

Road User Fee Task Force

Review of Draft Recommendations Report

September 30, 2024

Questions for RUFTF Members

- Does the Summary of Recommendations appropriately capture and reflect the general consensus of the Task Force?
- Do the summaries of RUFTF deliberations for each revenue option capture and reflect the essence of the conversations held throughout the 2024 meetings?

Recommendations to ensure sufficient and reliable funding for Oregon's road system

In the near term:

- Increase existing taxes and fees to the levels required to achieve the investments the Legislature determines are necessary to provide a transportation system that supports Oregon's economy and quality of life. This will be necessary to make up some of the ground lost to inflation.
- Index existing taxes and fees to a measure of prices to ensure that these fees keep pace with future inflation.

Recommendations to ensure sufficient and reliable funding for Oregon's road system

In the near term:

- Increase the supplemental registration fees on efficient vehicles to ensure they pay their fair share for use of the roads and to achieve parity with the amount that average internal combustion engine vehicles pay, consistent with legislative intent in creating these fees in 2017.

Recommendations to ensure sufficient and reliable funding for Oregon's road system

In the near term:

- Provide local governments more options for raising revenue to invest in their transportation systems as they see fit, including reducing limitations on revenue-raising in existing state law.
- Diversify the revenue portfolio, considering new sources of revenue to supplement declining sources like the fuels tax.

Recommendations to ensure sufficient and reliable funding for Oregon's road system

In the medium term:

- Continue developing the OReGO RUC program as a long-term replacement for the fuels tax and supplemental registration fees for fuel-efficient vehicles, with a focus on reducing administrative costs by exploring new technologies like in-vehicle telematics and odometer readings as well as simplifying the program.
- Conduct additional work on development of a weight-mile tax or road usage charge for medium-duty vehicles.

Recommendations to ensure sufficient and reliable funding for Oregon's road system

In the long term:

- Shift vehicles toward paying a per-mile road usage charge as reductions in administrative costs allow it to produce significant net revenue, with a focus on initially enrolling high-efficiency vehicles that pay little or no fuels tax and eventually shifting all vehicles to a RUC.

Revenue Option Deliberations - Indexing

- Unanimous support for recommending that the Legislature index transportation taxes and fees
- RUFTF declined to recommend a specific index, leaving that decision to the Legislature
- Included considerations related to a composite index, annual cap/floor, and establishing a base year

Revenue Option Deliberations - RUC

- Multiple conversations covering policy options, implementation topics, and administrative costs
- Four primary options emerged over the course of discussions
- All options assumed that fuels tax and supplemental registration fees would be increased in the immediate future during the transition period to a RUC

Revenue Option Deliberations - RUC

Option 1 – Keep OReGO voluntary for foreseeable future

Pros

- Provides additional time for ODOT to refine and improve the program ahead of a mandate

Cons

- Does not do enough to address structural revenue issues
- Misses opportunity in 2025 session to establish a mandate

Revenue Option Deliberations - RUC

Option 2 – A mandatory program with a focus on new, highly efficient vehicles

Pros

- Establishes a date for mandate
- Captures highly efficient internal combustion engine vehicles
- New, highly efficient vehicles are more likely to be equipped with telematics

Cons

- Takes time to reach economies of scale as enrollment grows gradually

Revenue Option Deliberations - RUC

Option 3 – A mandatory program focused on all non-ICE vehicles

Pros

- Establishes a date for mandate
- Threshold for mandate is simpler to implement and enforce

Cons

- Does not capture highly efficient internal combustion engine vehicles
- Appears to single out the most efficient vehicles, particularly EVs

Revenue Option Deliberations - RUC

Option 4 – A road usage charge as an additional fee on all vehicles

Pros

- Revenue potential

Cons

- Significant administrative costs
- Implementation would be complex and challenging
- Anticipated political opposition

Revenue Option Deliberations - RUC

RUFTF expressed support for a long-term transition in phases:

- In the near term, Legislature would increase supplemental reg. fees to ensure parity with ICE vehicles. This would incentivize enrollment in RUC; scale would help spread costs and reduce admin as share of costs. ODOT would continue to improve program and reduce costs.
- In the medium term, a RUC would become mandatory on new, highly efficient vehicles. Increased enrollment would enable additional scale and further reduce admin costs.
- In the long term, RUC would become predominant method of paying for roads, but gas tax would remain in place for legacy vehicles.

Revenue Option Deliberations – Supplemental Registration Fees

- General agreement on the need to achieve parity in taxes and fees across vehicle efficiency categories
- Highly efficient vehicles recognized as underpaying relative to less-efficient vehicles
- Concerns that raising the supplemental fees on efficient vehicles could create barriers to EV adoption; equity implications for lower-income households considering highly efficient vehicles

Revenue Option Deliberations – Supplemental Registration Fees

- Task Force emphasized the importance of continuing to offer and promote OReGO as an alternative to supplemental registration fees
- Emphasized the importance of stabilizing funding for the Clean Vehicle Rebate Program to reduce purchase/lease costs for efficient vehicles
- Recommended that the Legislature determine and set supplemental registration fees in a manner that ensures highly efficient vehicles pay a fee that is approximately the same as what other vehicles pay in fuels tax and registration fees

Revenue Option Deliberations – Mileage-Based Fee for Medium-Duty Vehicles (MDVs)

- Task Force agreed that further exploration of a mileage-based fee for MDVs is a logical next step
- Acknowledged that additional research and data are needed before any definitive policy options could be recommended
- Topics for further analysis include commercial vs. personal use, administrative costs, and methods for ensuring compliance

Revenue Option Deliberations – Mileage-Based Fee for Medium-Duty Vehicles (MDVs)

- Task Force recommended that the Legislature state intent to transition the medium-duty vehicle fleet to a mileage-based fee and direct DAS to incorporate and analyze options for implementation of a weight-mile tax or RUC for MDVs in future versions of the Highway Cost Allocation Study
- RUFTF noted that the Task Force could continue to explore policy options for development of an MDV weight-mile tax/RUC

Revenue Option Deliberations – Retail Delivery Fees

- Given revenue estimates from other states and the fact that Oregon does not have a sales and use tax system in place, RUFTF identified other mechanisms (e.g. indexing, increasing reg. fees) as higher priority items
- The Task Force noted that local governments might wish to explore the concept of a retail delivery fee to help fund local transportation investments

Revenue Option Deliberations – Tax on Public EV Charging Stations

- Task Force intrigued by this option as a method for capturing revenue from out-of-state EV drivers, but near-term revenue potential seems minimal
- Concern among members re: adding costs to station owners and Oregon EV drivers at this stage of adoption
- Conversely, acknowledgment that it could be more challenging and complicated to implement later
- Not identified as immediate priority; Task Force recommended that the Legislature empanel a group to further explore the concept

Revenue Option Deliberations – Local Government Transportation Revenue Options

- Task Force acknowledged AOC and LOC priorities to maintain 50/30/20 SHF formula; protection and expansion of local revenue options; removal of existing preemptions and limitations
- RUFTF agreed that local governments should have maximum flexibility to raise revenue for their systems
- Recommended that Legislature limit future preemptions on local gov. revenue options and remove existing restrictions requiring a public vote on local vehicle reg. fees and local option fuel taxes