



**Before the Joint Committee On Carbon Reduction
House Bill 2020
February 11, 2019**

Testimony of Jana Jarvis, President
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First, I would like to thank the Committee for allowing me to testify this evening. House Bill 2020 is an extremely significant piece of legislation with huge potential impacts on Oregon's trucking industry and the Oregon economy.

Our initial review of HB 2020 indicates that it is primarily a Cap and Trade for the transportation sector as most other sectors are either exempt or are provided free allowances. We are also somewhat disappointed with the BEAR report because it does not have much information about heavy trucks other than we are responsible for about 30% of the emissions from the on-highway transport sector and the reasonable adoption of technologies to reduce emissions for the trucking industry is off into the future. This concerns us a great deal as we currently transport over 80% of the tons of freight in Oregon and we alone service over 80% of Oregon's communities. Any significant increases in our cost structure will have impacts throughout Oregon's economy.

Similar to most trade associations, the Oregon Trucking Associations evaluates new legislation through a lens of foundational principles. Our number one principle is to preserve Oregon's State Highway Trust Fund found at Article IX, Section 3(a) of Oregon's Constitution. We have and will continue to vigorously oppose any attempts to compromise this very important constitutional provision. Recent polling indicates that nearly two-thirds of Oregon registered voters support depositing Cap and Trade revenues collected on on-highway fuels in Oregon's Highway Trust Fund.

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In reviewing this bill, we find a couple of sections that are particularly troubling. First, Section 33, paragraph 1(a) refers to Section 31 to establish the criteria for project selection for funds subject to the Highway Trust Fund. Section 31 deals with the Climate Investments Fund that is not subject to the provisions of Article IX, Section 3(a). At best, this reference causes confusion regarding the project selection criteria that applies to projects paid for with Highway Trust Funds. We suggest that this paragraph be deleted as qualifications for projects using Highway Trust Fund dollars is well established.

The other section causing concern is Section 70. This section establishes an expedited review process by the Oregon Supreme Court. However, a petition filed under this section must be filed on or before January 1 2020. This is before the Cap and Trade system goes into effect. Because no projects will have been selected, the Court would have to speculate as to what might happen in the future. We suggest that this Section also be deleted in its entirety.

We should note in passing that construction of projects that reduce traffic congestion, will also reduce carbon emissions. These projects, while expensive, can legitimately be funded with Highway Trust Fund dollars.

It is estimated that House Bill 2020 will increase the cost of diesel fuel by 15 to 20 cents per gallon in the beginning depending on the floor price established for allowances. The cost will increase from there based on projected increases in the price of allowances. This level of cost increase is very difficult for the trucking industry to contemplate. Fuel and labor are the two largest costs a trucking company incurs. Which one is larger depends on the price of fuel at the time.

Another foundational principle of the Oregon Trucking Associations is to allow our members to realistically compete with other trucking companies many of which are located in other states. This means that our cost of doing business in Oregon must be relatively the same as out of state trucking companies operating in Oregon.

Today, Oregon has the highest highway use taxes on heavy trucks in the nation. A typical truck operating in Oregon pays approximately \$30,410 per year in Oregon State and federal highway use taxes. California is a distant number two at \$23,030. Attached is a chart prepared by the American

Transportation Research Institute showing the costs for all states. Also attached is a current chart of all state gasoline and diesel fuel taxes.

That's not the end of the story, during the 2017 session of the Oregon Legislature; we supported House Bill 2017 that increased Oregon's weight mile tax on trucks by an astonishing 53% over 8 years. While this level of investment is absolutely essential for Oregon's highways, streets and bridges, it will ensure that Oregon retains the dubious distinction of having the highest highway use taxes on heavy trucks for many years to come. **Simply put, Oregon's trucking industry cannot bear any significant additional costs or there may no longer be an effective and efficient Oregon trucking industry.**

Our further review of HB 2020 indicates that it is most remarkable for what it does not contain rather than what is within its 98 pages. The rest of my testimony covers items that are not currently in HB 2020 but should be. First, we believe that Oregon must replace the existing weight mile tax on heavy trucks with a diesel fuel tax just like every other state in the nation. Of course, this conversion needs to be revenue neutral so that the Highway Trust Fund is fully protected and cost responsible so that heavy trucks pay their fair share in relation to cars and other light vehicles.

A diesel fuel tax has the benefit of being more efficient than a weight mile tax. This efficiency will reduce the cost for Oregon's truckers as well as for the government agency that collects the tax. In addition and perhaps more importantly for this discussion, the conversion to a diesel fuel tax will provide a more realistic price signal to operators of heavy diesel fueled trucks to encourage them to move towards lower carbon fuels and technologies that reduce carbon emissions. This occurs because the cost of diesel fuel in Oregon will go up by 34 cents per gallon, which is the current fuel tax rate. The tax rate under HB 2017 would further increase this tax rate by 2 cents per gallon in 2020, 2022 and 2024 bringing the total to 40 cents per gallon. For us this is viewed as a win win as our administrative costs will be reduced and we will have a realistic incentive to reduce carbon emissions.

Another way to maintain the effectiveness of the program while reducing the financial impact on roadway users is to offset increased fuel costs caused by Cap and Trade by reducing highway use taxes. This is similar to British Columbia's original carbon reduction program.

The way it would work in Oregon is that the biennial Highway Cost Allocation Study would recommend to the Legislature reduced vehicle registration fees, fuel taxes or other vehicle related fees to offset the increased cost of fuel resulting from the cost of Cap and Trade allowances purchased by petroleum providers. This way, the price signal, in terms of increasing fuel costs would continue to encourage adoption of carbon reduction technologies and options. Yet, these costs would not “break the budget” of automobile and truck users. This approach would be particularly attractive to lower income individuals and those in rural parts of the state that have few transportation options other than petroleum fueled vehicles.

The Study Review Team that oversaw the current Highway Cost Allocation Study administered by the Office of Economic Analysis at the Department of Administrative Services, commissioned a white paper on Cap and Trade that included an evaluation of this alternative and found that it is indeed feasible. This white paper is available on the Office of Economic Analysis’ Highway Cost Allocation website.

Another basic tenant of the Oregon Trucking Associations is to avoid the stacking of expensive government programs designed to accomplish the same purpose. For example, Oregon already has a Low Carbon Fuel Standard that is designed to reduce the carbon content of transportation fuels over time. Cap and Trade would be duplicative or in other words, stacked on top of the existing Low Carbon Fuel Standard. It is unreasonable to expect on-road transportation fuel users to pay twice for the reduction of the same carbon emissions.

We believe that Cap and Trade is a better market-based option to reduce carbon emissions in Oregon. HB 2020 currently covers on-road transportation fuels. We would ask that you repeal the Low Carbon Fuel upon implementation of Cap and Trade. Another option would be to delay implementation of Cap and Trade until the Low Carbon Fuel Standard has met its statutory goals. This is similar to the approach used by California where they delayed bringing transportation fuels under their Cap and Trade system for 5 years.

HB 2020 currently does not contain any reasonable cost containment provisions to protect consumers from unforeseen price spikes and possible reductions in the availability of transportation fuels. (Section 21(5)(c) does

allow the Carbon Policy Office to set a hard price ceiling.) You may be aware that some European countries suspended their Cap and Trade systems during the recent recession because of the adverse impact on their economies and citizens.

We don't know everything there is to know about how a Cap and Trade system would work in Oregon particularly through changing economic conditions. In 2017, this Legislature added significant cost containment provisions to Oregon's Low Carbon Fuel Standard. It just seems prudent to include similar provisions in this legislation.

Cap and Trade is a very complex market based system. It would be preferable to have a single system that includes all states. Since that is not possible, at this time, it seems beneficial to implement a system that has as broad an application as possible. At the very least, it should cover the entire state. The system could then be expanded to include other regional partners with the hope that eventually it would cover the entire country and perhaps even Canada. Allowing local governments to develop and implement their own carbon reduction systems would make it far more difficult to develop a uniform system. In order to make this eventuality a reality, it seems prudent to preclude local governments in Oregon from implementing their own carbon reduction programs.

The final omission that is critical from our point of view is to define the role of the Oregon Transportation Commission in the selection of projects funded with Highway Trust Fund dollars. The OTC is intimately familiar with the needs of our transportation systems and the restrictions on the use of Highway Funds. This expertise would be invaluable to the Legislature in making the investments to both reduce carbon and keep people and goods moving efficiently in our State.

There are two ways to approach this. One would simply be to let the OTC select the projects, as they do now, perhaps with some policy direction written into this bill. The other approach is to provide direction to the OTC to select a list of projects that the Legislature can select from that meet the programs goals and are consistent with the permissible uses of Highway Trust Fund dollars.

Finally, we have a couple of questions based on our lack of understanding of the actual program. On page 10, line 7 there is a reference to nitrous oxide.

Is this in fact NOx, which is an emission resulting from the combustion of diesel fuel? If so, EPA currently regulates these emissions by setting standards for diesel engines used in trucking, construction and other industries. The current EPA standard has reduced NOx by more than 95% for on highway vehicles using current technologies. We question whether Oregon can also regulate these emissions under the Clean Air Act.

Secondly and most important, are entities regulated under the program also responsible to reduce emissions from those entities that are specifically exempt and/or receive free allowances? If so, the regulated entities would have to reduce their carbon emissions but much more than their relative share of emissions. Given the numbers, we don't see how this even works. We would suggest that HB 2020 include language that makes it clear that each fully regulated industrial segment would only be required to reduce its carbon emissions based on its proportional share of total emissions.

Thank you. This concludes my prepared testimony. I would be happy to answer any questions.



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

State	Annual Registration & Weight Fees ¹ (As of 4/2018)	State Ranking by Annual Registration & Weight Fees	Diesel Fuel Tax Rate (\$) ² (As of 7/2018)	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	47	0.208	41	\$3,320	-	-	\$4,156	\$8,906	\$13,062	46
Alaska	\$351	50	0.090	50	\$1,432	-	-	\$1,783	\$8,906	\$10,689	51
Arizona	\$4,202	2	0.270	29	\$4,320	-	-	\$8,522	\$8,906	\$17,428	12
Arkansas	\$1,573	29	0.228	38	\$3,648	-	-	\$5,221	\$8,906	\$14,127	40
California	\$2,924	8	0.700	2	\$11,200	-	-	\$14,124	\$8,906	\$23,030	2
Colorado	\$4,974	1	0.205	43	\$3,280	-	-	\$8,254	\$8,906	\$17,160	16
Connecticut	\$1,586	27	0.439	6	\$7,024	-	-	\$8,610	\$8,906	\$17,516	11
Delaware	\$1,430	32	0.220	39	\$3,520	-	-	\$4,950	\$8,906	\$13,856	41
Washington D.C.	\$2,758	11	0.235	36	\$3,760	-	-	\$6,518	\$8,906	\$15,424	28
Florida	\$1,336	35	0.344	13	\$5,499	-	-	\$6,835	\$8,906	\$15,741	26
Georgia	\$1,012	44	0.300	21	\$4,800	-	-	\$5,812	\$8,906	\$14,718	35
Hawaii	\$970	46	0.153	49	\$2,442	-	-	\$3,412	\$8,906	\$12,318	50
Idaho	\$3,400	4	0.320	18	\$5,120	-	-	\$8,520	\$8,906	\$17,426	13
Illinois	\$3,210	5	0.360	10	\$5,760	-	-	\$8,970	\$8,906	\$17,876	10
Indiana	\$2,339	15	0.480	4	\$7,680	-	-	\$10,019	\$8,906	\$18,925	6
Iowa	\$1,725	25	0.335	14	\$5,360	-	-	\$7,085	\$8,906	\$15,991	24
Kansas	\$2,315	16	0.270	29	\$4,320	-	-	\$6,635	\$8,906	\$15,541	27
Kentucky	\$2,125	18	0.332	15	\$5,312	0.029	\$2,850	\$10,287	\$8,906	\$19,193	5
Louisiana	\$514	49	0.200	44	\$3,200	-	-	\$3,714	\$8,906	\$12,620	49
Maine	\$4,002	3	0.319	20	\$5,099	-	-	\$9,101	\$8,906	\$18,007	9
Maryland	\$1,877	22	0.361	9	\$5,768	-	-	\$7,645	\$8,906	\$16,551	19
Massachusetts	\$1,920	21	0.240	33	\$3,840	-	-	\$5,760	\$8,906	\$14,666	37
Michigan	\$2,292	17	0.436	7	\$6,972	-	-	\$9,264	\$8,906	\$18,170	8
Minnesota	\$1,773	23	0.285	25	\$4,560	-	-	\$6,333	\$8,906	\$15,239	30
Mississippi	\$2,927	7	0.184	47	\$2,944	-	-	\$5,871	\$8,906	\$14,777	34
Missouri	\$1,727	24	0.170	48	\$2,720	-	-	\$4,447	\$8,906	\$13,353	44
Montana	\$1,296	36	0.300	21	\$4,800	-	-	\$6,096	\$8,906	\$15,002	32
Nebraska	\$1,281	37	0.283	26	\$4,528	-	-	\$5,809	\$8,906	\$14,715	36
Nevada	\$2,896	9	0.278	28	\$4,450	-	-	\$7,346	\$8,906	\$16,252	22
New Hampshire	\$1,091	39	0.238	35	\$3,812	-	-	\$4,903	\$8,906	\$13,809	42
New Jersey	\$1,255	38	0.442	5	\$7,072	-	-	\$8,327	\$8,906	\$17,233	15
New Mexico	\$185	51	0.220	39	\$3,520	0.044	\$4,378	\$8,083	\$8,906	\$16,989	17
New York	\$1,581	28	0.395	8	\$6,312	0.039	\$3,900	\$11,793	\$8,906	\$20,699	4



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North Carolina	\$1,623	26	0.351	12	\$5,616	-	-	\$7,239	\$8,906	\$16,145	23
North Dakota	\$1,018	43	0.230	37	\$3,680	-	-	\$4,698	\$8,906	\$13,604	43
Ohio	\$1,420	33	0.280	27	\$4,480	-	-	\$5,900	\$8,906	\$14,806	33
Oklahoma	\$1,001	45	0.190	46	\$3,040	-	-	\$4,041	\$8,906	\$12,947	48
Oregon	\$1,024	42	0.000	51	\$0	0.205	\$20,480	\$21,504	\$8,906	\$30,410	1
Pennsylvania	\$2,091	19	0.741	1	\$11,856	-	-	\$13,947	\$8,906	\$22,853	3
Rhode Island	\$1,056	41	0.330	16	\$5,280	-	-	\$6,336	\$8,906	\$15,242	29
South Carolina	\$820	48	0.208	41	\$3,320	-	-	\$4,140	\$8,906	\$13,046	47
South Dakota	\$1,467	30	0.300	21	\$4,800	-	-	\$6,267	\$8,906	\$15,173	31
Tennessee	\$1,461	31	0.254	31	\$4,064	-	-	\$5,525	\$8,906	\$14,431	38
Texas	\$1,065	40	0.200	44	\$3,200	-	-	\$4,265	\$8,906	\$13,171	45
Utah	\$2,872	10	0.294	24	\$4,704	-	-	\$7,576	\$8,906	\$16,482	20
Vermont	\$2,377	14	0.320	18	\$5,120	-	-	\$7,497	\$8,906	\$16,403	21
Virginia	\$1,362	34	0.243	32	\$3,888	-	-	\$5,250	\$8,906	\$14,156	39
Washington	\$2,067	20	0.494	3	\$7,904	-	-	\$9,971	\$8,906	\$18,877	7
West Virginia	\$2,754	12	0.357	11	\$5,712	-	-	\$8,466	\$8,906	\$17,372	14
Wisconsin	\$2,610	13	0.329	17	\$5,264	-	-	\$7,874	\$8,906	\$16,780	18
Wyoming	\$2,998	6	0.240	33	\$3,840	-	-	\$6,838	\$8,906	\$15,744	25

¹ The fees listed here are those changed 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).

<u>State</u>	<u>Tax Rate in ¢/Gallon</u>		<u>Notes</u>
	<u>Gasoline</u>	<u>Diesel</u>	
North Carolina	35.1	35.1	
North Dakota	23	23	
Ohio	28	28	
Oklahoma	19	19	
Oregon	34	0	[D taxed through weight-distance tax
Pennsylvania	57.6	74.1	[includes petroleum tax
Rhode Island	33	33	
South Carolina	20.75	20.75	[includes 0.75¢ clean-up fees paid at pump only
South Dakota	30	30	[includes 2¢ distributor tax, paid at pump only
Tennessee	26.4	25.4	[incl. 0.4¢ clean-up fee and 1¢ inspection fee, [at pump only
Texas	20	20	
Utah	29.4	29.4	
Vermont	30.8	32	[includes 2% sales tax and a clean-up fee
Virginia	24.3	24.3	[includes 7.5¢ surtax on G, 3.5¢ D, paid on report only; [0.6¢ clean-up fee paid at pump only
Washington	49.4	49.4	
West Virginia	35.7	35.7	[includes 5% sales tax
Wisconsin	32.9	32.9	[includes clean-up fee
Wyoming	24	24	[includes clean-up fee, paid at pump only
U. S.	18.4	24.4	[includes Underground Storage Tank tax

G : gasoline D : diesel, special fuels

CANADA

<u>Province</u>	<u>Fuel Tax Rate in ¢CN/Liter</u>		
	<u>Gasoline</u>	<u>Diesel</u>	
Alberta	19.73	21.03	[includes a "carbon tax" component
British Columbia	22.28	23.95	[includes a "carbon tax" component
Manitoba	14	14	
New Brunswick	15.5	21.5	[prov. sales tax add'l, paid at pump only
Newfoundland	20.5	21.5	[prov. sales tax add'l, paid at pump only
Nova Scotia	15.5	15.4	[prov. sales tax add'l, paid at pump only
Ontario	14.7	14.3	
Prince Edward Island	13.1	20.2	[composite qtrly rate; rate at pump can [change monthly
Quebec	19.2	20.2	[prov. sales tax add'l, paid at pump only
Saskatchewan	15	15	
Northwest Territories	10.7	9.1	
Yukon Territory	6.2	7.2	

This chart was compiled by the American Trucking Associations. It represents the total state or provincial fuel tax paid by motor carriers in each jurisdiction as of October 1, 2018. Local taxes are not included, except where they are uniform statewide. "Paid at pump only" refers to amounts not included in fuel use taxes paid through IFTA. "Paid on report" or "paid on report only" refers to amounts included in IFTA fuel use taxes.

**STATE AND PROVINCIAL MOTOR FUEL TAX RATES
FOR HEAVY VEHICLES
October 1, 2018**

<u>State</u>	<u>Tax Rate in ¢/Gallon</u>		<u>Notes</u>
	<u>Gasoline</u>	<u>Diesel</u>	
Alabama	19	20.75	[includes 0.75¢ wholesale tax D, [1 environmental fee G, D – all paid at pump only
Alaska	8.95	8.95	[includes 0.95¢ environmental fee
Arizona	19	27	[includes 1¢ clean-up fee, paid at pump only; [1¢ credit on D available by application
Arkansas	21.8	22.8	[includes 0.3¢ clean-up fee paid at pump only
California	50.023	70	[includes 2.25% sales tax G, 13% D
Colorado	22	20.5	
Connecticut	43.8	43.9	[incl. 8.1% wholesale tax, G only, currently 14.3¢
Delaware	23	22	
District of Columbia	23.5	23.5	
Florida	34.5	34.37	[incl. 6% sales tax, unif. local tax, clean-up fees
Georgia	26.3	30	
Hawaii	17.263	15.263	[includes 0.263 clean-up fee; D plus 4% sales tax [added at pump
Idaho	32	32	
Illinois	33.5	36	[includes 6.25% sales tax paid on report; 1.1¢ clean- [up fee paid at pump only
Indiana	48	48	[G includes 21¢ surtax, paid on report only
Iowa	31.7	33.5	[includes 1¢ clean-up fee, paid at pump only
Kansas	25	27	[includes 1¢ clean-up fee, paid at pump only
Kentucky	30.4	33.2	[includes 4.4¢ surcharge on G, 10.2¢ on D, [paid on report only; includes 1.4¢ tank fee, [paid at pump only
Louisiana	20	20	
Maine	31.45	31.87	[includes 1.45¢ G and 0.67¢ D clean-up fees, paid [at pump only
Maryland	35.3	36.05	
Massachusetts	24	24	
Michigan	40.175	44.275	[includes 6% sales tax paid on report and 0.875¢ [clean-up fee paid at pump only
Minnesota	28.5	28.5	
Mississippi	18.4	18.4	[includes 0.4¢ clean-up fee paid at pump only
Missouri	17	17	
Montana	32.25	30	[includes 0.75¢ clean-up fee paid at pump only
Nebraska	28.9	28.3	[includes clean-up fees, 0.9¢ G, 0.3¢ D, paid at pump only
Nevada	23.81	27.81	[includes 0.75¢ inspection fee, paid at pump [only, and clean-up fee
New Hampshire	23.825	23.825	[includes 1.625¢ in clean-up fees paid at pump only
New Jersey	41.4	48.5	[includes petroleum tax
New Mexico	18	22	[includes 1¢ load fee paid at pump only
New York	41.25	39.45	[includes 8¢ sales tax, and petroleum tax, paid on report; [clean-up fees of 0.35¢ G and 0.3¢ D, paid at pump only