Oregon
Kate Brown, Governor

DATE: May 6, 2015

TO: Senate Committee on Business and Transportation

FROM: Clyde Saiki, Oregon Department of Transportation
                 Deputy Director, Central Services

SUBJECT: HB 2281 A – Technical Amendments to Road Usage Charge Program

INTRODUCTION
House Bill 2281 A contains technical fixes to legislation passed in 2013, which created the Road Usage Charge Program. As with most new programs, during implementation, certain provisions of the enabling legislation did not work as intended. HB 2281 A will address two problematic provisions in statute that will make program implementation easier without altering legislative intent. On February 5, 2015, the legislatively chartered Road User Fee Task Force unanimously endorsed these proposed technical fixes.

BACKGROUND
The voluntary Road Usage Charge Program is the culmination of many years of work on the per-mile charge as an alternative revenue mechanism designed to potentially replace the fuels tax as the fundamental source for road funding. For more than a decade, Oregon has engaged in research, policy development and testing of this new approach. The genesis for this exploratory work was the legislature's enactment of enabling legislation in 2001 to create the Road User Fee Task Force.

After two successful pilot programs in 2006-2007 and 2012-2013, the legislature passed Senate Bill 810 (2013) creating the first fully operational per-mile road usage charge program in the nation for light vehicles. This program will begin on July 1, 2015 for up to 5,000 volunteers.

Though the volunteer program has no end date, and will be a fully operational system, many regard the program as a test or an experiment, a step along the path perhaps to a mandated program to be enacted once the Road Usage Charge Program has proven its reliability and worthiness.

WHAT THE TECHNICAL FIXES DO
Makes issuing emblems optional. The current law requires road usage charge payers owning use fuel vehicles—primarily diesel vehicles—to have an emblem for their vehicle. An emblem allows fuel sellers to sell untaxed diesel fuel at the pump to those vehicle owners paying the road usage charge. For the emblem requirement to work well ODOT would have to educate all sellers of diesel fuel throughout Oregon even though it would only apply for the few dozen potential volunteer diesel vehicles owners who will pay the per-mile charge. This would involve significant work and potential disruption to hundreds of businesses for minimal gain. The volunteer program would work better for the volunteers and sellers of diesel fuel to make the emblem provision optional. Thus, if a fuel seller does not recognize the emblem, the volunteer could still get a credit or refund of fuels tax paid when they pay the road usage charge, similar to those volunteers with gasoline vehicles who will receive a credit or refund for gas tax paid. The

emblem issue should be revisited if the legislature considers making road usage charging mandatory.

Remove requirement to round up to the nearest whole mile. The current law requires miles reported to be *rounded up to the nearest whole mile*. This may sound reasonable, but during implementation, ODOT discovered that application of rounding in this manner would not only cause an administrative burden to ODOT and the private sector account managers but also work to the disadvantage of payers of the road usage charge. Some payers would pay much more than they should for the miles driven, particularly if their road usage charge is applied frequently to reported miles. Removing the rounding provision would make the system work better and more fairly.

CONCLUSION
It can be expected that a first-of-its-kind legislative enactment such as the Road Usage Charge Program should have a few technical issues to correct. HB 2281 A will make those corrections in time for implementation of the program on July 1, 2015. The department supports HB 2281 A.