Oregon
Kate Brown, Governor

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DATE: April 20, 2021

TO: Joint Committee on Transportation

FROM: Travis Brouwer, Assistant Director

SUBJECT: House Bill 2342-3 – Road Usage Charging

INTRODUCTION

House Bill 2342, with the (-3) amendment, expands ODOT's voluntary road usage charge (RUC) program to a mandatory program, beginning July 1, 2026 for model year 2027 vehicles that have a combined MPG rating of 30 or greater. The measure exempts enrolled vehicles from MPG-based vehicle registration fees, and repeals MPG-based title fees, both established by HB 2017 (2017).

BACKGROUND

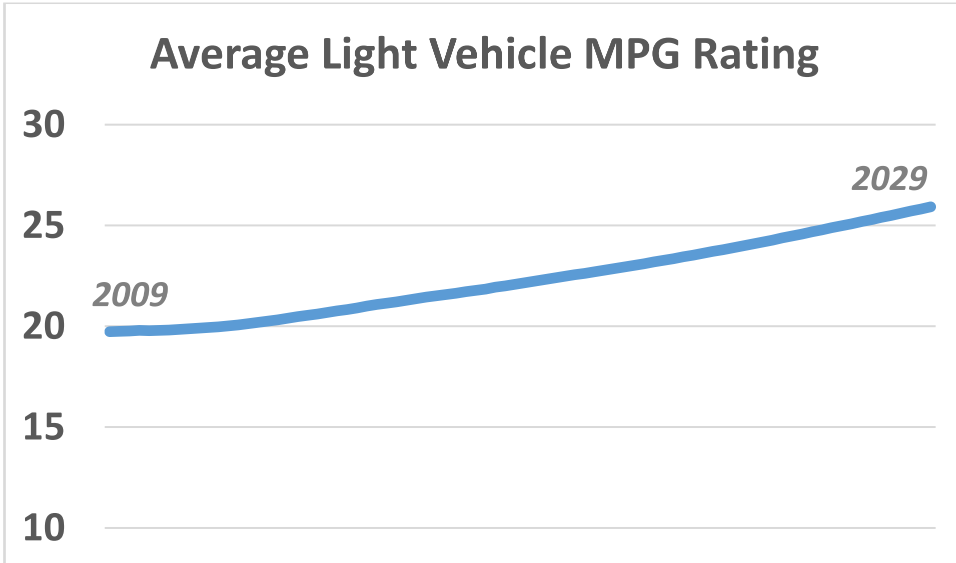
Oregon's transportation system is funded by three primary sources: fuel taxes, DMV fees, and weight-mile taxes, all of which constitute the State Highway Fund (SHF). Fuel tax revenue accounts for over 1/3 of total SHF revenue. Not only is the SHF critical to the state highway system, it is the primary source of transportation funding for local governments, with 30% of SHF revenue dedicated to county governments, and 20% to cities.

Weight-Mile

Oregon has long been a leader in the pay-per-mile system. Since the 1940s, Oregon has administered a pay-per-mile system, known as weight-mile, for most commercial vehicles over 26,000 lbs. This pay-per-mile system has an established history as an effective, stable, and equitable source of transportation funding. Passage of a mandatory road usage charge would bring light vehicles into alignment with how heavy trucks pay for use of the roads, ensuring all vehicles pay for the cost of administering Oregon's transportation system.

Declining Fuel Tax Revenue

First contemplated in 2001 with the establishment of the Road User Fee Task Force (RUFTF), Oregon has been testing RUC as an alternative to the fuel tax, Oregon's primary transportation revenue source. As Oregon's transportation system evolves, and vehicles become more efficient or use alternative fuels, the fuel tax will become an unsustainable revenue source to adequately maintain Oregon's transportation system. As less fuel is consumed, less revenue is generated to maintain Oregon's transportation system. The chart below depicts the projected average MPG rating of Oregon's light duty fleet through 2029.



Pilot Projects & OReGO

At the direction of RUFTF, ODOT successfully completed two pilot projects in 2007 and 2013. These projects proved the RUC concept by demonstrating the technical and administrative processes of a RUC-type system, including GPS and non-GPS-based reporting systems, public-private partnerships, and overall system viability. After successfully completing these pilot projects, the Oregon Legislature passed SB 810 (2013), creating the nation's first fully functional voluntary RUC program known as OReGO, which launched in 2015. Administered through private sector partners, this voluntary program allows individuals to enroll if their vehicle has a combined MPG rating of 20 or greater. Participants in OReGO are exempt from paying Oregon's MPG-based enhanced registration fees established in HB 2017 (2017).

Privacy

Privacy has been a significant public concern throughout the development of Oregon's RUC program. In response to this concern, the Oregon Legislature embedded into statute provisions that make use of GPS-based technology optional for each OReGO participant. Statute prevents the State from receiving personally identifiable information, such as driving patterns. Moreover, this type of data is not retained once payment is received. Similar to vehicle odometers, non-GPS reporting devices simply capture the total number of miles driven, regardless of vehicle location.

National Trends

Oregon is not alone in its exploration of RUC. Utah recently joined Oregon as the second state in the country to launch a fully operational RUC program. Virginia plans to launch a RUC program in 2022, with numerous other states conducting pilot projects and considering implementing a road usage charge. National interest also exists, including from members of Congress, the Biden Administration, and transportation stakeholder groups actively exploring RUC policies at the national level.

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DISCUSSION
HB 2342, with the (-3) amendment, transitions the OReGO program from a voluntary RUC program to a mandatory RUC program beginning July 1, 2026 for model year 2027 or newer passenger vehicles with a combined MPG rating of 30 or higher. As an alternative to the RUC system, the owner of a subject vehicle may elect to opt-out of the mandatory RUC program until June 30, 2030, by paying an annual fee of $400, and the MPG-based enhanced registration fees.

In addition to establishing a mandatory RUC system, the measure adjusts ODOT-DMV's title fee structure. Currently, in addition to the base title fees established in ORS 803.090, an additional title fee is assessed based on a vehicle's MPG rating (ORS 803.091). This MPG-based title fee structure has proven cumbersome to administer. HB 2342 would repeal these MPG-based title fees, and revert back to a standard fee structure, adjusting the base title fee to remain revenue neutral.

	*Current Title Fee**	*Title Fee with HB 2342*
MPG 0-19	$98	$110
MPG 20-39	$103	$110
MPG 40+	$113	$110
EVs	$187	$110

*Under HB 2017 (2017) title fees increase on January 1, 2022.

Finally, the measure requires ODOT to report to RUFTF no later than September 15, 2022, September 15, 2024, and September 15, 2026, on the progress made in developing and implementing the mandatory per-mile RUC, including information on technological readiness and pricing mechanisms other than per-mile road usage charge to achieve the state's policy goals. Additionally, the measures requires ODOT:

- Evaluate equity considerations in a mandatory per-mile road usage charge program, including how a RUC transition impacts certain individuals and communities;

- Examine how motor vehicle related taxes, fees and other costs, including the per-mile road usage charge, impacts progress toward increased low- and no-emission vehicle adoption goals; and

- Examine the feasibility of including medium-duty vehicles in the weight-mile tax system or other per-mile road usage charge system.

If passed, ODOT would undertake rulemaking efforts, as well as actions to begin scaling up the existing OReGO program to accommodate this future growth, including continued work with vehicle dealers to help make enrollment at point of sale seamless; and original equipment manufacturers to ensure that vehicle miles traveled data is accessible to the program; and continued public outreach.

ODOT understands the significant paradigm shift this measure represents. Along with the reports outlined above, ODOT will work in conjunction with the Legislature, stakeholders, and the public to provide regular and transparent updates on the status of implementation. ODOT fully anticipates returning in future Legislative Sessions to recommend any necessary statutory changes to ensure the program's proper implementation.

(-3) Amendment
The (-3) amendment makes clarifying changes to ensure that subject vehicles, while exempt from paying the MPG-based registration fees under ORS 803.422, are still required to pay local registration fees under ORS 803.445.

SUMMARY
House Bill 2342, with the (-3) amendment, would transition ODOT's voluntary RUC system to mandatory, beginning July 1, 2026 for new vehicles starting with the 2027 model year, provided the vehicle has a combined MPG rating of 30 or greater. The measure requires ODOT to periodically report on the status of implementation, and to study issues around equity, climate, and medium-duty vehicles. ODOT would undertake immediate actions to prepare its OReGO system for expansion, and will work proactively with the Legislature, stakeholders, and the public to ensure the program is properly implemented.