



Oregon

Kate Brown, Governor

Department of Transportation

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DATE: March 29, 2017

TO: House Committee on Transportation Policy

FROM: Leah Horner, Government Relations Manager
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SUBJECT: House Bill 2293 -1: Fuel tax waiver sunset

INTRODUCTION

In 2013, House Bill 2435 waived fuel tax for diesel blended with at least 20 percent biodiesel (B20) made from used cooking oil. The waiver is in effect until January 1, 2020.

House Bill 2293 -1 accelerates the sunset of this fuels tax waiver to January 1, 2018.

Four key goals set by the Oregon Transportation Commission and the Director of the Oregon Department of Transportation (ODOT) drove the department's development of legislative concepts for 2017. Proposed concepts developed by the department must:

- Mitigate a significant and identified risk to the agency.
- Support efforts to align agency revenues and expenditures.
- Create efficiencies or policy changes that increase revenue or eliminate significant costs.
- Promote efforts to work more collaboratively with sister state agencies, local governments and the private sector.

House Bill 2293 -1 is a measure to eliminate a significant cost to the department.

DISCUSSION

The 2013 measure waived the full 30 cent per gallon tax on gallons of diesel blended with at least 20 percent or more biodiesel made from used cooking oil. The financial incentive provided by this waiver has been wildly successful in incentivizing the market for this form of biodiesel. That success has translated into a significant revenue loss for the State Highway Fund (shared by ODOT, cities and counties), more so than anyone imagined when the bill passed in 2013.

The June 27, 2013 revenue impact statement for HB 2435 (2013) estimated that fuel tax would be waived on about 2 million gallons of fuel a year. Based on the June 27, 2013 revenue impact statement, the Legislature originally expected the waiver to reduce State Highway Fund revenues by \$4.61 million in total over its six year lifespan.

In reality, in calendar year 2016 alone, fuel tax was waived on 18.3 million gallons of fuel. For calendar year 2017, Oregon is on track to sell about 18.7 million gallons of tax forgiven fuel. Actual State Highway Fund revenue lost to date is \$13 million. The department now expects the

waiver to reduce State Highway Fund revenues by \$30.2 million in total over its six year lifespan. An accelerated sunset would prevent a loss to the state highway fund of \$8.8 million in the 2017-2019 biennium and \$3.1 million in the 2019-2021 biennium, for a total of \$11.9 million based on current projections.

One of the department's core goals is stewardship, to maximize value from transportation investments. As responsible stewards of the State Highway Fund, experiencing an unanticipated loss of this magnitude led the department to bring the outcome of this waiver to the Legislature's attention. HB 2293 -1 offers a solution that would prevent further loss to the State Highway Fund.

SUMMARY

House Bill 2435 (2013) waived fuel tax for diesel blended with at least 20 percent biodiesel made from used cooking oil from January 1, 2014 to January 1, 2020. To preclude further revenue loss this measure sunsets the waiver January 1, 2018. The department estimates accelerating the sunset would prevent a loss to the State Highway Fund of \$11.9 million.

Attachments:

Attachment 1 – Forecast Comparison of Annual Foregone Revenue from B20 Sales

Attachment 1

Forecast Comparison of Annual Foregone Revenue from B20 Sales (Sales of Diesel Blended with at least 20% Biodiesel from Used Cooking Oil)

