



OREGON DEPARTMENT OF AGRICULTURE

SB 254 – Motor Fuel Quality Fees

**Presented to
Senate Committee on Revenue and Finance
February 23, 2015**

Description

Senate Bill 254 increases the annual \$5 fee assessed to all licensed motor fuel metering devices by 20% per year over the next four years starting in July of 2016, not to exceed a \$10 maximum assessment per metering device.

Background

The Oregon Department of Agriculture's Motor Fuel Quality Program (MFQP) was established in 1997 in order to ensure that the 2.1 billion gallons of motor vehicle gasoline, diesel and biofuels sold in Oregon annually meet national standards and specifications for quality. Other program responsibilities include:

- Testing gasoline against octane rating to make sure consumers are receiving the octane they are paying for (regular vs. mid-grade vs. premium);
- Enforcing Oregon's Renewable Fuel Standard of 10% ethanol in gasoline and 5% biodiesel in diesel fuel;

These main responsibilities of the program are accomplished by:

- Fuel inspections at terminals, wholesale dealers, retail dealers and in-state biofuel producers;
- Field screenings (3,700 per year) of fuel for octane levels and biofuel content;
- Fuel sample testing (80-100 per year) at in-house lab and private lab;
- Inspections of fuel storage tanks (6,000 per year) for water and other contaminants.
- Responding to consumer complaints regarding motor fuel quality. (Approximately 70 annually)

Problem

The sole revenue source for the MFQP is the current annual \$5 fee that is assessed to every licensed motor fuel-metering device in the state. This \$5 assessment has never been increased in the 18-year history of the program. There are approximately 31,000 such devices licensed with ODA, generating an average of \$154,248 in operating revenue annually. The full cost of the MFQP is approximately \$300,000 annually, and has been subsidized over the years by Weights and Measures device license fee revenue.

Solution

This bill will raise the \$5 annual fee assessment on all licensed motor fuel metering systems in the state by 20% each year (rounded to the nearest whole dollar) for the next four years beginning in July 1, 2016, and ending July 1, 2020. The maximum annual fee is not to exceed \$10 per device:

Fee Increase Date (From \$5 original fee)	Assessed/Collected (Rounded to whole dollar)	Cumulative Increase in Revenue (31,116 Devices)
07/01/16	\$6.00	\$31,116.00
07/01/17	\$7.00	\$62,232.00
07/01/18	\$9.00	\$124,464.00
07/01/19	\$10.00	\$155,580.00

Stakeholders including the Oregon Fuels Association (OFA), Western States Petroleum Association (WSPA), NW Grocery Association (NWGA), and SeQuential Biofuels have all had input into this concept and have no known objections. Stakeholders have advocated for the graduated fee increase over the four-year period rather than all at once.

State Comparisons (Annual MFQ Budget and Source)

- Washington - \$650,000 – Fuels Tax
- California - \$4.5 million – Fuels Tax/Fee
- Nevada - \$750,000 – Smog Inspection Fee
- New Mexico - \$750,000 – General Fund
- Missouri - \$800,000 – Fuels Tax
- Minnesota - \$500,000 – Fuels Tax/Fee
- **Oregon - \$150,000 – Fuel Meter Fee**

Contact: *Lisa Hanson, Deputy Director - 503-986-4632*
Jason Barber, Internal Services Area Program Director - 503-986-4767