Road Usage Charging

Policy & Implementation Options

Road User Fee Task Force

June 27, 2024

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Road Usage Charging (RUC) in Oregon

- SB 810 (2013) created OReGO, which launched July 2015 and remains a voluntary program at this time
- 2025 legislative session provides opportunity to expand and grow program to address transportation funding challenges
- RUC received most votes during RUFTF statewide revenue options workshop in April 2024
- ODOT has identified three primary implementation options

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Policy Decisions

Which vehicles will be subject to RUC?

- General focus has been on highly efficient vehicles based on vehicle efficiency (30+ MPG) or motive power (hybrid/plug-in hybrid/electric)
- Fairness may require that all vehicles enroll over time, but initial decision will have impacts on revenue and administrative/operational costs

Is RUC a replacement for the fuels tax?

- Past direction has been that RUC should be a replacement so that no vehicle pays both, but this limits RUC's revenue potential
- A RUC + fuel tax would generate more gross revenue but entail high collection costs

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Policy Decisions

How are registration fees determined under a RUC?

- Current reg. fee structure applies higher fees on more efficient vehicles, though they don't achieve parity across motive power types – less-efficient vehicles are contributing more than highly efficient vehicles
- Reg. fees can be adjusted to ensure equity, but it may be complicated to administer and confusing to the public

How do we ensure compliance?

- Education, assistance, and enforcement are key components – the first two help reduce the need for enforcement
- Penalties for non-compliance must be sufficient and applied consistently

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Implementation Topics

Technology for mileage data collection

- Current program largely relies on devices that plug into a vehicle – these are easily removed and comparatively expensive
- A large-scale program will require a mix of low-tech (manual reporting) and high-tech (in-vehicle telematics) options

Cost

- RUC is more expensive to collect than fuels tax, but exact values aren't known; ODOT is working to update its existing cost model
- ODOT will work diligently to find and implement low-cost collection options and direct participants into less costly options

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Implementation Topics

Internal Capacity & Systems

- ODOT likely needs a commercial back-office system (CBOS) and customer service center (CSC) to manage enrollments and process data

Local Option RUC

- If RUC replaces the fuels tax, local govs will want opportunity to levy a local option RUC. This would require wide-scale location data to geofence local jurisdictions' roads.

Enforcement

- Mechanisms will need to be in place to ensure accurate and timely mileage reporting

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Option 1 – Evolutionary Growth

- Resembles previous legislative efforts in 2021 & 2023
- Would require new, highly efficient vehicles to enroll in RUC
  - Requires policy decision on which vehicles are subject: Model year; efficiency (MPG rating) or motive power (hybrid/PHEV/EV)
- RUC would be replacement for fuels tax and supplemental registration fee for subject vehicles
- Could be paired with immediate increase to reg. fees for high-efficiency vehicles to achieve parity until mandate begins & incentivize voluntary enrollment

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Option 1 – Evolutionary Growth

Pros

- ODOT has been preparing for similar approach based on leg. efforts in 2021/2023
- Lowest cost to operate in initial years
- Shortest timeline to implementation (likely feasible by 2028)
- Slower growth allows for public acceptance, opportunities to finetune data collection & associated processes, and advancements in telematics

Cons

- Lowest gross & net revenue potential in initial years
- Policy choices related to vehicle model year, efficiency rating/motive power
- If based on vehicle efficiency, challenges related to accurate VIN decoding
- Could be seen as punishing purchasers of efficient vehicles as it only applies to higher efficiency vehicles

Option 2 – Aggressive Growth

- Would require enrollment for all existing and new passenger vehicles not powered by internal combustion engines – i.e. all hybrid/PHEV/EV
- RUC would be replacement for fuels tax and supplemental registration fee for subject vehicles
- Could be paired with immediate increase to reg. fees for high-efficiency vehicles to achieve parity until mandate begins

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Option 2 – Aggressive Growth

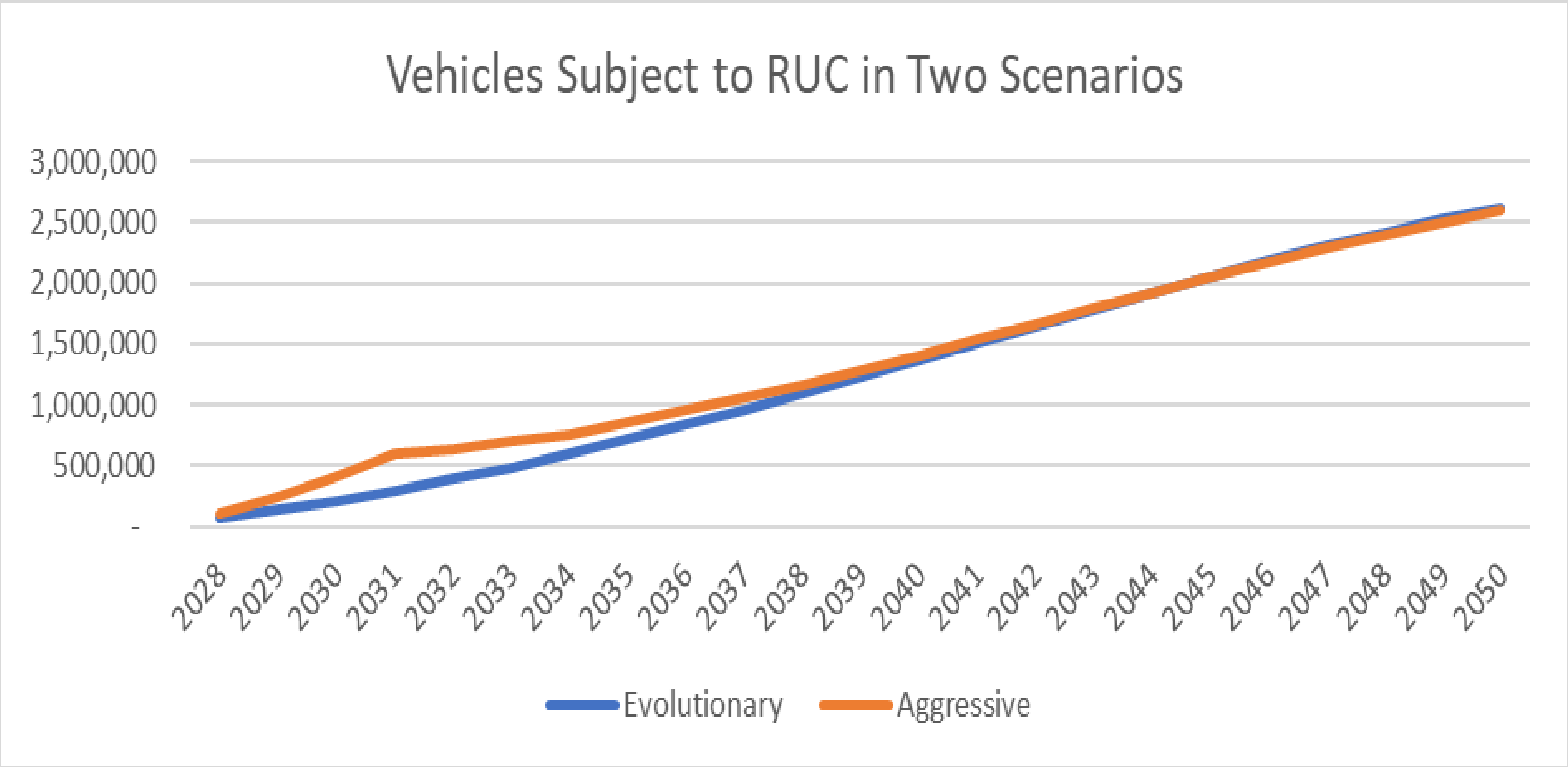
Pros

- Higher gross and net revenue potential in initial years than Option 1
- Motive power mandate is simpler to administer than efficiency threshold; likely easier for public to understand
- Cost to operate would shrink over time and converge with Option 1

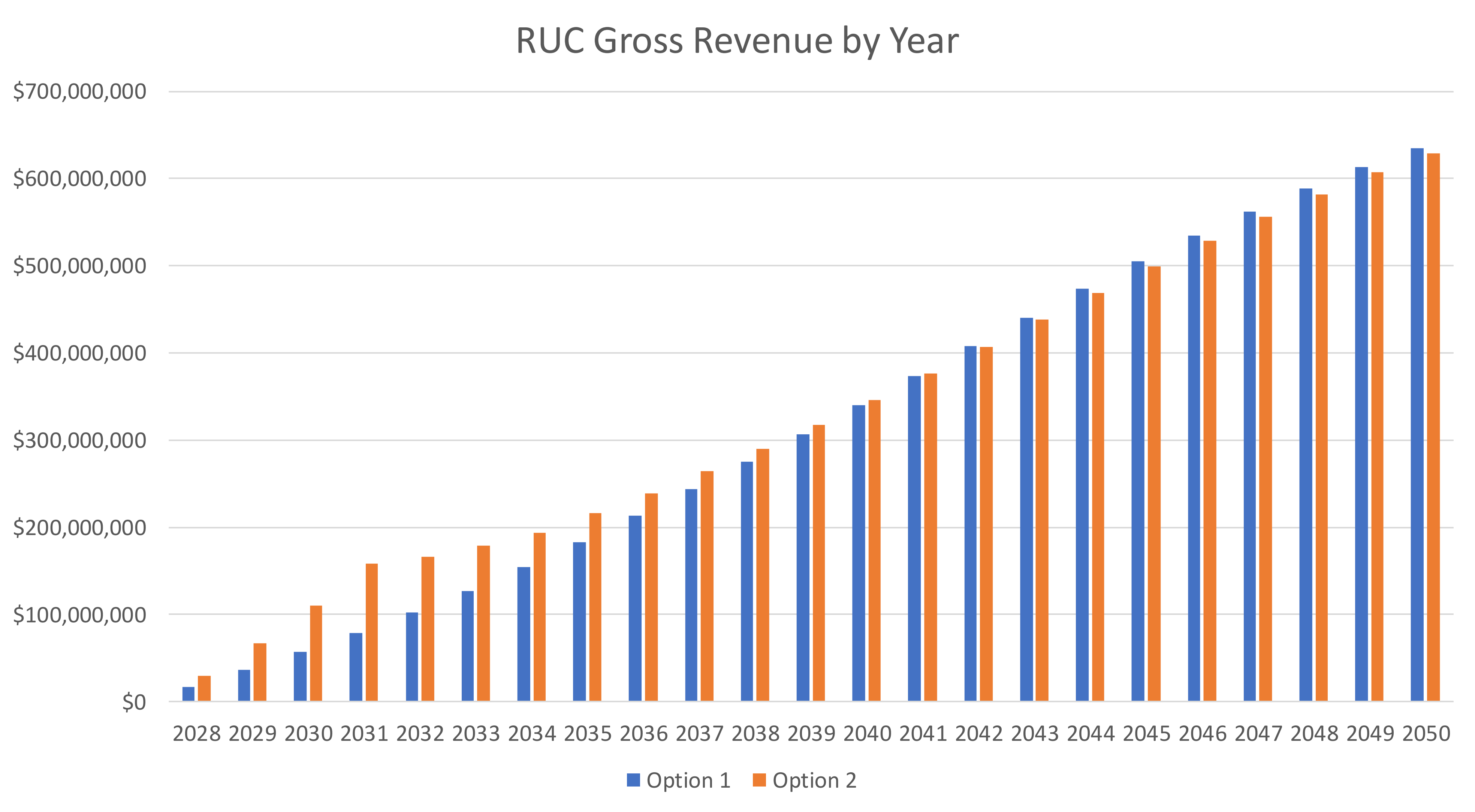
Cons

- Broader mandate would apply to older vehicles, emphasizing importance of manual reporting
- Longer timeline to implementation than Option 1 (likely feasible by 2029/2030)
- Could be seen as punishing purchasers of efficient vehicles given that ICE vehicles are not subject

Vehicle Enrollment for Options 1 & 2



Gross Revenue for Options 1 & 2



Option 3 – Revolutionary Growth (Phased)

- RUC would be an <u>additional tax on all vehicles</u> (on top of gas tax and supplemental registration fees) as they become subject to mandatory enrollment, generating additional revenue
- 2026: increase supplemental reg. fee on hybrids and EVs for parity
- 2029: all hybrid/PHEV/EVs – new and existing – subject to RUC
- 2031: all new vehicles subject to RUC
- 2033: all vehicles subject to RUC upon next reg. renewal
- Reg. fees by MPG or motive power would be adjusted accordingly

Option 3 – Revolutionary Growth (Phased)

Pros

- Highest gross revenue potential; likely also true for net revenue, especially as economies of scale achieved and costs come down
- Most comprehensive approach to addressing structural funding challenges
- Phased approach to vehicle enrollment eases implementation complexity

Cons

- Highest cost to implement and operate, though per vehicle costs likely lower
- Broadest mandate will capture vehicles without plug-in device ports and telematics – will require manual reporting process
- Longest timeline to implementation
- Significant staffing needs and development of new processes
- Achieving public acceptance of an additional tax could be difficult