



Oregon

Kate Brown, Governor

MEASURE: HB 2459
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HOUSE TRANS & ECON DEVEL.
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March 30, 2015

House Committee on Transportation and Economic Development

Representative Caddy McKeown, Chair
Representative John Davis, Vice-Chair
Representative Chris Gorsek, Vice-Chair
Representative Cliff Bentz, Member
Representative Jodi Hack, Member
Representative John Lively, Member
Representative Susan McLain, Member



Dear Chair McKeown, Vice-Chair Davis, Vice-Chair Gorsek and Committee Members,

HB 2459 proposes to increase certain fees related to the registering and titling of Oregon recreational boats, floating homes and liveries. In support of HB 2459, please accept my testimony into record.

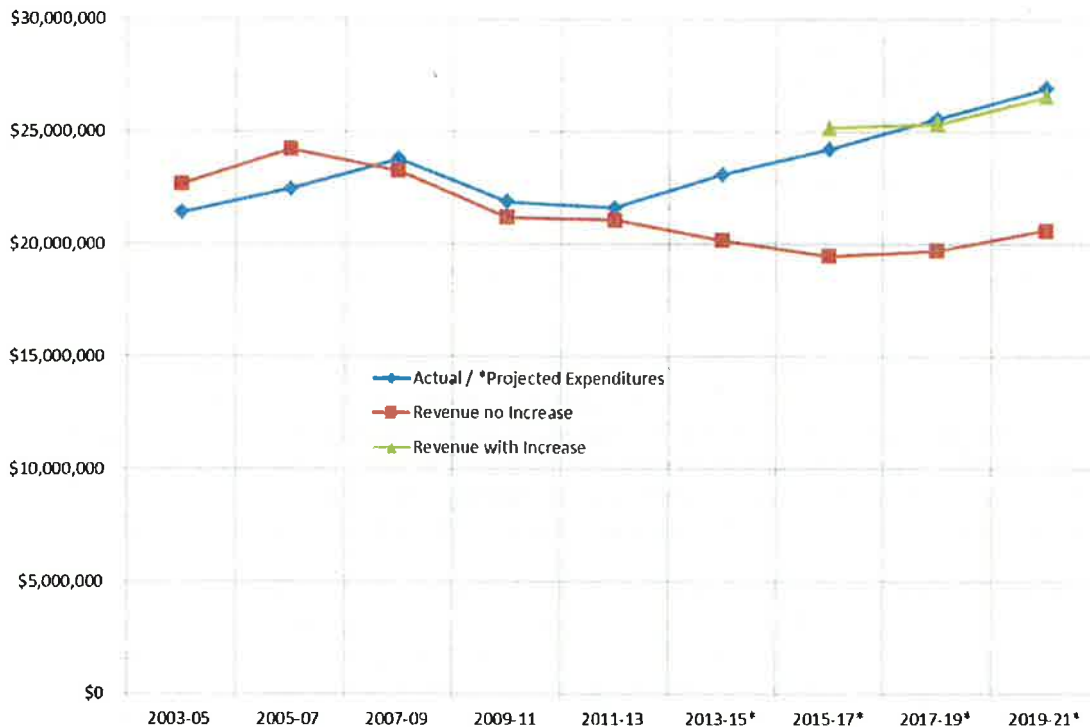
The mission of the Oregon State Marine Board is to serve Oregon's recreational boating public through education, enforcement, access and environmental stewardship for a safe and enjoyable experience. These goals are represented in the Marine Board's organizational structure by the Boating Safety Section (education and enforcement); Boating Facilities Section (access); and the Policy and Environmental Section (environmental stewardship). The agency's organization also includes the administrative services of Registration, Business Services and the Director's Office.

The Marine Board has seven primary sources of revenue: Registration and title fees (33%), motorboat fuel tax (33%), U.S. Coast Guard grants (14%), competitive boating facility grants (11%) and Aquatic Invasive Species Prevention Program (dedicated funding - 5%), Guides and Charters (dedicated funding - 2%) and Mandatory Education (dedicated funding - 1%). Twenty-five percent of the agency's revenue comes from federal sources either through a competitive process or by following a prescribed formula for disbursement. In both cases, there is a match-component which requires state funding. The remaining revenue sources that fund agency operations, approximately 66%, comes from registration fees, titles or motorboat fuel tax. The majority of the current fees have not increased since 2003, and two, not since 1978. The number of registered boats in Oregon has declined during the past eight years. Similarly, within the same time period, the motorboat fuel tax revenue, which is based on a quadrennial fuel usage survey to determine the amount of fuel used by boaters, has also decreased 19%. During the 12 years that the fees have remained constant, inflation has increased 34%.

Agency revenues have not kept up with expenditures since 2009. Recognizing its revenue shortfall, the agency severely cut spending during the last half of the 2009-11 biennium. In the 2011 legislative session, as a result of lower revenue for titling, registration and marine fuel tax from declining boat registrations, the agency took substantial cuts in limitation in administration and for special payments for law enforcement contracts and boating access improvements. During the February 2012 session, the agency received authorization to spend down its ending balance to reduce the impacts of those cuts as a one-time expense for law enforcement contracts and boating access grants. The agency was similarly provided one-time limitation in the 2013 session to fund those programs. The agency has spent most of the available ending balance above the recommended operating holdback and the spending limitation will not rollover.



The graph illustrates the change of the revenue and expenditure points for each biennium since the last fee increase. The blue line connects points representing actual expenditures (versus budgeted) from 2003-2013, forecasted expenditures for 2013-15, and anticipated expenditures for 2015 and beyond. The red line connects revenue points under the current fee structure, and the green line connects revenue points under the fees proposed in HB 2459.



OSMB Other Funds Revenue vs Expenditures (Excluding AIS)

The cost to provide services for boaters continues to increase. Even with a fee increase, costs are anticipated to grow at a higher rate than the agency's anticipated budget. Cost drivers include marine patrol law enforcement contractual obligations, boating facility maintenance and construction. Major cost drivers for marine patrol contracts are wages, retirement and healthcare. These costs continue to rise at a rate far exceeding the normal state-assigned inflation rate for Other Fund Special Payments. Additionally, construction costs for boating facilities have risen more than anticipated and continue to escalate. Construction costs are driven by the cost of materials, labor, and increased expenses to adhere to permit requirements. Agency personnel costs associated with wages, retirement and healthcare also continue to rise. The fee increase will allow a modest inflationary offset, but given the costs, services will remain flat or decrease slightly.

The need for services has increased despite fewer registered boats. While the number of actual registrations has declined, the activity on Oregon's waterways has not abated. In addition to motorized boaters, non-motorized boaters and other users enjoy Oregon waterways. While this is a positive reflection on Oregon's diverse waterway recreational opportunities, more divergent use results in additional waterway congestion, user conflict, and further stress on facilities.

The significant growth by non-motorized boating has changed the dynamics on the waterways. This user group is having a significant impact; however, no funds are appropriated from non-motorized boaters (excluding dedicated AIS funding). For example, of the 41,000 boating enforcement reports completed by law enforcement officers in 2014, approximately, 23,590 (56%) were for non-motorized boaters. Of the 4,930 warnings given, non-motorized (22%) accounted for 1,088 of the total, and of 1,945 citations, 713 were non-motorized (36%). Within the last decade, on average, non-motorized boaters accounted for about one-half of Oregon's recreational boating fatalities.

Boating facilities continue to deteriorate and the Marine Board receives requests from boaters and facility providers to supplement the costs for new motorized and mixed-use facilities. In some cases, parking lots are being expanded to handle the additional capacity for non-motorized boaters. Additionally, there continues to be a need for dredging at those facilities where silt gathers. In the 2011-13 biennium, 33 of 35 projects were completed at existing facilities. The Marine Board provides money each year to assist with maintenance at these facilities. Boating access facilities generally do not operate to generate a profit for public agencies. Without the Marine Board's assistance in offsetting the costs of maintenance, many facilities would deteriorate and eventually become unusable.

This bill will increase the average registration and title transaction cost by 66%. A list of the fees increased, together with the year that fee was last changed, is detailed below. The amount of revenue generated includes an anticipated initial 5% drop in the number of registered boats, reflecting the elasticity of demand that occurred as a result of the last fee increase. It also includes an anticipated 1.5% annual increase in the number of registered boats during the next three biennium. Both the drop-off in boaters and the anticipated increase each biennium are based on past experience and anticipated change, but both are highly variable and uncertain.

Fee Category	Current Fee	Proposed '15-'17	Last Fee Change
Registration	\$3 per foot	\$5 per foot	2003
Duplicate Registration	\$10	\$15	2003
Duplicate Decals	\$10	\$15	2003
Titles	\$30	\$50	2003
Duplicate Titles	\$15	\$25	2003
Floating Home Title/Transf	\$20	\$100	1978
FH Dup or Plate	\$20	\$50	1978
Dealer 1st Plate	\$28	\$45	2003
Dealer Extra Plates	\$6	\$10	2003
Livery (Rental) Registry	\$55	\$90	2003
Livery Per Boat	\$6	\$10	2003

A fee increase, along with additional cuts to administration, will provide the necessary funding to support agency operations for the next six years. The agency will cut 0.5 FTE in Registration and 1.0 FTE in Mandatory Education, along with Services and Supplies cuts. In total, an additional \$239,000 will be cut from the Current Service Level budget in Administration. Funding for law enforcement contracts and boating access maintenance and improvement projects will be reduced if the current fee structure remains the same.

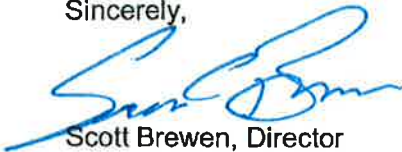
The agency held six public meetings during May and June 2014, to obtain feedback on the proposed fee scenarios. Meetings were held in Salem, Ontario, Oregon City, Coos Bay, Medford, and Bend. Although the meetings were publicized in local print and radio outlets, including the *Medford Mail Tribune*, *Statesman Journal* and *East Oregonian*, only 17 people attended the meetings. Of those who attended, numerous fee options were discussed, many boaters strongly supported the agency's work toward establishing a non-motorized fee, and boaters did not want to see services cut. Boaters also understood that it has been 12 years since the last increase, and the additional loss of fuel tax revenue further impacts agency revenue. During additional meetings in November and December 2014, the agency also briefed its Boat Oregon Advisory Team (BOATs) membership on the proposed fee structure. The team, comprised of 26 boaters, provided similar feedback to that received at the public meetings.

Attached is a spreadsheet which illustrates the comparative costs of ownership between Oregon and Washington, California, and Idaho. Even with the fee increase, the cost of ownership for an Oregon boater compares favorably with neighboring states. Since cost of ownership is not directly comparable due to the different ways that boater fees are assessed, the spreadsheet makes a comparison of three different sizes of boats at 6 and 12-year intervals. The comparisons show that even without including sales tax that is charged in each state, Oregon's new fees will be significantly less than those charged in Washington and California, and only slightly more than Idaho. Since Oregon's fees go directly toward supporting recreational boating, the benefit-to-cost ratio is still high.

The agency's mission is to serve Oregon's recreational boaters. Passage of HB 2459 will provide the anticipated revenue necessary to continue operations and funding to boaters over the next three biennium.

Thank you for your time. Please allow me to answer any questions you may have.

Sincerely,



Scott Brewen, Director



Oregon State Marine Board

HB 2459

Cumulative Costs of Owning a Boat

Neighboring States Comparison

Purpose Oregon's cumulative costs of owning a boat compared to neighboring states.

Background The data below reflect the total costs of owning a boat over the span of two longevity periods (1-6 years and 7-12 years) if HB 2459 is passed as enrolled. Three classes of boats are represented since they account for the majority of boats registered in the neighboring states (12' V-hull outboard, 16' aluminum outboard and 23' jet propelled). Initial costs of the three boats vary significantly and impact the amount Washington, Idaho and California boaters pay. Additionally, other states may tack on fees as described in the data below. The dollar amounts include property/excise tax in California and Washington.

The Oregon State Marine Board is a stand-alone agency. Revenue generated directly benefits boaters. Other state programs are split amongst other recreation program areas and expenditures by boaters may not benefit programs for boaters.

Explanation of other fees in Oregon and neighboring states:

- ↓ **Oregon** registration includes a biennial \$5 Aquatic Invasive Species surcharge. Exempt: AIS fee for non-motorized boats under 10'.
- ↓ **Washington** includes vessel excise of 0.5% taxable value of vessel (\$5 minimum), license fee (\$10.50), filing fee (\$3), derelict vessel fee (\$6), subagent fee (\$5), license services fee (\$0.75). Excludes sales tax of 9.1% (Olympia). Exempt: under 16' and under 11 hp motor and manually powered and non-Federal waterways.
- ↓ **Idaho** \$20 under 12' and add \$2/ft., \$10 Aquatic Invasive Species surcharge and vendor fee (\$1.50). Exempt: manually powered. Excludes sales tax of 6% (Boise).
- ↓ **California** includes property tax at 1.18%, quagga mussel fee (\$65 on original registration in odd numbered years) and quagga fee for registration renewals on existing registered boats (\$36). Excludes sales tax of 8.5% (Sacramento). Boats under 8 feet are exempt, unless under power.

Summary Even with a fee increase, Oregon's costs to own a boat remain lower than Washington and California and slightly higher than Idaho. If sales tax is factored in, then Oregon is less expensive than all of the states.

Fiscal Impact \$1,787,375 Other Funds

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Cumulative Cost of Owning a Boat Oregon vs Neighbor States

	OREGON	WASHINGTON	IDAHO	CALIFORNIA
Polar 12 V Hull + 5hp Coleman outboard				
Average Annual Excise Tax	\$2,450 *			
Registration and Related Fees	\$0.00	\$0.00	\$0.00	\$18.70
Year 1-6	\$65.00	\$0.00	\$32.00	\$65/\$36
Year 7-12	\$195.00	\$0.00	\$193.50	\$279.33
Total Costs to own a Registered Boat	\$390.00	\$0.00	\$385.50	\$469.41
Alumacraft 16' Competitor 165 + 70hp				
Average Annual Excise Tax	\$21,000 *			
Registration and Related Fees	\$0.00	\$67.46	\$0.00	\$160.29
Year 1-6	\$85.00	\$20.25	\$40.00	\$65/\$36
Year 7-12	\$255.00	\$639.95	\$241.50	\$1,356.96
Total Costs to own a Registered Boat	\$510.00	\$1,057.55	\$481.50	\$2,168.49
Alumaweld Super Vee Pro 23' +175hp				
Average Annual Excise Tax	\$37,625 *			
Registration and Related Fees	\$0.00	\$120.87	\$0.00	\$287.19
Year 1-6	\$120.00	\$20.25	\$54.00	\$65/\$36
Year 7-12	\$360.00	\$1,046.43	\$325.50	\$2,322.76
Total Costs to own a Registered Boat	\$720.00	\$1,698.44	\$649.50	\$3,691.25
Polar 12 V Hull + 5hp Coleman outboard				
Registration Frequency	\$5.00 per ft	\$10.50	\$20.00 plus \$2.00 per ft >11 ft	\$49.00 initial/\$20.00 renewal
Invasive Species Frequency	Every two years	Every year	Every year	Every odd year
Filing Fee	\$5.00	Included above	\$10.00	\$29.00
Deregict Vessel Fee	Every two years	Every year	Every year	Every odd year
Subagent Fee	\$0.00	\$3.00	\$0.00	\$0.00
Vendor Fee	\$0.00	\$6.00	\$0.00	\$0.00
Annual Excise/Property Tax	\$0.00	\$0.75	\$1.50	\$0.00
Sales or Use Tax Rate **	None	0.5% >= 16ft	0.00%	1.19%
Polar 12 V Hull + 5hp Coleman outboard				
Exemptions:	Under 10 ft & manual powered	Under 16 ft & < 11hp & non-federal waters	Manual powered	Under 8 ft & manual powered
Alumacraft 16' Competitor 165 + 70hp Yamaha				
Average Annual Excise Tax	\$2,450 *			
Registration and Related Fees	\$0.00	\$222.95	\$147.00	\$273.25
Year 1-6	\$65.00	\$1,911.00	\$1,260.00	\$1,785.00
Total Costs to own a Registered Boat	\$3,000.00	\$3,449.13	\$2,257.50	\$3,263.13

*Without trailer

**Used boats pay a "Use Fee" instead of a Sales Tax based on the purchase price with a private seller.