



Oregon

John A. Kitzhaber, M.D., Governor

Department of Transportation

Director's Office
355 Capitol St. NE
Salem, OR 97301

DATE: February 25, 2013

TO: House Committee on Transportation and Economic Development

FROM: James Whitty, Manager
Office of Innovative Partnerships and Alternative Funding

SUBJECT: House Bill 2453

INTRODUCTION

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

BACKGROUND

The policy behind this bill—and indeed Oregon's entire road tax system—is that each motor vehicle on the road system should make a significant contribution for road use. With introduction of mass marketed electric vehicles in 2010 and the plug-in hybrid vehicles in 2011, the state's road system now yields space to highly fuel efficient vehicles that either pay nothing or very little for road use.

Currently, these highly fuel efficient vehicles number slightly over 2,000 in Oregon and the loss of revenues is barely measureable. 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 the need to use less fuel efficient working vehicles or without the wherewithal or ability to operate highly fuel efficient vehicles. Passage of HB 2453 would begin to rectify this situation before it becomes problematic.

The Road User Fee Task Force developed a charge based on distance traveled because of legislative directive in the 2001 legislation. A road revenue system based on use is longstanding policy in Oregon dating back to 1919 with enactment of the nation's first gas tax, followed by enactment of a ton mile tax for heavy trucks and a requirement for road cost allocation between light and heavy vehicles. The history of road funding indicates a strong legislative preference for a *user pays* revenue system.

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 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 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.

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 the 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 17.8 percent over the past five years and 8.9 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 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. Definitions. Defines “subject vehicle,” “registered owner,” “lessee,” “motor vehicles,” and “highway.”

ROAD USAGE CHARGES

Section 3. Road usage charge. Requires the registered owners and lessees of subject vehicles to pay a *road usage charge*. The tax rate is blank in the bill. This section does not apply to a vehicle dealer holding a vehicle dealer certificate.

Section 4. Flat annual road usage charge. In lieu of paying per-mile, a person other than a for-hire carrier may elect to pay a flat annual road usage charge in an amount equal to the rate multiplied by 35,000 miles.

REVENUE

Section 5. Allocation of moneys. Moneys collected from the road usage charge shall be deposited in the State Highway Fund and allocated 50 percent to ODOT, 30 percent to the counties and 20 percent to the cities.

ADMINISTRATION

Section 6. Establishment of methods for recording and reporting. Requires ODOT to establish methods for identifying subject vehicles and recording and reporting the number of miles a subject vehicle travels on highways. When establishing these methods, ODOT must take into account the accuracy of the data collected, privacy options for payers of the road usage charge, security of the technology, resistance of the technology to tampering and the ability to audit compliance.

Requires ODOT to establish at least one method of collecting and reporting miles traveled that does not use vehicle location technology. Requires ODOT to adopt standards for open system technology and the methods. Defines “open system.” Requires ODOT to provide owners and lessees of subject vehicles the opportunity to select a method from among multiple options for identifying a vehicle and collecting and reporting metered use of the highways. In adopting standards, requires ODOT to collaborate with state agencies to integrate information systems currently in use or planned for future use.

Section 7. Rulemaking and penalties and interest for delinquent charges. Requires ODOT to provide by rule for collection of the road usage charge, including penalties and interest for delinquent charges.

Section 8. Reporting Periods. Requires ODOT by rules to establish reporting periods for road usage charges. Reporting periods may vary according to facts and circumstances for the owners and lessees of subject vehicles. In establishing reporting periods, ODOT shall consider the effort required to report metered use and to pay the road usage charge, the amount owed, the cost of reporting metered use and pay the road usage charge and the administrative cost to the department.

Section 9. Protection of Personally Identifiable Information. Defines “personally identifiable information.” 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. Allows aggregation of data after removal of personally identifiable information. Require ODOT to provide for penalties for violating this section.

Section 10. Choice of Method for Mileage Reporting or 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 and requires the person to report metered use and pay the road usage charge or pay 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. Refunds for overpayment. 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, as provided by rule.

Sections 12. Refunds for operation of vehicles on private roads or property. Allows the registered owner or lessee who pays the vehicle road usage charge to apply for a refund for travel on private roads within a 15-month period after payment. Requires ODOT to determine the form of the application. ODOT could require additional information in addition to signed statement.

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 the claim for refund.

Section 14. Prohibition of False Statements. 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 that will allow certain vehicles to purchase 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 use 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. By rule, ODOT may provide that the refund may be granted as 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. By rule, ODOT may provide that the refund may be granted as 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.

Section 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 the applicant has not notified the department that metered use by the vehicle is subject to the road usage charge in a manner provided by rule.

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.

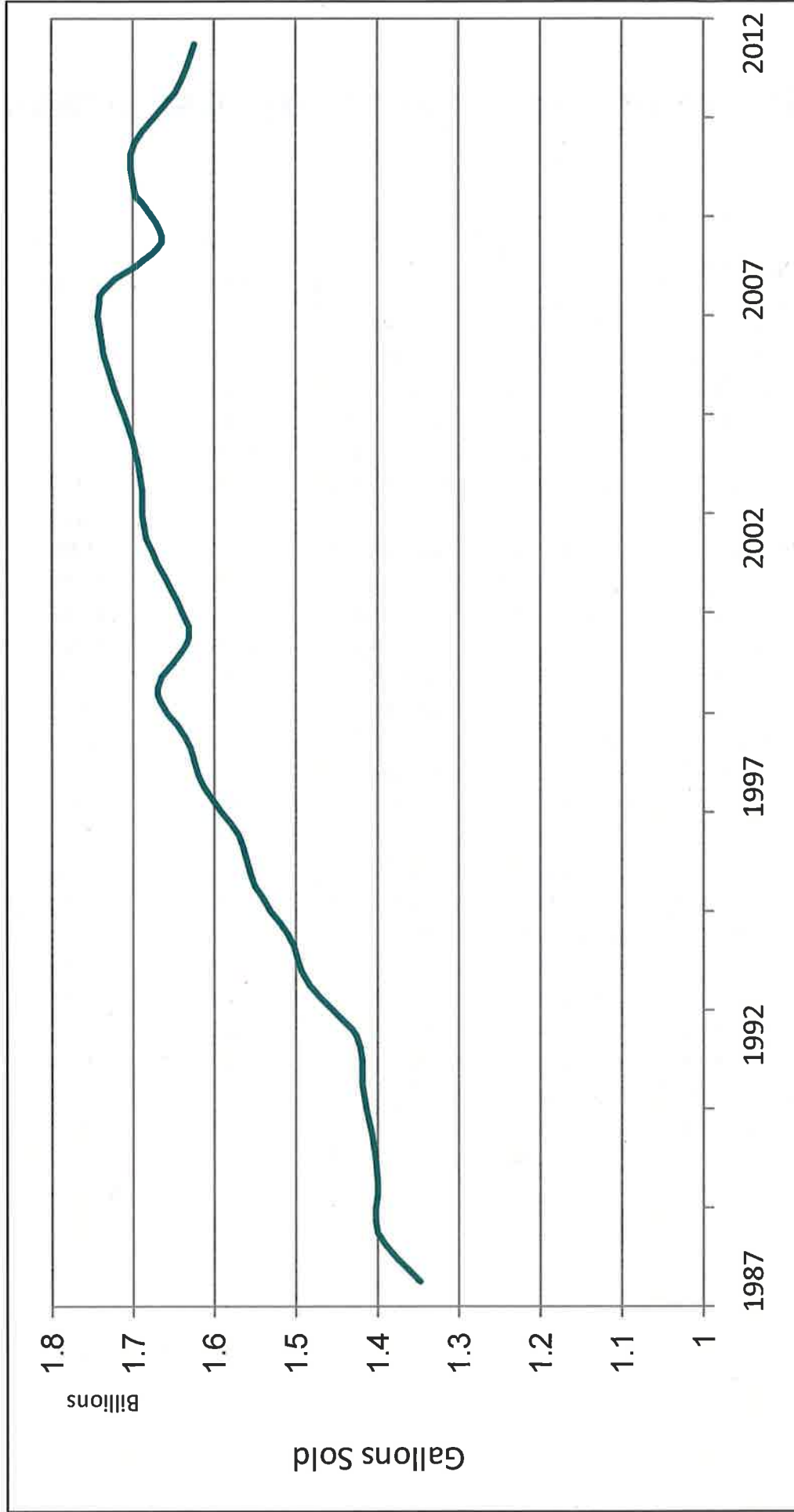
2012 Road User Fee Task Force Members

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

