

HB 2017 Section 75 Study

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Section 75 Study

(Study and Report)

SECTION 75. (1) The Oregon Transportation Commission shall conduct a study. The purpose of the study is to determine:

(a) The proportionate share that users of vehicles that are powered by different means should pay for the costs of maintenance, operation and improvement of the highways in this state; and

(b) Whether users of vehicles that are powered by different means are paying that share.

(2) If the commission determines that users are not paying a proportionate share, then the commission may include in the report recommendations for legislation.

(3) This section applies to users paying the vehicle registration fee under ORS 803.420 (6)(a).

(4) The commission shall report the results of the study to the Joint Committee on Transportation established under section 26 of this 2017 Act, in the manner provided by ORS 192.245, no later than September 15, 2023.

SECTION 76. Section 75 of this 2017 Act is repealed on January 2, 2024.

Project Objectives

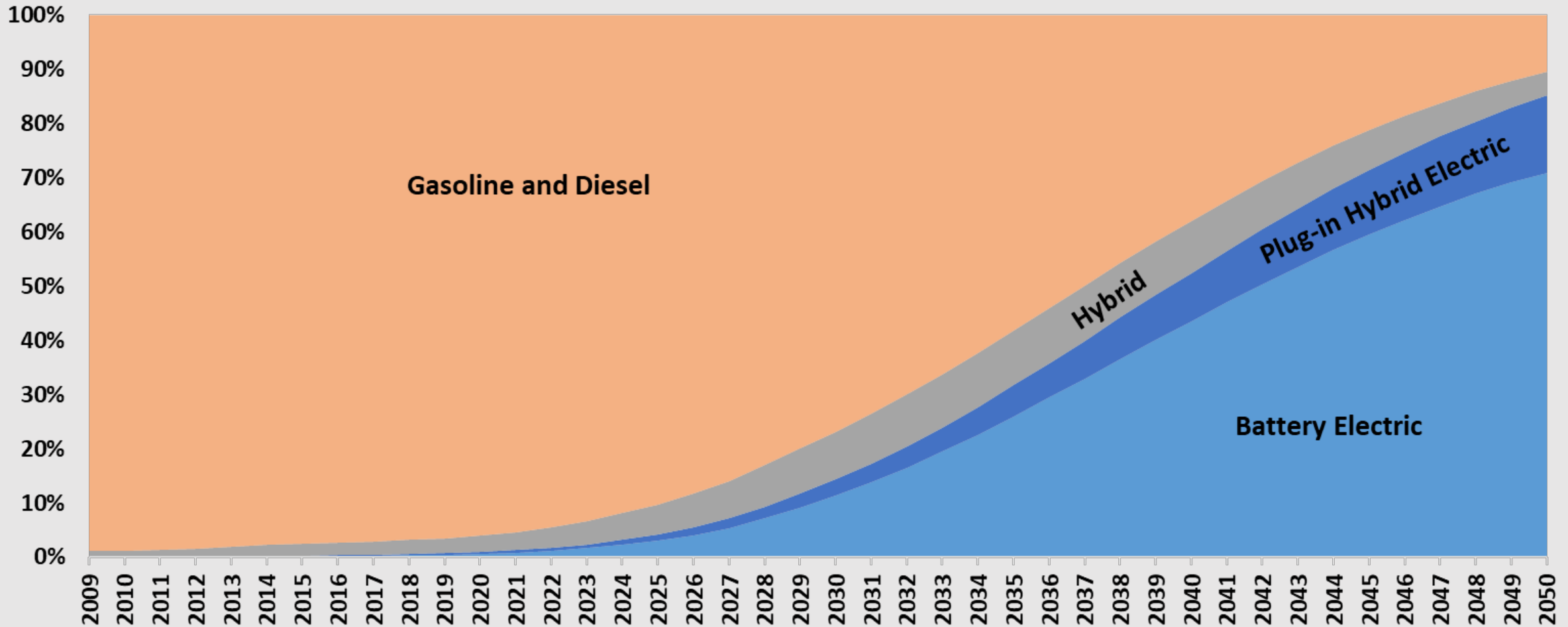
- Develop a methodology for calculating the proportionate share that passenger vehicles powered by different means should pay for use of Oregon's road system
- Calculate the proportionate share that these different passenger vehicle classes should pay
- Calculate the proportionate share that these different passenger vehicle classes are paying today
- Develop recommendations for fee changes and/or further study

Methodology & Data

- Study used the existing 2023 Highway Cost Allocation Model and point in time framework
 - DMV data from 2019-2022 provided on all registered passenger vehicles in Oregon
 - Included counts, MPG ratings, VMT, fuel type
 - Puget Sound travel study data
- Vehicle Classes – Data analyzed two ways
 - Current MPG registration classes
 - ICE, Hybrid, Plug-in Hybrid Electric, Battery Electric
- Does not include any external or social costs like carbon emissions



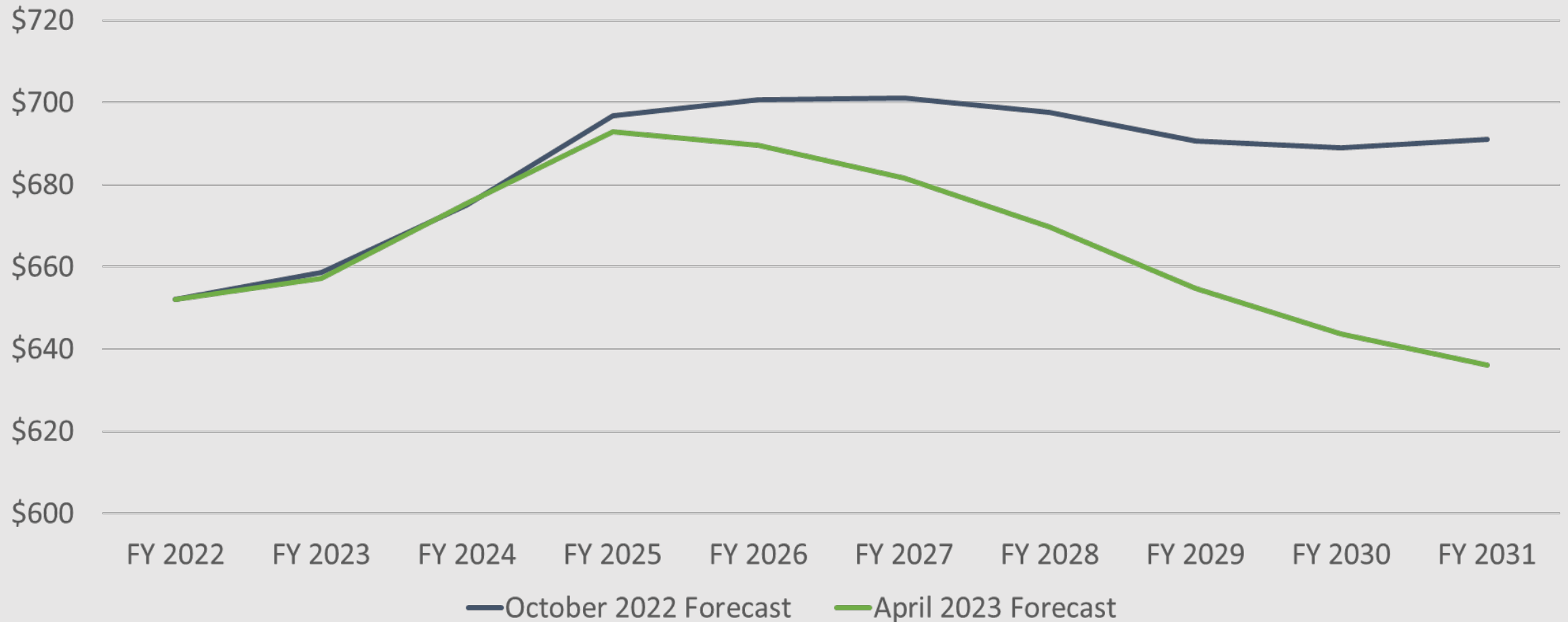
Passenger Vehicles in Oregon are becoming more Fuel Efficient



Source: Oregon Department of Transportation April 2023 Passenger Vehicle Stock Forecast. Actuals through 2022, forecast begins in 2023

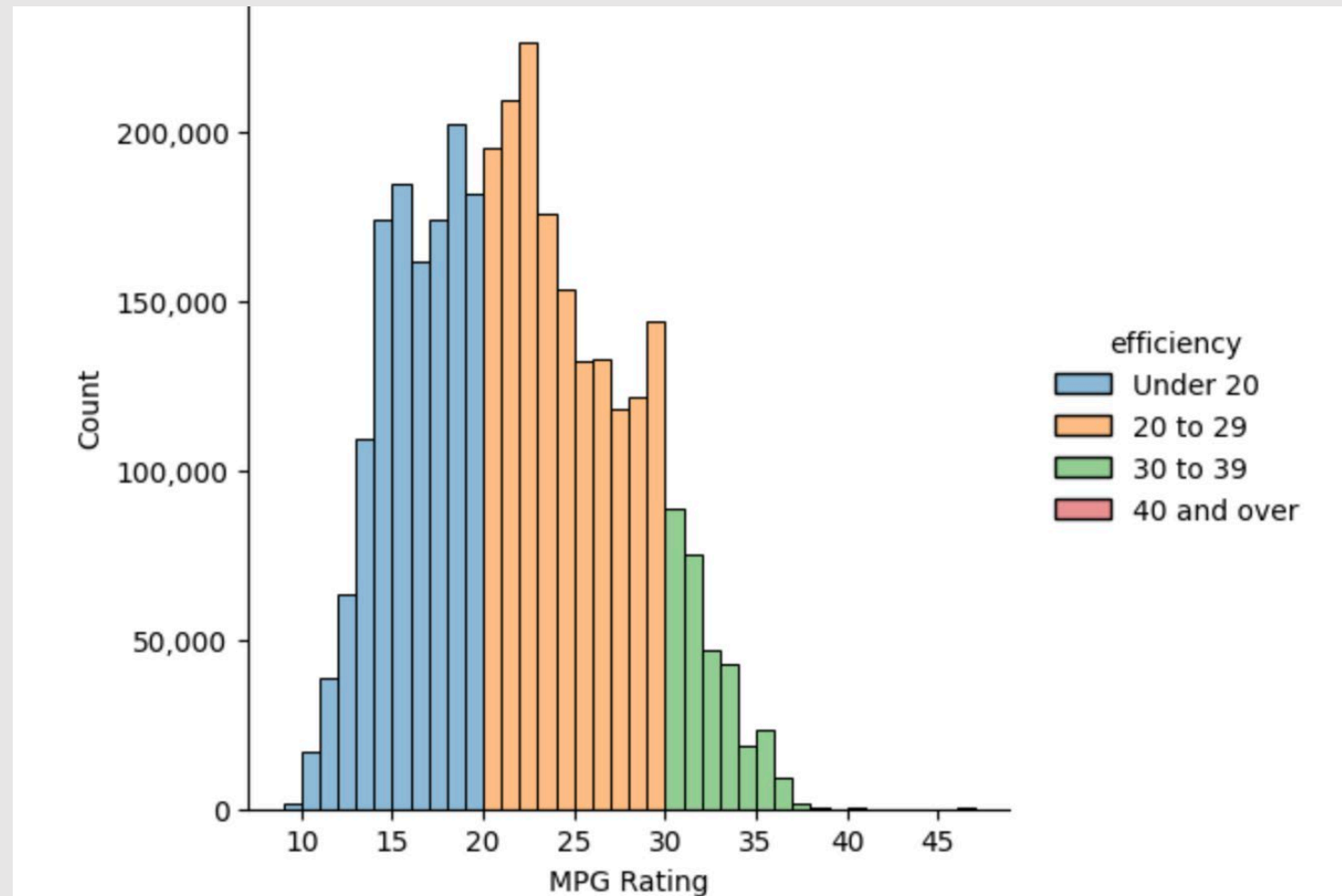
Oregon Motor Fuels Tax Forecast Comparison

In millions of nominal dollars



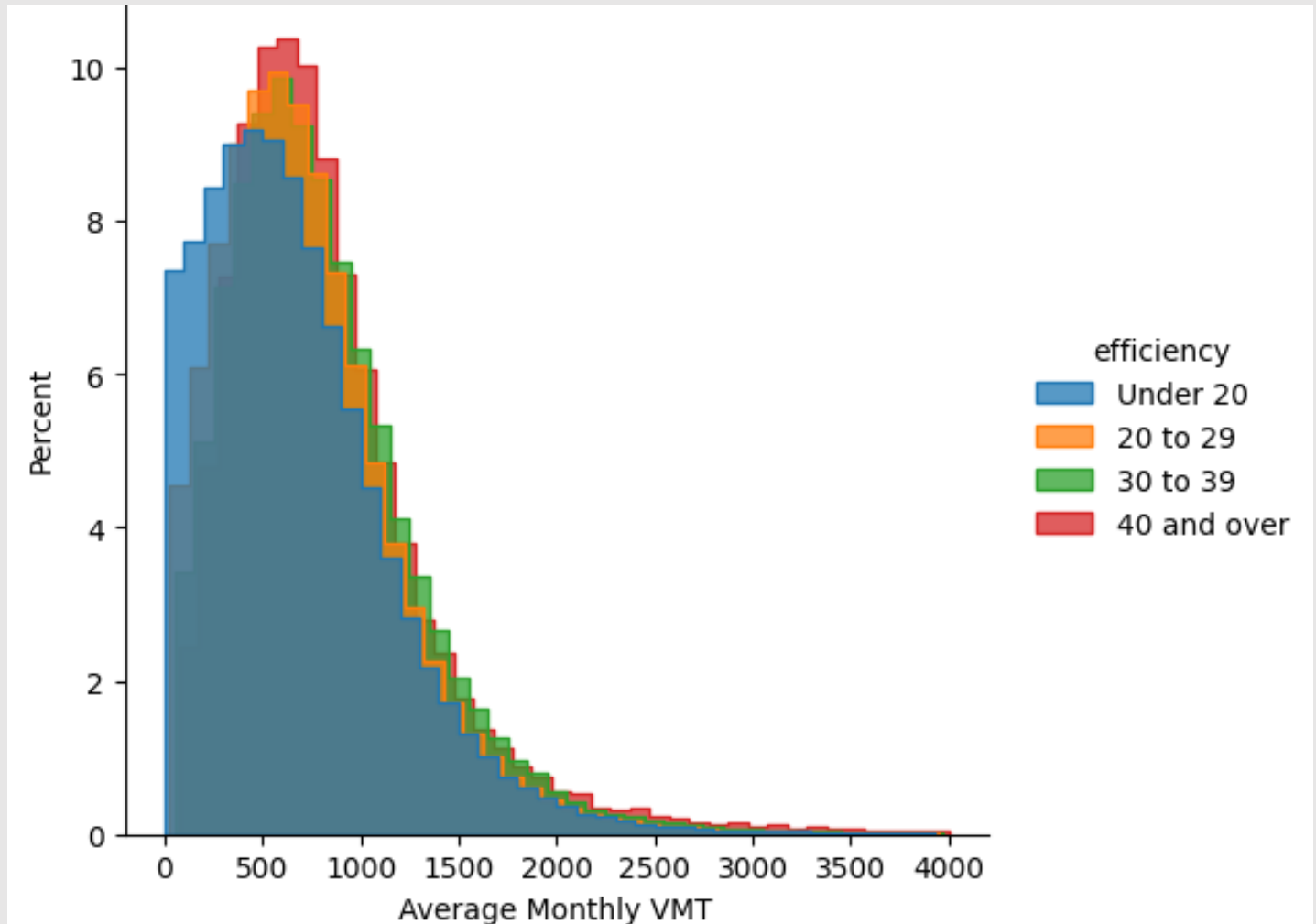
Internal Combustion Engine MPG Distribution, 2022

- Current fleet MPG distribution has few vehicles with 40 MPG or higher
- Most vehicles fall within the 15-30 MPG range



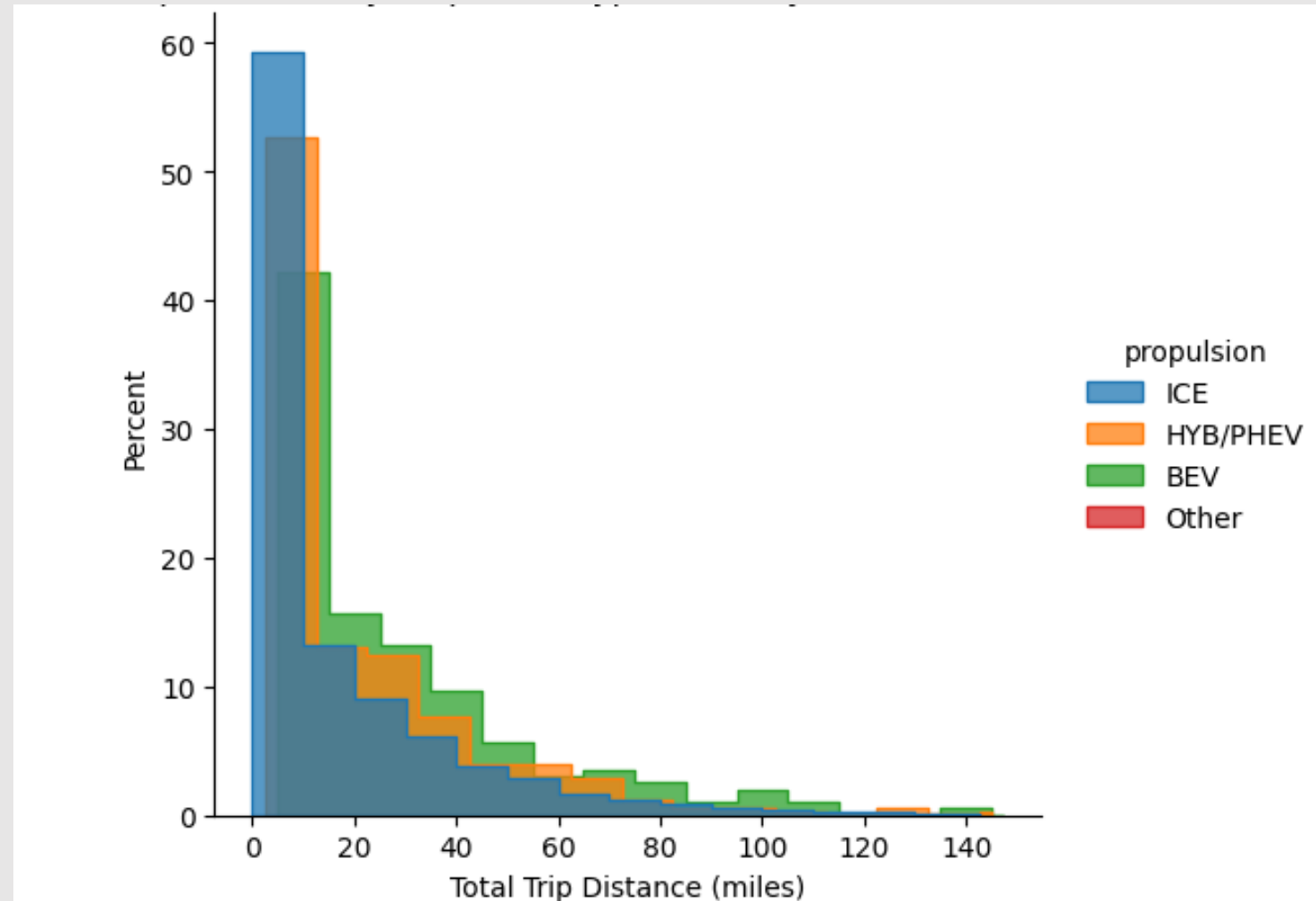
VMT Distributions by MPG Classification, 2022

- Average VMT increases with fuel economy
- Higher-efficiency vehicles typically drive more miles



PSRC HH Survey, Two-Day Trip Distance by Propulsion Type, 2017-2021

- Average VMT for electric vehicles is similar to, or slightly higher than, for internal combustion engine vehicles.
- Most vehicles are driven less than 20 miles per day



Results – Current conditions

| Vehicle Class | | Annual User Fees | Scaled Equity Ratio | Registration Fees |
|-------------------------------|-----------------|------------------|---------------------|-------------------|
| N/A | Under 20 MPG | 476,073,558 | 1.0568 | \$63 |
| N/A | 20 to 39 MPG | 512,016,447 | 0.7781 | \$68 |
| N/A | 40 MPG and over | 23,776,496 | 0.5883 | \$78 |
| EV | N/A | 8,651,039 | 0.6664 | \$158 |
| Basic Vehicle Subtotal | | 1,020,517,540 | | |
| All Vehicle Total | | 1,598,121,340 | | |

Equity Ratios Defined
 <1.0 = Underpayment
 1.0 = Equity
 >1.0 = Overpayment

Source: ECONorthwest

- Lowest MPG class overpays relative to the higher MPG classes
- Increasing fuel efficiency generally increases underpayment

Achieving Parity – Scenario 1

Adjust Annual Registration Fees without increasing overall revenue

| Vehicle Class | | Annual User Fees | Scaled Equity Ratio | Registration Fees | Change from Current Fees |
|-------------------------------|-----------------|------------------|---------------------|-------------------|--------------------------|
| N/A | Under 20 MPG | 398,551,946 | 0.8847 | \$0 | -\$63 |
| N/A | 20 to 39 MPG | 575,095,091 | 0.8740 | \$105 | \$37 |
| N/A | 40 MPG and over | 35,474,388 | 0.8778 | \$199 | \$121 |
| EV | N/A | 11,396,114 | 0.8779 | \$235 | \$77 |
| Basic Vehicle Subtotal | | 1,020,517,540 | | | |
| All Vehicle Total | | 1,598,121,340 | | | |

Source: ECONorthwest

- Alternative rates to balance equity would require reducing Under 20 MPG registration fees to zero while other classes would see increases

Achieving Parity – Scenario 2

Adjust Annual Registration Fees holding the Under 20 MPG registration fee constant at current rate

| Vehicle Class | | Annual User Fees | Scaled Equity Ratio | Registration Fees | Change from Current Fees |
|-------------------------------|-----------------|------------------|---------------------|-------------------|--------------------------|
| N/A | Under 20 MPG | 476,073,558 | 0.9355 | \$63 | \$0 |
| N/A | 20 to 39 MPG | 695,249,001 | 0.9353 | \$176 | \$108 |
| N/A | 40 MPG and over | 42,688,291 | 0.9350 | \$274 | \$196 |
| EV | N/A | 13,710,764 | 0.9350 | \$300 | \$142 |
| Basic Vehicle Subtotal | | 1,227,721,614 | | | |
| All Vehicle Total | | 1,805,325,413 | | | |

Source: ECONorthwest

- Equity ratios increase yielding over \$200 million per year in additional revenue
- MPG classes over 20 and EV's see even larger fee increases to maintain equity

Achieving Parity – Future State – 2035

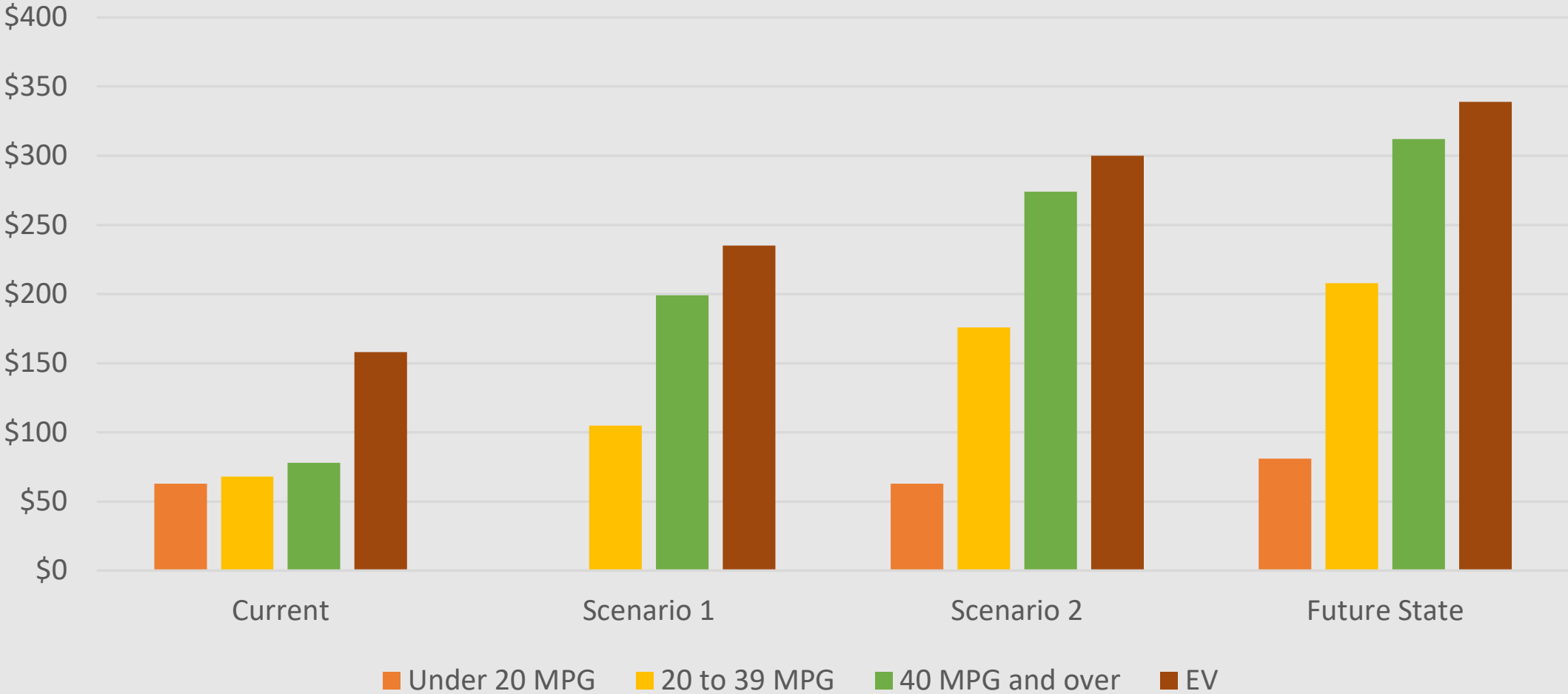
Adjust Annual Registration Fees holding revenue constant with Scenario 2

| Vehicle Class | | Annual User Fees | Scaled Equity Ratio | Registration Fees | Change from Current Fees |
|-------------------------------|-----------------|------------------|---------------------|-------------------|--------------------------|
| N/A | Under 20 MPG | 234,686,527 | 0.9305 | \$81 | \$18 |
| N/A | 20 to 39 MPG | 561,231,298 | 0.9242 | \$208 | \$140 |
| N/A | 40 MPG and over | 136,154,298 | 0.9324 | \$312 | \$234 |
| EV | N/A | 291,729,001 | 0.9294 | \$339 | \$181 |
| Basic Vehicle Subtotal | | 1,223,801,125 | | | |
| All Vehicle Total | | 1,801,404,925 | | | |

Source: ECONorthwest

- As EV's increase share a decline in fuels tax pushes more revenue responsibility onto registration fees
- A road usage charge could eliminate the need for enhanced registration

Annual Registration Fee Summary by Scenario



Recommendations

- Increase vehicle registration fees to balance payments of vehicle classes
- Simplify the tiered fee structure by eliminating the tiered title fee
- Direct the Section 75 study be regularly updated or included in the HCAS
- Evaluate the conversion to a motive-power registration system
- Maintain a per-mile road usage charge for efficient vehicles as an opt out option for higher registration fees
- Ensure the totality of vehicle taxes, fees and rebates incentivize the purchase of high-efficient vehicles