Before the
Senate Committee on Environment and Natural Resources
House Committee on Energy and Environment
Senate Bill 1507/House Bill 4001
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There has been a great deal of effort to reduce the impact of diesel engine exhaust on human health. The Environmental Protection Agency began regulating the exhaust from heavy truck engines, in earnest, beginning in 2004 when engine manufacturers were first required to reduce NOX emissions. Then, in 2007 EPA required a 98% reduction in diesel engine particulate matter emissions. In 2010 an additional reduction in NOX was required reducing these emissions by a total of 95%. A 2015 study by the respected Health Effects Institute concluded that there is no longer a link between 2007 and newer diesel truck engine exhaust and cancer. However, the effort to reduce carbon emissions from heavy trucks has not been quite as effective.

The federal government and Oregon have adopted Renewable Fuel Standards that requires blending of at least 5% biofuels with petroleum diesel. Oregon has also adopted the Low Carbon Fuel Standard that has a goal to reduce the carbon emissions from motor vehicle fuels by 10% in 10 years. In addition, Oregon adopted truck idling regulations that were designed to reduce fuel consumption. However, the most promising effort to date has been the federal governments Super Truck Initiative.

In 2009, the US Department of Energy provided $115 million in grants to four of the heavy truck manufactures to develop new technologies to reduce heavy truck fuel consumption by 50%. All of the manufacturers were able to achieve fuel consumption rates in the range of 12 miles per gallon. However, not all of the technologies developed are economically feasible today but many

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have been incorporated in today's heavy trucks. In 2016, US DOE kicked off Super Truck II promising an additional investment of $137 million. This effort is currently underway and is not only focusing on tractors but also on aerodynamic treatments for trailers. You see some of these on the highway today in the form of trailer skirts and boat tails.

The trucking industry believes that the best way to reduce carbon emissions from heavy trucks is to invest in research to develop new technologies to reduce or even eliminate the industry's consumption of carbon based fuels. We look forward to the day when our trucks are powered by renewable diesel, hydrogen fuel cells or even electricity. Despite Elon Musk recently unveiling an electric heavy truck, we don't see this technology or quite frankly any other, replacing the diesel-fueled truck for some time.

Senate Bill 1507 has goals of reducing Oregon's greenhouse gas emissions by 20% from 1990 levels by 2025 and by 45% by 2035 and finally by 80% by 2050. While reducing greenhouse gas emissions is a laudable goal, it is difficult to foresee what might actually happen in 2050. However, I am reasonably certain that the trucking industry simply cannot achieve the 2025 target and may very well struggle with the 2035 target as well. The only alternative will be for the petroleum industry to purchase increasingly expensive allowances or offsets. Of course, to the extent that our fuel costs go up, our cost of doing business also increases. Today, Oregon's trucking industry is moving approximately 75% of the tons of freight in this state. A significant increase in freight rates, driven by fuel cost increases, will have a dampening effect on Oregon's entire economy.

It is estimated the initial cost increase for a gallon of diesel resulting from this program will be about 16 cents and will continue to increase over time. To put this in perspective, the 2017 $5.3 billion dollar Transportation Funding Package, when fully implemented in 2024, will increase Oregon's gas tax by 10 cents per gallon. While the trucking industry is not subject to the Oregon fuel tax, we do pay the weight-mile tax. This tax will be increased by 53% over the same time period. When the Transportation Funding Package was passed, Oregon had the highest operating taxes on trucks in the nation. (See attached 2017 Annual State Highway User Taxes.) 16 cents per gallon of diesel fuel on top of a 53% increase in the highest taxes in the country will have a debilitating effect not only on Oregon's trucking industry but on Oregon's economy as well. **I cannot emphasize this point enough!**

Unfortunately, during the workgroup process that helped develop this legislation, transportation was seldom discussed. It's also difficult to look to California and learn from their experience as transportation fuels were just brought under their Cap and Trade Program in 2015. We certainly need to have that discussion now to avoid unintended consequences like those discussed above. Following is a list of topics that we believe should be strongly considered:

1. Repeal the Low Carbon Fuel Standard. It is unnecessary and even more costly to have two programs with the same purpose.

2. Pre-empt local governments from enacting any kind of vehicle emissions reduction program. The industry's strong preference is to have emissions reduction programs administered at the federal level to preclude competitive advantage. However, the creation of a patchwork quilt of regulations within a single state is unfathomable.

3. Oppose exemptions from the Cap and Trade system particularly in the transportation sector. If the program has merit and is to be effective, all sectors should participate.

4. Provide reasonable cost containment provisions similar to those contained in HB 2017 for the Low Carbon Fuel Standard. This would include short and long term off ramps to protect consumers from fuel price spikes and fuel shortages as well as a provision to notify consumers of the cost of the program per gallon of fuel.

5. Reduce the fuel and weight mile tax increases contained in HB 2017 (Transportation Funding Package) by the amount of increased fuel costs resulting from Cap and Trade. This approach will send the price signal in terms of the cost of greenhouse gas emissions without the damaging impacts on the trucking industry and Oregon's economy.

6. Require some portion of the revenues from the Cap and Trade system to be used for research and development of technologies that will reduce greenhouse gas emissions from the transportation sector. In our opinion, this is the most cost effective way to reduce greenhouse gas emissions.

7. Provide incentives, in the form of grants, to trucking companies to purchase vehicles that incorporate technologies designed to reduce greenhouse gas

emissions. This will expedite adoption of these technologies in the marketplace.

8. Prohibit Oregon from banning older trucks from operating in the state. If the Cap and Trade system works as expected, it will be unnecessary to actually ban older trucks from operating in the state.

Finally, I would like to talk about what we see as one of the pitfalls in the current draft of the bill. We believe that the bill correctly requires that revenues generated from the sale of allowances that are derived from fuels consumed by motor vehicles operating on Oregon roadways to be deposited in the State Highway Fund. However, a new 21-person committee, staffed by DEQ, will recommend to a new joint legislative committee how these funds are to be expended. We think that instead of the new 21-person committee making these recommendations, this responsibility should fall to the Oregon Transportation Commission. The Commission and ODOT staff routinely make determinations regarding the State Highway Fund. They have the experience necessary to avoid future legal entanglements. For the same reason, we believe that it is unnecessary to have a separate Transportation Decarbonization Investment Fund within the State Highway Fund. All monies within the State Highway Fund have the same restrictions on expenditures.

In part, the reason that we are making these suggestions is that there seems to be some very real confusion about what the State Highway Fund can be used for. We have heard that some believe that State Highway Fund dollars can be used for transit as long as it is within the roadway right of way. This is simply not correct. The voters of Oregon have considered modification of the constitutional State Highway Fund on four occasions to include transit. (See attached Highway Fund Vote History.) In all four instances, the public declined to approve the proposals. It is very clear that State Highway Fund dollars cannot be used to fund transit in anyway regardless of where it is located.

This concludes my prepared testimony. Thank you for giving the trucking industry this opportunity.

ATRI American Transportation Research Institute

Annual State Highway User Taxes
On A Typical 5-Axle Tractor-Semitrailer Combination

State	Annual Registration & Weight Fees[1] (As of 1/1/2017)	State Ranking by Annual Registration & Weight Fees	Diesel Fuel Tax Rate ($)[2] (As of 7/1/2017)	State Ranking by Diesel Fuel Tax Rate	Fuel Tax on 16,000 Gallons	Third Structure Tax Rate ($/mile)	Third Structure Tax on 100,000 Miles ($)	Total Annual State Hwy User Fees ($)	Federal Fuel, Heavy Vehicle Use, and Excise Taxes[3]	Total State and Federal Hwy User Fees	State Ranking by $ Total
Alabama	$836	46	0.2075	40	$3,320	-	-	$4,156	$8,906	$13,062	45
Alaska	$351	49	0.0895	49	$1,432	-	-	$1,783	$8,906	$10,689	50
Arizona	$4,202	2	0.2700	29	$4,320	-	-	$8,522	$8,906	$17,428	11
Arkansas	$1,573	28	0.2280	36	$3,648	-	-	$5,221	$8,906	$14,127	38
California	$2,975	6	0.3700	8	$5,920	-	-	$8,895	$8,906	$17,801	8
Colorado	$5,084	1	0.2050	41	$3,280	-	-	$8,364	$8,906	$17,270	13
Connecticut	$1,586	26	0.4170	5	$6,672	-	-	$8,258	$8,906	$17,164	16
Delaware	$1,430	31	0.2200	38	$3,520	-	-	$4,950	$8,906	$13,856	40
Florida	$1,336	34	0.3387	13	$5,419	-	-	$6,755	$8,906	$15,661	25
Georgia	$1,012	43	0.2940	23	$4,704	-	-	$5,716	$8,906	$14,622	35
Hawaii	$970	45	0.1526	47	$2,442	-	-	$3,412	$8,906	$12,318	48
Idaho	$3,400	4	0.3200	18	$5,120	-	-	$8,520	$8,906	$17,426	12
Illinois	$3,210	5	0.3450	11	$5,520	-	-	$8,730	$8,906	$17,636	9
Indiana	$1,866	21	0.4700	3	$7,520	-	-	$9,386	$8,906	$18,292	6
Iowa	$1,725	24	0.3350	14	$5,360	-	-	$7,085	$8,906	$15,991	24
Kansas	$2,315	13	0.2700	29	$4,320	-	-	$6,635	$8,906	$15,541	26
Kentucky	$2,126	17	0.3320	15	$5,312	0.0285	$2,850	$10,288	$8,906	$19,194	4
Louisiana	$514	48	0.2000	42	$3,200	-	-	$3,714	$8,906	$12,620	47
Maine	$4,002	3	0.3187	20	$5,099	-	-	$9,101	$8,906	$18,007	7
Maryland	$1,877	20	0.3455	10	$5,528	-	-	$7,405	$8,906	$16,311	21
Massachusetts	$1,920	19	0.2400	32	$3,840	-	-	$5,760	$8,906	$14,666	34
Michigan	$2,292	14	0.3998	6	$6,397	-	-	$8,689	$8,906	$17,595	10
Minnesota	$1,773	22	0.2850	25	$4,560	-	-	$6,333	$8,906	$15,239	28
Mississippi	$2,927	7	0.1840	45	$2,944	-	-	$5,871	$8,906	$14,777	33
Missouri	$1,727	23	0.1700	46	$2,720	-	-	$4,447	$8,906	$13,353	43
Montana	$1,296	35	0.3000	21	$4,800	-	-	$6,096	$8,906	$15,002	30
Nebraska	$1,281	36	0.2730	28	$4,368	-	-	$5,649	$8,906	$14,555	36
Nevada	$2,896	8	0.2781	27	$4,450	-	-	$7,346	$8,906	$16,252	22
New Hampshire	$1,091	38	0.2383	34	$3,813	-	-	$4,904	$8,906	$13,810	41
New Jersey	$1,255	37	0.4420	4	$7,072	-	-	$8,327	$8,906	$17,233	15
New Mexico	$185	50	0.2200	38	$3,520	0.0438	$4,380	$8,085	$8,906	$16,991	17
New York	$1,581	27	0.3845	7	$6,152	0.0390	$3,900	$11,633	$8,906	$20,539	3
North Carolina	$1,623	25	0.3430	12	$5,488	-	-	$7,111	$8,906	$16,017	23
North Dakota	$1,018	42	0.2300	35	$3,680	-	-	$4,698	$8,906	$13,604	42

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Ohio	$1,414	32	0.2800	26	$4,480	-	-	$5,894	$8,906	$14,800	32
Oklahoma	$1,001	44	0.1300	48	$2,080	-	-	$3,081	$8,906	$11,987	49
Oregon	$1,024	41	0.0000	50	$0	0.1638	$16,380	$17,404	$8,906	$26,310	1
Pennsylvania	$2,132	16	0.7470	1	$11,952		-	$14,084	$8,906	$22,990	2
Rhode Island	$1,056	40	0.3300	16	$5,280	-	-	$6,336	$8,906	$15,242	27
South Carolina	$820	47	0.1875	44	$3,000	-	-	$3,820	$8,906	$12,726	46
South Dakota	$1,467	29	0.3000	21	$4,800	-	-	$6,267	$8,906	$15,173	29
Tennessee	$1,441	30	0.2240	37	$3,584	-	-	$5,025	$8,906	$13,931	39
Texas	$1,065	39	0.2000	42	$3,200	-	-	$4,265	$8,906	$13,171	44
Utah	$2,872	9	0.2940	23	$4,704	-	-	$7,576	$8,906	$16,482	19
Vermont	$2,377	12	0.3200	18	$5,120	-	-	$7,497	$8,906	$16,403	20
Virginia	$1,362	33	0.2430	31	$3,888	-	-	$5,250	$8,906	$14,156	37
Washington	$2,067	18	0.4940	2	$7,904	-	-	$9,971	$8,906	$18,877	5
West Virginia	$2,645	10	0.3570	9	$5,712	-	-	$8,357	$8,906	$17,263	14
Wisconsin	$2,610	11	0.3290	17	$5,264	-	-	$7,874	$8,906	$16,780	18
Wyoming	$2,231	15	0.2400	32	$3,840	-	-	$6,071	$8,906	$14,977	31

[1] The fees listed here are those charged in each state for the full annual registration of a tractor-semitrailer combination with a gross combined weight of 80,000 pounds, based in the state and operated by a for-hire motor carrier. Weight fees are included, but, unlike earlier versions of this chart, miscellaneous, nonapportioned fees are not included.

Semitrailer fees are annual fees, if the state charges one, even where a state also offers an option of multi-year plates for trailing equipment. Where no annual trailer registration is offered, the state's lowest multiyear fee is used.

In-lieu ad valorem fees are included for states that collect such a fee through IRP. Where the state charges an in-lieu fee for vehicles based elsewhere, and a property tax for those bases with it, the property tax is used. For these purposes, the combination is assumed to have a purchase price of $145,000 ($115,000 for the tractor and $30,000 for the semitrailer) and to be in its first year of operation.

[2] The diesel fuel tax rates listed represent the total state or provincial fuel tax paid by motor carriers in each jurisdiction. Local taxes are not included, except where they are uniform statewide.

[3] Federal taxes and fees include federal diesel tax paid on 16,000 gallons, heavy vehicle use tax on 80,000 pounds, excise tax paid on a combination unit with a purchase price of $145,000 (amortized over 4 years) and excise tax paid on four new tires (assuming the other 14 are recapped).

Highway Fund Vote History
Constitutional Amendments

Year	Description	Result	Vote
1942	Exclusive Use of Gasoline and Motor Vehicle Tax (Creating State Highway Fund) (Measure 3, Nov. 3, 1942)	Passed	59.3 – 40.7
1952	Equitable Taxing Method for Use of Highways (amendment to prohibit weight-mile tax) (Measure 16, Nov. 4, 1952)	Failed	21.8 – 78.2
1974	Highways Fund Use for Mass Transit (Measure 2, May 28, 1974)	Failed	34.1 – 65.9
1976	Authorize Vehicle Tax for Mass Transit (Measure 4, May 25, 1976)	Failed	24.3 – 75.7
1980	Limit Use of Gasoline and Highway User Taxes (Measure 1, May 20, 1980)	Passed	63.7 – 36.3
1990	Allow Local Vehicle Tax for Transit (Measure 1, May 15, 1990)	Failed	47.5 – 52.5
1992	Allow Future Fuel Taxes for Police (Measure 1, May 19, 1992)	Failed	35.1 – 64.9
1992	Allow Future Fuel Taxes for Parks (Measure 2, Nov. 3, 1992)	Failed	27.7 – 62.3
1994	Allow New Fuel Tax Revenue for Transit and Parks (Measure 2, May 17, 1994)	Failed	26.1 – 63.9
1999	Require Road User Taxes To Be Fair and Proportionate (Measure 76, Nov. 2, 1999)	Passed	54.2 – 45.8
2000	Allow Road User Taxes And Fees For Highway Policing (Measure 80, May 16, 2000)	Failed	35.7 – 64.3
2004	Remove "Mobile Home" From Constitutional Description Of Motor Vehicles (Measure 32, Nov. 2, 2004)	Passed	61.3 – 38.7