628	1.3%	5.6%	2.7%
2006	1,573,802,051	164,284,601	1,738,086,652	0.9%	5.2%	2.1%
2007	1,563,847,970	171,774,395	1,735,622,365	-0.1%	3.1%	-0.2%
2008	1,507,614,228	157,392,691	1,665,006,919	-4.1%	-1.3%	-3.2%
2009	1,537,289,160	161,149,059	1,698,438,219	2.0%	-0.1%	-1.2%
2010	1,532,518,335	166,053,746	1,698,572,081	0.0%	-1.4%	-2.3%
2011	1,486,347,920	161,568,302	1,647,916,222	-3.0%	-5.2%	-5.6%
2012	1,465,604,996	157,841,147	1,623,446,143	-1.5%	-6.5%	-6.3%

Oregon Fuel Sales



Average Fleet Fuel Efficiency for New Vehicles

