## RUC Net Revenue Potential

As vehicles become more fuel efficient and more electric vehicles hit the road, the fuels tax—the largest single source of revenue for ODOT—will fade away. This will happen slowly, but inevitably. To address this challenge, states across the nation have been exploring transitioning to a road usage charge where people pay per mile they drive rather than the number of gallons of fossil fuel burned. This could help ensure sustainable transportation funding even as we make the transportation system more sustainable.

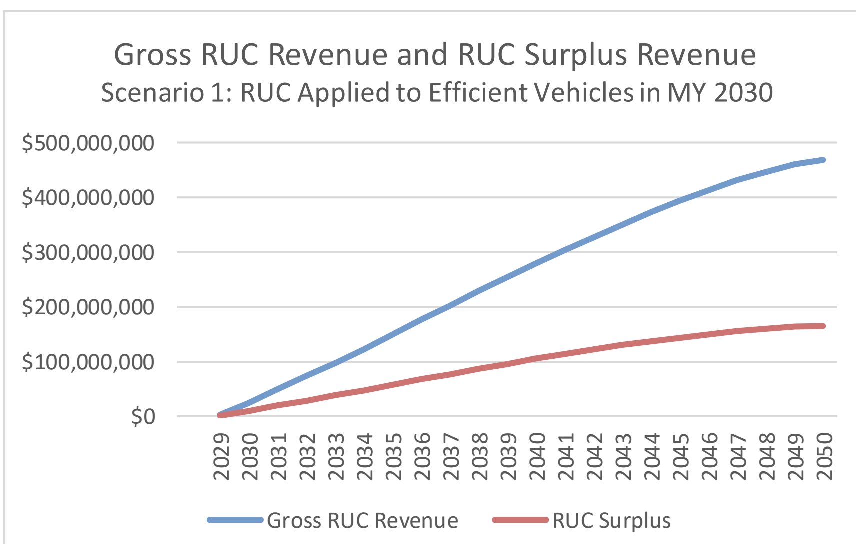
A key consideration in the decision on whether to shift to a road usage charge is its revenue potential. A RUC that replaces the fuels tax and the supplemental registration fees on efficient vehicles has the potential to generate substantial gross revenue. However, the cost of collecting the tax will be higher than the gas tax it replaces, and additional revenue from a RUC will be offset by foregone revenue from fuel tax and supplemental registration fees that would no longer be collected.

While administrative costs are not yet known as no state or national government has implemented RUC at large scale, ODOT undertook a scenario analysis to determine approximate RUC net revenue based on different potential levels of administrative costs. To undertake this analysis, ODOT developed estimates of RUC enrollment and gross revenue as well as foregone revenue from the fuels tax and supplemental registration fees under two options for implementing a RUC:

- The first scenario would shift all new high-efficiency vehicles (30 MPG and higher) starting in 2029 with model year 2030 vehicles; this is based on the 2023 RUC bill (HB 3297).
- The second scenario starts by enrolling new efficient vehicles in 2029 but adds older high-efficiency vehicles to RUC in 2033.

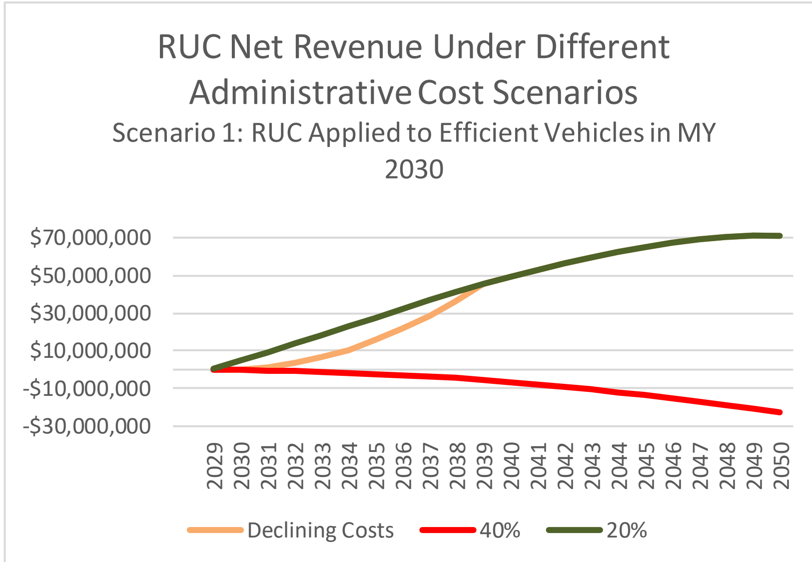
**RUC Gross and Surplus Revenue**

Gross revenue in both scenarios is relatively similar, though slightly higher in the second scenario because more vehicles would be enrolled. In both scenarios, RUC will bring in a growing amount of total revenue each year as more vehicles become part of the program. However, the RUC revenue will be offset by the loss of fuel taxes and supplemental registration fees that vehicles subject to a RUC will no longer pay. The actual RUC surplus revenue will only be about 40% of the gross revenue collected from RUC—just under $200 million by 2050 after most vehicles are on RUC.

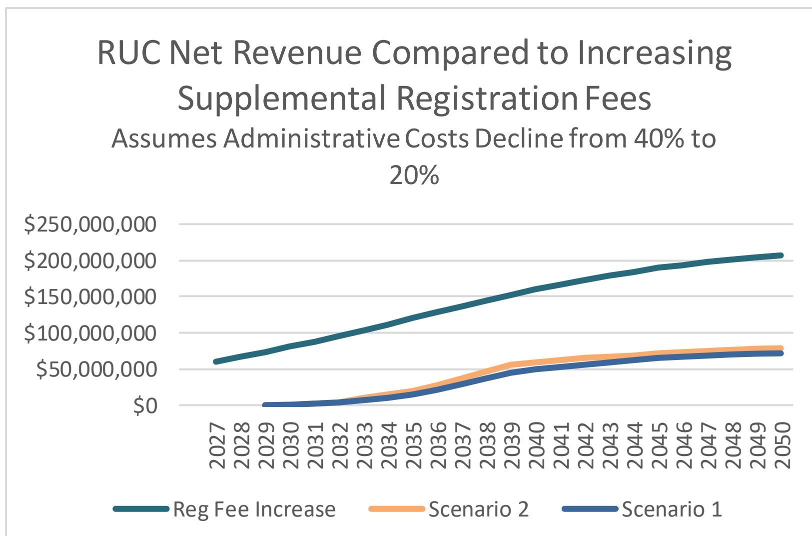


**RUC Net Revenue**

ODOT also developed administrative cost scenarios to understand how much net revenue RUC would produce at different levels of cost. ODOT assumed a minimum administrative cost of 20% and a high end of 40%. ODOT expects that administrative costs will likely start high but drop over time as the program scales up as more vehicles join the program and costs can be shared across more participants and as technology improves. ODOT would lose increasing amounts of money under a RUC program if the administrative costs remain at 40% of gross revenue, but a program with a cost of 20% would raise modest but growing amounts of net revenue.




ODOT also compared net revenue under the two RUC scenarios analyzed to the net revenue from increasing supplemental vehicle registration fees on highly efficient vehicles as an alternative way to ensure they pay their fair share. Increasing these registration fees will likely result in more net revenue due to much lower administrative costs.




**Takeaways**

This analysis shows that foregone revenue from fuel tax and supplemental registration fees as well as the cost of administration will limit the net revenue potential of a RUC that replaces fuels taxes and supplemental registration fees on efficient vehicles. If costs can get down to about 20%, RUC can raise a modest amount of additional revenue a decade or more in the future as the program reaches a critical mass of vehicles. However, RUC net revenue is likely significantly less than what could be produced with a significant increase in supplemental registration fees because they have no additional cost of collection. In the short term, increasing the supplemental registration fees on efficient vehicles could raise significant revenue; in the long term, RUC could be an important component in a diversified portfolio of taxes and fees that help produce sufficient and reliable transportation funding, and shifting to a RUC would be a fairer way to charge people for their use of the roads.