

**REVENUE IMPACT OF  
PROPOSED LEGISLATION**  
83rd Oregon Legislative Assembly  
2025 Regular Session  
Legislative Revenue Office

**Bill Number:** HB 3402 - 3  
**Revenue Area:** Transportation  
**Economist:** Mazen Malik  
**Date:** 06-27-2025

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

**Measure Description:**

Makes various changes to transportation related taxes and fees described in detail below

**Revenue Impact (\$Millions):**

The bill increases and changes fuel taxes, registration and title fees. Summary impacts are in the table below.

**Net New Revenue in \$ Millions**

		2025-27	2027-29	2029-31	2031-33	2033-35
<b>FUELS (Gas&amp; Use)</b>	L/M	\$72.4	\$93.4	\$89.4	\$87.3	\$85.9
<b>Diesel Tax (Hybrid System)</b>	H	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Vehicle Reg</b>	L	\$122.6	\$165.2	\$167.4	\$167.6	\$169.6
<b>Titles</b>	L	\$117.3	\$170.0	\$172.3	\$170.1	\$171.6
<b>Heavy (WM&amp;FF&amp;RUAF)</b>	H	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Total Highway Fund</b>		<b>\$312.3</b>	<b>\$428.6</b>	<b>\$429.1</b>	<b>\$425.0</b>	<b>\$427.1</b>
<b>Fuel Transfers to Non-Highway Uses</b>		\$3.5	\$4.9	\$5.1	\$5.2	\$5.2
<b>Grand Total for HB 3402</b>		<b>\$315.9</b>	<b>\$433.6</b>	<b>\$434.2</b>	<b>\$430.2</b>	<b>\$432.3</b>

The new revenue is distributed as shown in the following tables.

<b>Distribution of Revenue</b>		<b>\$ Million</b>				
		2025-27	2027-29	2029-31	2031-33	2033-35
<b>Total City/ County/ State Highway Fund Distributions</b>						
<b>State</b>		\$312.3	\$428.6	\$429.1	\$425.0	\$427.1
<b>Counties</b>		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Counties (Small)</b>		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Cities</b>		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Total Highway Fund Distributions</b>		<b>\$312.3</b>	<b>\$428.6</b>	<b>\$429.1</b>	<b>\$425.0</b>	<b>\$427.1</b>
<b>Fuel Transfers to Non-Highway uses</b>		<b>\$3.5</b>	<b>\$4.9</b>	<b>\$5.1</b>	<b>\$5.2</b>	<b>\$5.2</b>
<small>ATV, Snowmobile, Aviation, Marine, and TOF</small>						
<b>Total All Distributions</b>		<b>\$315.9</b>	<b>\$433.6</b>	<b>\$434.2</b>	<b>\$430.2</b>	<b>\$432.3</b>

**Impact Explanation:**

**Fuel Taxes:** The measure increases per-gallon state motor vehicle fuel tax and use-fuel tax by 3 cents to 43 cents on January 1, 2026.

**Vehicle Registration Fees:** The measure increases annual fees on registration of passenger vehicles by \$21. The base fee for annual registration will be \$64 under the measure.

**Title fees:** The measure increases the current title fees (\$77) by \$91 to \$168.

**Heavy vehicle Payments:** The heavy payment category is traditionally dominated by the **Weight-Mile (W-M)** tax, **Flat Fee (FF)** payments, and the **Road Use Assessment Fees (RUAF)**. This measure does not increase any heavy vehicle taxes or fees.

**Highway Cost Allocation (HCAS) Implications:** The Weight Mile taxes are customarily adjusted to achieve the required constitutional biennial balance reflected by the HCAS ratios. However, this measure does not change the Weight Mile taxes. Thus, it does not achieve balance for any of the subsequent five biennia.

The separate revenue contributions of heavy and light vehicles are shown in the tables below.

Highway Fund Revenue \$ Million	2025-27 BN	2027-29 BN	2029-31 BN	2031-33 BN	2033-35 BN
<b>Light Payments</b>					
FUELS (Gas& Use)	\$71.0	\$91.5	\$87.6	\$85.5	\$84.2
Vehicle Reg	\$122.6	\$165.2	\$167.4	\$167.6	\$169.6
Titles	\$117.3	\$170.0	\$172.3	\$170.1	\$171.6
<b>Total Light</b>	<b>\$310.9</b>	<b>\$426.8</b>	<b>\$427.3</b>	<b>\$423.2</b>	<b>\$425.4</b>
<b>percentage Light Payments out of Total Revenue</b>	99.5%	99.6%	99.6%	99.6%	99.6%
<b>Heavy Payments</b>					
FUELS (Gas& Use) heavy	\$1.4	\$1.9	\$1.8	\$1.7	\$1.7
<b>Total Heavy</b>	<b>\$1.4</b>	<b>\$1.9</b>	<b>\$1.8</b>	<b>\$1.7</b>	<b>\$1.7</b>
<b>percentage Heavy Payments out of Total Revenue</b>	0.5%	0.4%	0.4%	0.4%	0.4%
<b>Total Highway Fund (Light and Heavy)</b>	<b>\$312.3</b>	<b>\$428.6</b>	<b>\$429.1</b>	<b>\$425.0</b>	<b>\$427.1</b>

In its latest iteration, the 25-27 HCAS projected an over payment of \$182 million by heavy vehicles for the biennium. This projected overpayment needed \$565 million in additional payment by light vehicles to reach an offsetting balance. After accounting for the light vehicle increase in this measure, the 25-27 biennium results in \$119 million overpayment by heavy vehicles. However, heavy vehicles are expected to underpay by about \$156 for each of the subsequent four biennia reflected in this analysis (starting 2027-29). Naturally light vehicle payments would be the mirror image (opposite sign) of what

heavy payments are.

Comparison of revenue and relative balance of over and (under) payments for the general broad classes of heavy (10,000 lb. and above) and light (below 10,000 lb.) vehicles are shown in the table below.

<b>HCAS Balance</b>	<b>2025-27 BN</b>	<b>2027-29 BN</b>	<b>2029-31 BN</b>	<b>2031-33 BN</b>	<b>2033-35 BN</b>
Bring 25-27 HCAS to Balance					
light payments before Heavy is needed (Heavy payments \$182)	\$565.4	\$0.0	\$0.0	\$0.0	\$0.0
Light payments needed to be balanced after (25-27) adjustment	(\$254.5)	\$426.8	\$427.3	\$423.2	\$425.4
Heavy needed after (25-27 Balance)	(\$118.0)	\$157.8	\$158.1	\$156.5	\$157.3
Other Heavy Revenue (not W/M)	\$1.4	\$1.9	\$1.8	\$1.7	\$1.7
Heavy payment WM & FF & RUAF	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Subtotal (needed - payments)</b>	<b>\$119.5</b>	<b>(\$156.0)</b>	<b>(\$156.3)</b>	<b>(\$154.8)</b>	<b>(\$155.6)</b>
<b>Cost Responsibility Balance</b>	<b>2025-27 BN</b>	<b>2027-29 BN</b>	<b>2029-31 BN</b>	<b>2031-33 BN</b>	<b>2033-35 BN</b>
<b>Total Heavy (under) / over payments</b>	<b>\$119.5</b>	<b>(\$156.0)</b>	<b>(\$156.3)</b>	<b>(\$154.8)</b>	<b>(\$155.6)</b>
<b>Total Light (under) / over payments</b>	<b>(\$119.5)</b>	<b>\$156.0</b>	<b>\$156.3</b>	<b>\$154.8</b>	<b>\$155.6</b>

HCAS is predicated upon allocating the revenue raised to specific expenditure categories to achieve balanced allocation of payments between vehicle classes. This revenue estimate was based on the general expenditure to cover ODOT budget rebalance in the 2025-27 biennium, while for 2027-29 and the following biennia, ODOT is assumed to direct most of the new revenue to Operation, Maintenance and Preservation. This expenditure pattern results in light vehicles responsibility (for all light payers) of 73%, and heavy vehicles (all heavy payers) responsibility of 27%. However, the risk to the revenue estimates stems from the lack of specificity (in the measure) for those intended expenditure categories (of the revenue generated). Because expenditures are not specified in law, the assumed expenditure profile can change at any one biennium during the coming 10 years, requiring further future adjustments of tax rates.

**Highway Fund Distributions:** The measure directs this increase of highway fund revenue to ODOT. Other (non-restricted) revenues resulting from the gas tax increase are prescribed in current law and effect fuel tax revenues going to non-highway uses. Uses and programs that use taxable fuel are ATV, Snowmobile, Aviation, Marine, and household equipment (lawnmowers, leaf blowers, etc.). Those different amounts are directed to their respective funds and departments. The household equipment gas consumption is directed towards TOF (Transportation Operation Fund).

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