

# REVENUE IMPACT OF PROPOSED LEGISLATION

79th Oregon Legislative Assembly  
2017 Regular Session  
Legislative Revenue Office

Bill Number: HB 2017 A  
Revenue Area: Transportation  
Economist: Mazen Malik  
Date: 07/01/2017

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

## Measure Description:

The measure is the Transportation Improvement, Modernization and Preservation package of the 2017 session. It changes many fees and taxes and creates others.

## Revenue Impact (in \$Millions):

Revenue Raised		\$ Million	2017-19 Biennium	2019-21 Biennium	2021-23 Biennium	2023-25 Biennium	2025-27 Biennium	Revenue Total Start to full implementation
<b>Highway Fund</b>			\$338.2	\$621.3	\$815.3	\$972.4	\$1,022.1	\$3,769.4
	Collection Costs		(\$4.0)	(\$8.0)	(\$8.3)	(\$8.5)	(\$8.7)	(\$37.4)
	Net		\$334.2	\$613.3	\$807.1	\$964.0	\$1,013.4	\$3,732.0
Notes for Bonding Revenue at thee bottom of the page								
<b>Privilege Tax</b>			\$40.3	\$56.1	\$56.4	\$55.5	\$54.8	\$263.0
	Collection Costs		(\$1.1)	(\$1.1)	(\$1.1)	(\$1.1)	(\$1.1)	(\$5.6)
	Net		\$39.2	\$55.0	\$55.3	\$54.3	\$53.7	\$257.4
<b>Payroll tax</b>			\$115.8	\$250.1	\$275.0	\$302.6	\$334.2	\$1,277.7
	Collection Costs		(\$10.1)	(\$10.5)	(\$10.8)	(\$11.2)	(\$11.6)	(\$54.3)
	Net		\$105.7	\$239.7	\$264.2	\$291.3	\$322.5	\$1,223.4
<b>Bike Excise</b>			\$2.1	\$2.8	\$2.8	\$2.8	\$2.8	\$13.3
	Collection Costs		(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.1)	(\$0.6)
	Net		\$2.0	\$2.7	\$2.7	\$2.7	\$2.7	\$12.7
<b>Total Gross Revenue</b>			<b>\$496.4</b>	<b>\$930.3</b>	<b>\$1,149.6</b>	<b>\$1,333.2</b>	<b>\$1,413.9</b>	<b>\$5,323.4</b>
<b>Total Collection Costs</b>			<b>(\$15.3)</b>	<b>(\$19.7)</b>	<b>(\$20.3)</b>	<b>(\$20.9)</b>	<b>(\$21.5)</b>	<b>(\$97.8)</b>
<b>Net Revenue</b>			<b>\$481.1</b>	<b>\$910.6</b>	<b>\$1,129.3</b>	<b>\$1,312.3</b>	<b>\$1,392.3</b>	<b>\$5,225.6</b>
<b>Revenue from Bonds is not Included</b>	Bill sets aside two revenue stream for bonding, each when let, to generate \$450 million, Section 71, and Rose Quarter, for total of \$900 mi							
<b>Congestion Pricing Revenue is not Estimated</b>	Section 120		Section 120 a					
<b>Other Revenue transfers coming to Connect Oregon Fund and governed by Section 78 to 80 not included</b>								
<b>Increases contingent on conditions on 2020, 2022, 2024 are assumed to be implemente</b>			Section 45					

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## Impact Explanation:

The bill increases highway fund taxes and fees and constructs a long-term transportation program. The program will be financed through a gradual increase in the motor fuels tax and motor vehicles registration and titling fees. Registration fee and title fee surcharges effective January 1, 2018, institutes four tiers of vehicle registration fee and title fee increases, based on vehicle fuel efficiency rating (\$18 for 0-19 mpg, \$23 for 20-39 mpg, \$33 for 40+ mpg, and \$110 for plug-in electric vehicles not enrolled in OReGO program) beginning January 1, 2020, increasing to \$20/\$25/\$35/\$115 on January 1, 2022. Increases registration fees for other types and classifications of vehicles. Increases motor fuel tax by four cents effective January 1, 2018 and additional two-cent increases effective January 1, 2020, 2022 and 2024, provided that the Oregon Transportation Commission certifies that certain conditions have been met. Makes commensurate increases Flat fees, variance permits and weight-mile tax schedules. The allocation of revenues from above taxes and fees by formula to ODOT, cities and counties and for specified projects, including allocation of \$10 million (\$15 million after 2022) for Safe Routes to Schools program and \$30 million for bonds to finance the I-5 Rose Quarter project after 2021 prior to the state-local split. In addition, \$10 million of state portion is designated for safety projects. Lists priority projects that must be funded from the state portion. January 2018 – four cents per gallon, January 2020 – two cents per gallon, January 2022 – two cents per gallon, January 2024 – two cents per gallon. The increases in 2020, 2022 and 2024 are conditional. They will go into effect only if the OTC certifies in a report to the JCT that the commission and the department have met certain milestones that justify the increase.

The total increase in revenue at full implementation is 46.5% of current revenue stream.

	Current Rate	Jan-18	Jan-19	Jan-20	Jan-21	Jan-22	Jan-23	Jan-24	Total increase	% increase
Motor Fuels Tax cents/Gallon	30	34	34	36	36	38	38	40	40	33.3%
Weight Mile Tax	100%	25%		105%		105%		106%	53.3%	53.3%
	Total	125%		131%		145%		153%		
Registration Fees (Light)	\$43.0	\$13.0		\$5.0		\$2.0		\$0.0	\$20.0	\$0.5
Registration Fees (Heavy) MCTD	100%	0%		0%		0%		0%	0.0%	0.0%
Registration Fees (Heavy) DMV	100%	27%		8%		0%		0%	35.0%	35.0%
		127%		135%		135%		135%		
Titles (Light)	\$77.0	\$16.0		\$5.0		\$3.0		\$0.0	24.0	31.2%
Titles (Heavy)	\$90.0	\$0.0		\$0.0		\$0.0		\$0.0	0.0	0.0%

The weight/mile tax and other heavy vehicle fees are increased separately by 53% based on the cost responsibility model to ensure that those vehicles are paying a proportionate share of highway costs.

The measure also imposes payroll tax at the rate of 0.1% to fund transit around the state. It also imposes a privilege tax on vehicle dealers at the rate of 0.5% and uses the funds to subsidize electric vehicles for six years, and to fund the connect Oregon multimodal program. A bicycle excise tax is also started and directed to the multimodal program for Bike and Ped programs. Establishes collection procedures for privilege, use and excise taxes. Prohibits local governments from imposing privilege tax on sale of taxable motor vehicles unless authorized by statute or approved by governing body on or before measure's effective date. Asserts legislative intent that privilege tax revenues are not subject to provisions of Article IX, section 3a of the Oregon Constitution and provides process for expedited

judicial review should assertion be subject to legal challenge. Provides that if measure or any part thereof is referred to voters and not approved, all specified sections are repealed.

The uses of the revenue in the bill are detailed more in the table below.

	2017-19 Biennium	2019-21 Biennium	2021-23 Biennium	2023-25 Biennium	Full Biennium 2025-27	Revenue Total Start to full implementation
Motor Fuels Tax cents/Gallon	\$110,428,698	\$203,181,293	\$275,745,856	\$346,989,714	\$ 358,989,135	\$ 1,295,334,695
Weight Mile Tax	\$109,669,121	\$186,004,228	\$262,244,404	\$334,466,475	\$ 363,387,373	\$ 1,255,771,600
Registration Fees (Light)	\$ 81,894,583	\$166,403,979	\$200,465,497	\$209,563,518	\$ 216,844,451	\$ 875,172,029
Registration Fees (Heavy) MCTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Registration Fees (Heavy) DMV	\$ 8,204,817	\$ 13,872,308	\$ 14,747,305	\$ 14,567,081	\$ 13,568,404	\$ 64,959,916
Titles (Light)	\$ 23,981,884	\$ 44,803,687	\$ 53,968,151	\$ 56,540,205	\$ 58,240,019	\$ 237,533,945
Titles (Heavy)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Highway revenue subtotal</b>	<b>\$334,179,103</b>	<b>\$614,265,494</b>	<b>\$807,171,214</b>	<b>\$962,126,993</b>	<b>\$1,011,029,383</b>	<b>\$ 3,728,772,186</b>
Other Revenue Use tax & other fees	\$ 1,952,325	\$ 3,953,458	\$ 4,002,876	\$ 4,052,912	\$ 4,103,574	\$ 18,065,145
Fuel to other Uses	\$ 2,079,000	\$ 3,118,500	\$ 4,158,000	\$ 6,237,000	\$ 6,930,000	\$ 22,522,500
<b>Total Revenue Gross</b>	<b>\$338,210,428</b>	<b>\$621,337,452</b>	<b>\$815,332,090</b>	<b>\$972,416,905</b>	<b>\$1,022,062,956</b>	<b>\$ 3,769,359,831</b>
Collection & program costs	(\$3,975,000)	(\$8,049,375)	(\$8,250,609)	(\$8,456,875)	(\$8,668,296)	(\$37,400,155)
<b>Totals</b>	<b>\$ 334,235,428</b>	<b>\$ 613,288,077</b>	<b>\$ 807,081,481</b>	<b>\$ 963,960,030</b>	<b>\$ 1,013,394,660</b>	<b>\$ 3,731,959,676</b>
Transfers to Other Agencies (Fuel)	(\$2,079,000)	(\$3,118,500)	(\$4,158,000)	(\$6,237,000)	(\$6,930,000)	(\$22,522,500)
Bonding for congestion			(\$45,000,000)	(\$60,000,000)	(\$60,000,000)	(\$165,000,000)
Safe Routs To Schools	(\$15,000,000)	(\$20,000,000)	(\$27,500,000)	(\$30,000,000)	(\$30,000,000)	(\$122,500,000)
<b>Available for distributions</b>	<b>\$ 317,156,428</b>	<b>\$ 590,169,577</b>	<b>\$ 730,423,481</b>	<b>\$ 867,723,030</b>	<b>\$ 916,464,660</b>	<b>\$ 3,421,937,176</b>
<b>State</b>	\$ 158,578,214	\$ 295,084,789	\$ 365,211,740	\$ 433,861,515	\$ 458,232,330	\$1,710,968,588
<b>Counties</b>	\$ 95,146,928	\$ 177,050,873	\$ 219,127,044	\$ 260,316,909	\$ 274,939,398	\$1,026,581,153
<b>Cities</b>	\$ 63,431,286	\$ 118,033,915	\$ 146,084,696	\$ 173,544,606	\$ 183,292,932	\$684,387,435
<b>Special County</b>	(\$7,500,000)	(\$10,000,000)	(\$10,000,000)	(\$10,000,000)	(\$10,000,000)	(\$47,500,000)
<b>Small City</b>	(\$6,000,000)	(\$8,000,000)	(\$8,000,000)	(\$8,000,000)	(\$8,000,000)	(\$38,000,000)
<b>Net State</b>	\$ 155,578,214	\$ 291,084,789	\$ 361,211,740	\$ 429,861,515	\$ 454,232,330	\$1,691,968,588
<b>Net Counties for Distribution</b>	\$ 87,646,928	\$ 167,050,873	\$ 209,127,044	\$ 250,316,909	\$ 264,939,398	\$979,081,153
<b>Net Cities for Distribution</b>	\$ 60,431,286	\$ 114,033,915	\$ 142,084,696	\$ 169,544,606	\$ 179,292,932	\$665,387,435
<b>Total light</b>	\$ 218,257,490	\$ 418,342,417	\$ 534,182,381	\$ 617,146,349	\$ 638,177,179	\$2,426,105,815
<b>Total Heavy</b>	\$ 117,873,938	\$ 199,876,536	\$ 276,991,709	\$ 349,033,556	\$ 376,955,777	\$1,320,731,516

Allocations to specified multimodal projects from moneys within the Connect Oregon Fund, subject to submission of plans to OTC. Increases from 30 percent to 50 percent required match for Class I Railroads for Connect Oregon funds. Directs OTC to divide Connect Oregon into two parts: Part One (55 percent) consists of air, marine, rail, bicycle and pedestrian projects; Part Two (45 percent) consists of projects of statewide significance in air, marine or rail modes. Outlines criteria to be considered when awarding Part Two grants. Directs Parks and Recreation Department to reimburse ODOT for up to \$4 million for bicycle and pedestrian grants from Connect Oregon. Funds maintenance dredging at Oregon ports and marinas through the Marine Navigation Improvement Fund and allocates two cents per gallon of fuel equivalent to Fund, to be appropriated to the Oregon Business Development Department for that purpose.

The table below shows the different uses and distributions that the new revenue goes towards.

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Revenue Distributions		\$\$ Million	2017-19 Biennium	2019-21 Biennium	2021-23 Biennium	2023-25 Biennium	2025-27 Biennium	Revenue Total Start to full implementation
<b>Highway Fund</b>								
<b>Net revenue</b>			<b>\$334.2</b>	<b>\$613.3</b>	<b>\$807.1</b>	<b>\$964.0</b>	<b>\$1,013.4</b>	<b>\$3,732.0</b>
Fuel Transfers to other agencies			(\$2.1)	(\$3.1)	(\$4.2)	(\$6.2)	(\$6.9)	(\$22.5)
Congestion fund Transerv (Rose quarter \$400 M Bonds )					(\$45.0)	(\$60.0)	(\$60.0)	(\$165.0)
Safe Routs to school			(\$15.0)	(\$20.0)	(\$27.5)	(\$30.0)	(\$30.0)	(\$122.5)
All Counties share @30%			(\$95.1)	(\$177.1)	(\$219.1)	(\$260.3)	(\$274.9)	(\$1,026.6)
Special County program			(\$7.5)	(\$10.0)	(\$10.0)	(\$10.0)	(\$10.0)	(\$47.5)
All cities Share @ 20%			(\$63.4)	(\$118.0)	(\$146.1)	(\$173.5)	(\$183.3)	(\$684.4)
Small City program			(\$6.0)	(\$8.0)	(\$8.0)	(\$8.0)	(\$8.0)	(\$38.0)
OTIC Rest Areas section 125-128			(\$14.1)	(\$9.6)	(\$6.4)	(\$6.9)	(\$3.1)	(\$40.1)
Safety			(\$15.0)	(\$20.0)	(\$27.5)	(\$30.0)	(\$30.0)	(\$122.5)
Bonds (\$450 million 2022) and expenditures for Section 71 projects			(\$15.0)	(\$25.0)	(\$27.0)	(\$30.0)	(\$30.0)	(\$127.0)
<b>Total Transfers and set asides</b>			<b>(\$233)</b>	<b>(\$391)</b>	<b>(\$521)</b>	<b>(\$615)</b>	<b>(\$636)</b>	<b>(\$2,396.1)</b>
<b>Balance of revenue to system preservation Programs</b>			<b>\$100.9</b>	<b>\$222.5</b>	<b>\$286.4</b>	<b>\$349.0</b>	<b>\$377.2</b>	<b>\$1,335.9</b>
	Bridges	40%	\$40.4	\$89.0	\$114.5	\$139.6	\$150.9	\$534.4
	Seismic	30%	\$30.3	\$66.7	\$85.9	\$104.7	\$113.1	\$400.8
	Maintenance and Culverts	24%	\$24.2	\$53.4	\$68.7	\$83.7	\$90.5	\$320.6
	Maintenance pres. & safety	6%	\$6.1	\$13.3	\$17.2	\$20.9	\$22.6	\$80.2
<b>Fuel Transfers to Other agencies</b>		Off Highway Consumption						
<b>Dredging Fund (new) Biz O</b>		section 86	\$0.42	\$0.45	\$0.45	\$0.49	\$0.60	\$2.4
<b>MARINE BOARD</b>			\$0.42	\$0.79	\$1.21	\$2.10	\$2.79	\$7.3
<b>HIGHWAY DIVISION (SNOWMOBILE)</b>			\$0.14	\$0.21	\$0.27	\$0.41	\$0.46	\$1.5
<b>AERONAUTICS DIVISION</b>			\$0.02	\$0.03	\$0.05	\$0.07	\$0.08	\$0.2
<b>PARKS (ATV CLASS 1,2,3,4)</b>			\$1.09	\$1.63	\$2.18	\$3.27	\$3.63	\$11.8
<b>Total Fuel Transfers</b>			<b>\$2.08</b>	<b>\$3.12</b>	<b>\$4.16</b>	<b>\$6.24</b>	<b>\$6.93</b>	<b>\$11.5</b>
<b>Net Revenue From Dealer Privilege Tax</b>			\$39.2	\$55.0	\$55.3	\$54.3	\$53.7	\$257.4
Zero-emission Incentive DE sec 150			\$18.0	\$24.0	\$18.0	\$0.0	\$0.0	\$60.0
Bicycles Excise Tax		Connect Oregon Fund	\$21.2	\$31.0	\$37.3	\$54.3	\$53.7	\$197.4
		Connect Oregon Fund	\$2.0	\$2.7	\$2.7	\$2.7	\$2.7	\$12.7
<b>Total Connect Oregon Fund</b>			<b>\$23.1</b>	<b>\$33.6</b>	<b>\$40.0</b>	<b>\$57.0</b>	<b>\$56.4</b>	<b>\$210.2</b>
<b>Net Revenue From Payroll Tax</b>			<b>\$105.7</b>	<b>\$239.7</b>	<b>\$264.2</b>	<b>\$291.3</b>	<b>\$322.5</b>	<b>\$1,223.4</b>
Formula		90%	\$95.13	\$215.71	\$237.79	\$262.19	\$290.27	\$1,101.08
Discretionary Service Enhancements		5%	\$4.76	\$10.79	\$11.89	\$13.11	\$14.51	\$55.05
Intercity		4%	\$0.19	\$0.43	\$0.48	\$0.52	\$0.58	\$2.20
Statewide Resource Center		1%	\$0.00	\$0.00	\$0.00	\$0.01	\$0.01	\$0.02

Money distributed for the state highway system will be used for highway safety (\$10 million), for specific projects, for bridges, for seismic improvements related to highways and bridges, to replace and maintain highway pavement and culverts, and for state highway maintenance, preservation, and safety improvements. The measure lists priority projects that ODOT must complete.

Directs Department of Administrative Services (DAS) to conduct feasibility study on performing highway cost allocation study within boundaries of Metro, Tri-Met or a county, regarding revenue raised within said boundaries subject to Article IX, section 3a of the Oregon Constitution. Directs DAS to submit report to JCT by September 15, 2018.

Expands list of roadside rest areas managed and maintained by the Travel Information Council (TIC) in Provides for several jurisdictional transfers from ODOT to Cities and counties and the other way around.

For more description of the bill please refer to the section by section and the Staff Measure Summary.

<https://olis.leg.state.or.us/liz/2017R1/Downloads/CommitteeMeetingDocument/137420>

<https://olis.leg.state.or.us/liz/2017R1/Downloads/CommitteeMeetingDocument/137380>

**Creates, Extends, or Expands Tax Expenditure:**      Yes  No

HB 2017 establishes a tax credit/rebate program designed to encourage the use of electric vehicles. The credit is scheduled to sunset in six years.