

Financing Roads in Oregon

User Fees & Charges



How Should Roads Be Financed?

Equity

- Principle: users should pay in proportion to the costs they impose.
 - Users (different classes)
 - Costs
 - Planned expenditures for construction, ... , operation; or
 - Damage to the system (marginal cost)
 - Congestion costs. Pollution costs. (externalities)

Economic Neutrality (no winners and losers)

Efficient Tax (collection costs, efficient building, the right facilities)

Economic Efficiency (highest and best utilization of resources)

Principles of Oregon Highway Finance (System)



Public Finance (Government owned) system



Financed through taxes and fees, Simulating Road user fee.



Revenue are constitutionally restricted to be only used for constructing, improving, and maintaining roads.



Road users (weight classes) are required constitutionally to pay in proportion to the costs for which they are responsible.

Oregon Road User Taxation

Oregon uses a four (out of five) instrument structure of road user fees

1. fuel tax
 - Gasoline 40 ¢ /Gallon as of 1/1/2024
 - Use-fuel: Diesel, CNG and other (equivalent)
2. weight-mile tax
 - Table A and B
 - Flat fees
 - Road Use Assessment Fees
3. vehicle registration fee
 - Light
 - Heavy
4. Title fees
 - Other
 - Light
5. Operation ?? (Drivers)

Oregon Road User Taxation instruments

(Traditionally known) as Fixed Element

- vehicle registration fee
 - Pays (should) for fixed and non direct use-related costs
 - Fees for cars and other light vehicles weighing 10,000 pounds or less, \$13 increase in HB 2017(13+43=\$56). , then tiered by MPG
 - Continues to be relatively low compared to other states.
 - Fees for heavy vehicles (above 10,000 lb) based on Gross weight (2000 lb increments) from \$344 to \$1295, not change in HB 2017
 - New County Reg. Fee \$19/Y (\$38/BN) (Multnomah)
- Title Fees: (ownership) became **new** fixed cost component.
 - \$55 light, \$90 Heavy
 - \$77 light, \$27 salvage and duplicate Titles for light
 - Add (\$16) in 2018 by HB 2017 then tiered by MPG starting 2020

Vehicle Fees Tiered

Typical increase for one time

Registration Fee

39th highest registration in the country

- \$4.9 million additional revenue for each \$1 increase (Avg Hvy balanced)
- HB 2017, \$13 surcharge in addition to the basic \$43. January 1/2018 to December 31st/2019 (\$56)
- The variable MPG fee as increased on January 1/2022
- 0-19 MPG, \$20
- 20-39 MPG, \$25
- Over 40 MPG, \$35
- Electric vehicles, \$115, unless the owner has registered the vehicle in the OReGO program.

Title Fees

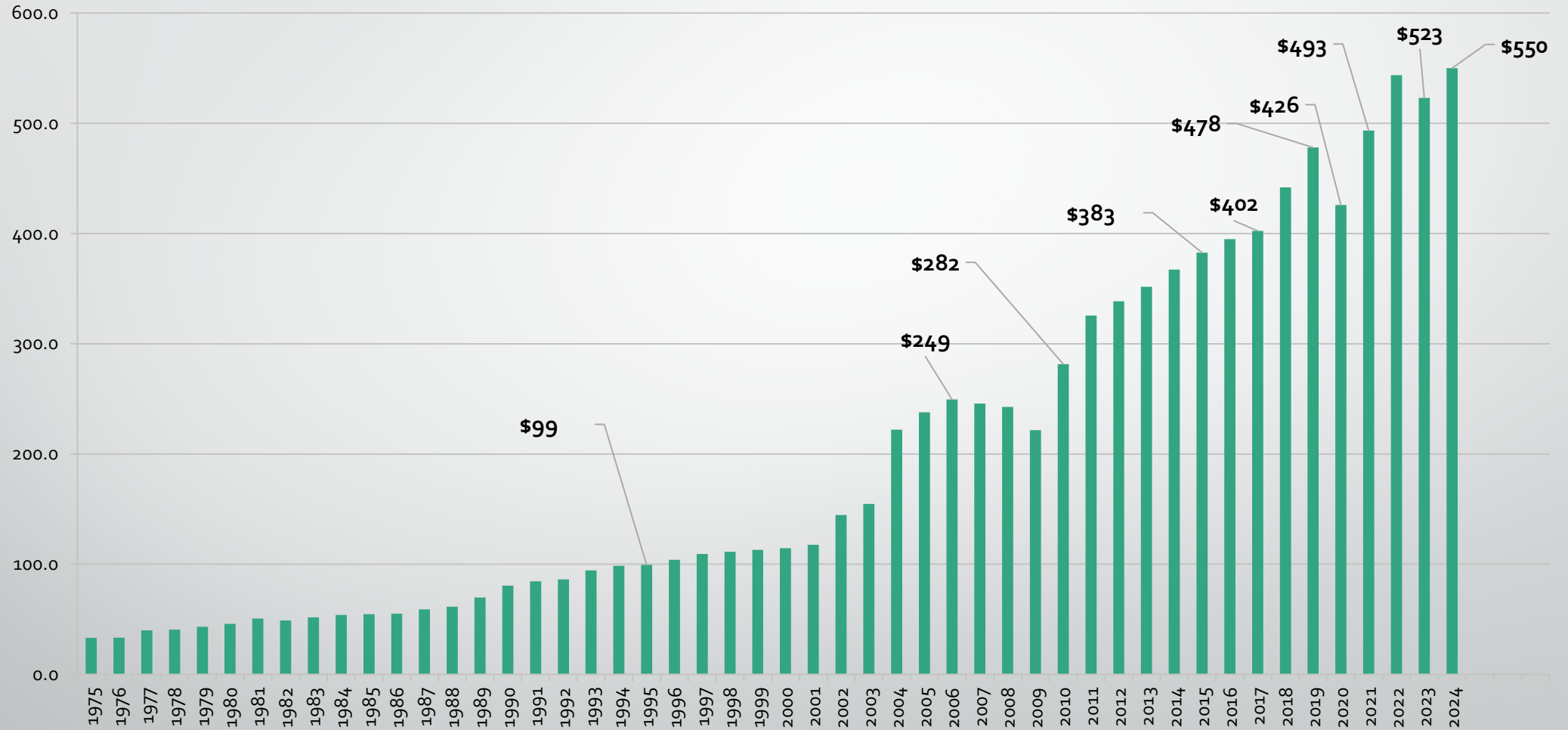
35th highest title fee in the country

- \$1.6 million additional for each \$1 increase in light fee (Avg Hvy balanced)
- HB 2017, Adds a surcharge of \$16 to the basic title fee of \$77 on January 1 / 2018 to December 31st, 2019 (\$93)
- The variable MPG Title surcharge as increased on January 1/2022
- 0-19 MPG, \$24
- 20-39 MPG, \$29
- Over 40 MPG, \$39
- Electric vehicles, \$115, unless the owner has registered the vehicle in the OReGO program.

Vehicle Fees

(Registration, Titles and other DMV)

Millions of Dollars



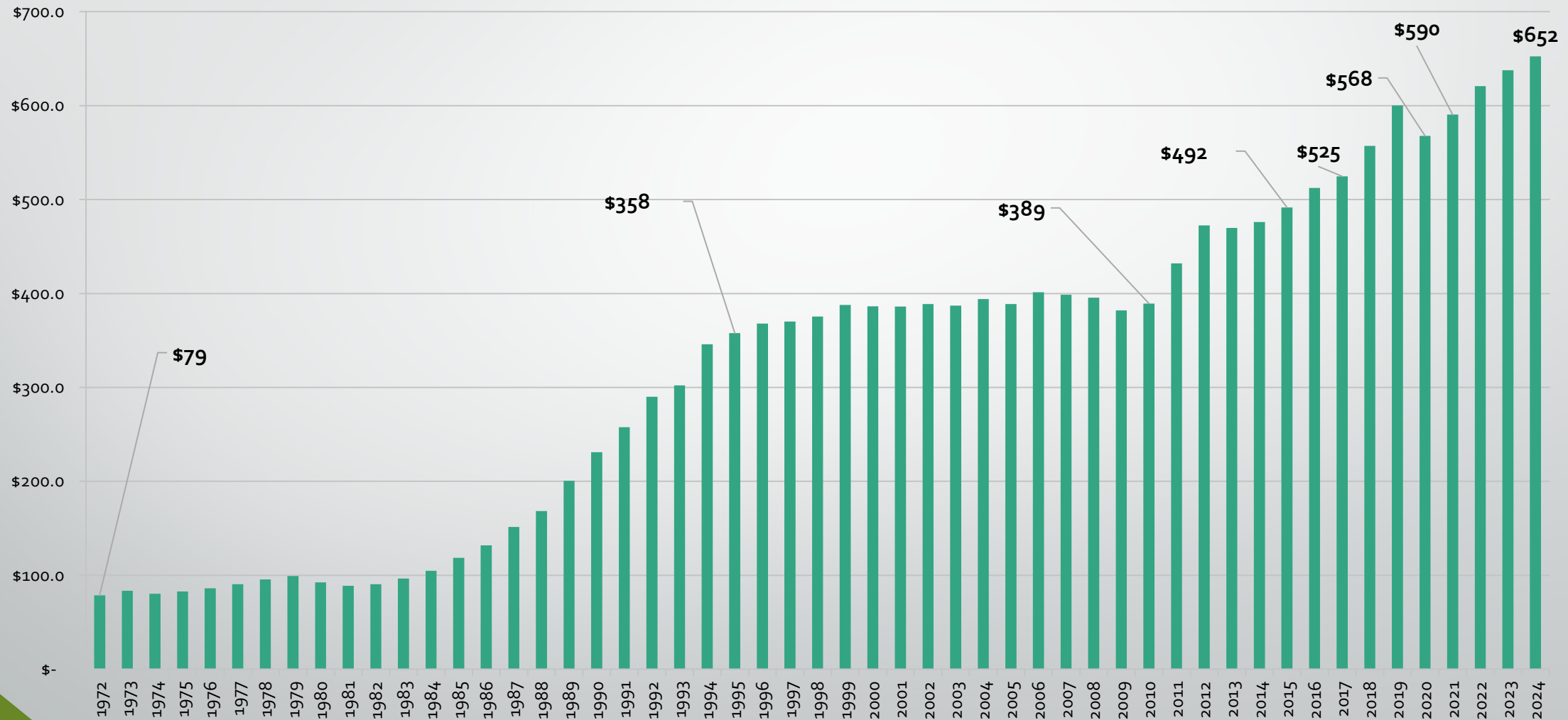
Oregon Road User Taxation instruments (Variable Element)

Fuel Taxes

- Gasoline (any fuel the chief use of which is for)
 - Propulsion of Motor Vehicle (40¢ since 1/1/2024)
 - Local Gas Taxes
 - Counties (Mult, Wash)
 - Cities (24)
- Diesel, CNG, & etc (Use fuel) . Used to
 - Propel a Motor Vehicle (40¢ since 1/1/2024)
- Fuel not used to propel. Refund or go to other funds.
 - Aviation, ATV, Snowmobile, or operating (lawnmower) fund.

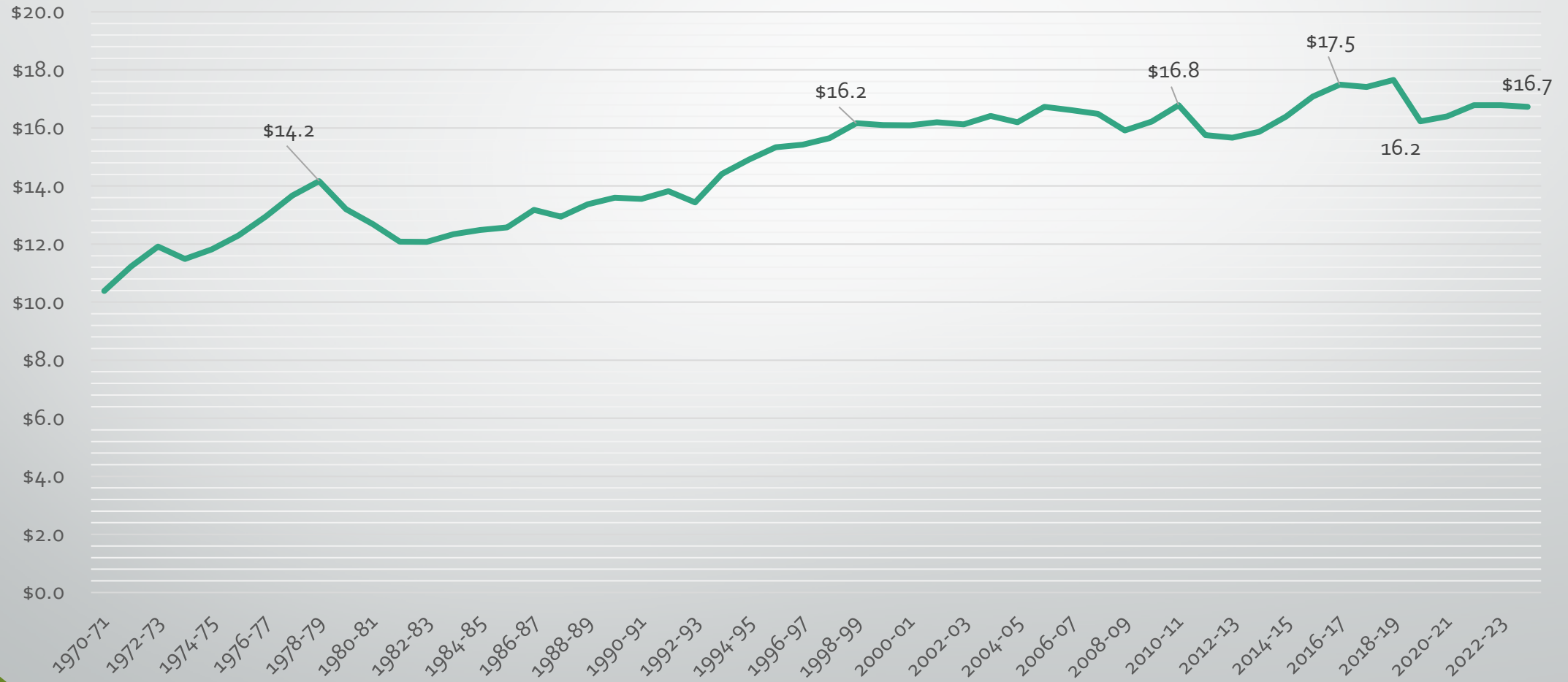
Fuel Tax Revenue (variable)

Millions of Dollars



Fuel Tax Revenue per penny

Millions of \$\$ per Penny of Tax



Oregon Road User Taxation instruments

(Variable by weight and distance since 1947)

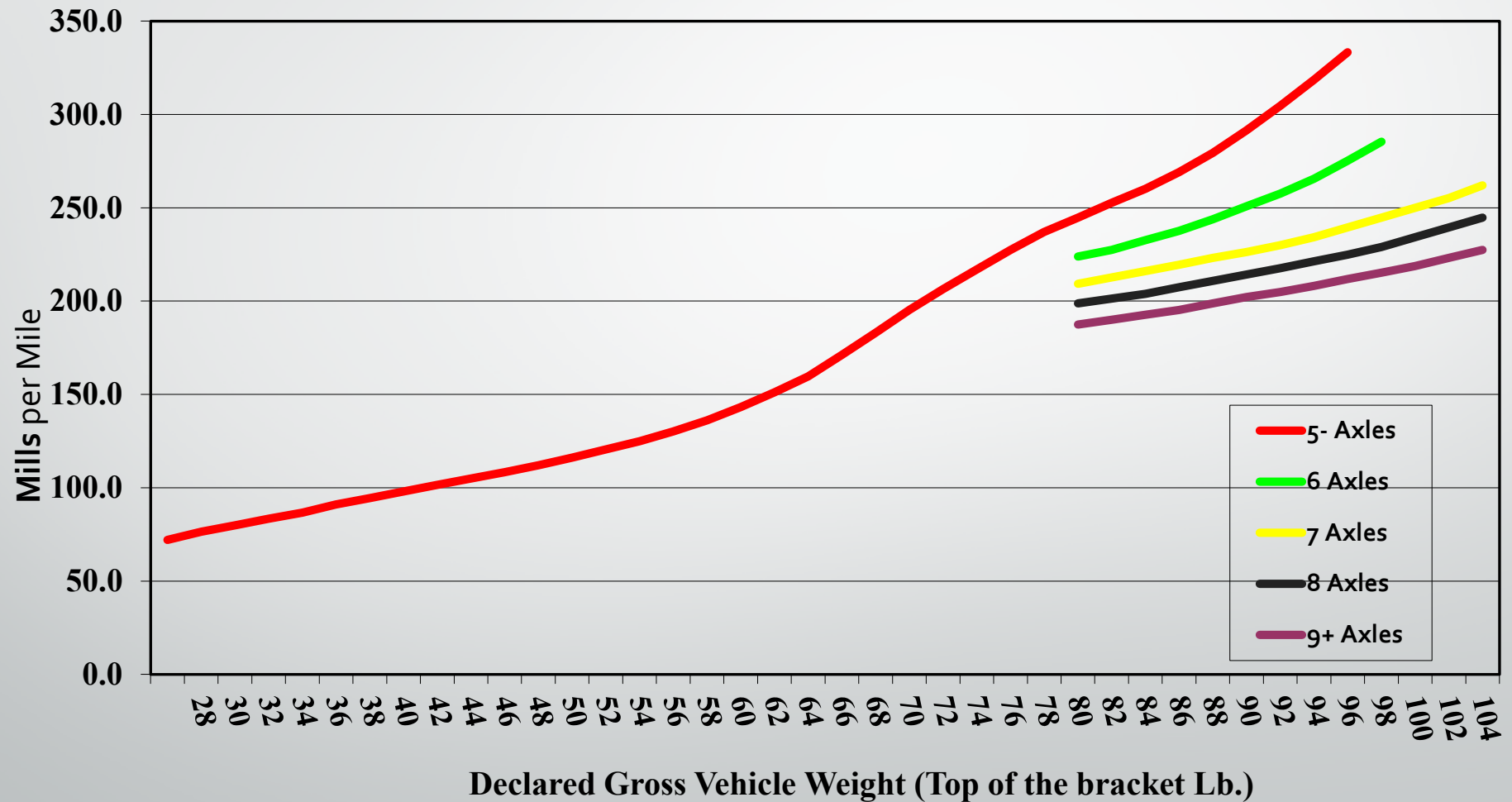
Weight-Mile Taxes

reflecting 2022 rates

- Table A: 26,000 to 80,000 Pounds
 - Graduated Based on Weight
 - 7.2¢ per Mile @ 26 to 28,000 Pounds
 - 23.7¢ per Mile @ 78 to 80,000 Pounds
- Table B: 80,000 to 105,500 Pounds
 - Graduated based on Weight and Axles
- In Lieu (Flat Fees)
 - Log, Sand & Gravel, and Chip Trucks
- Road Use Assessment Fee (RUAF)

Weight-Mile Tax Rates

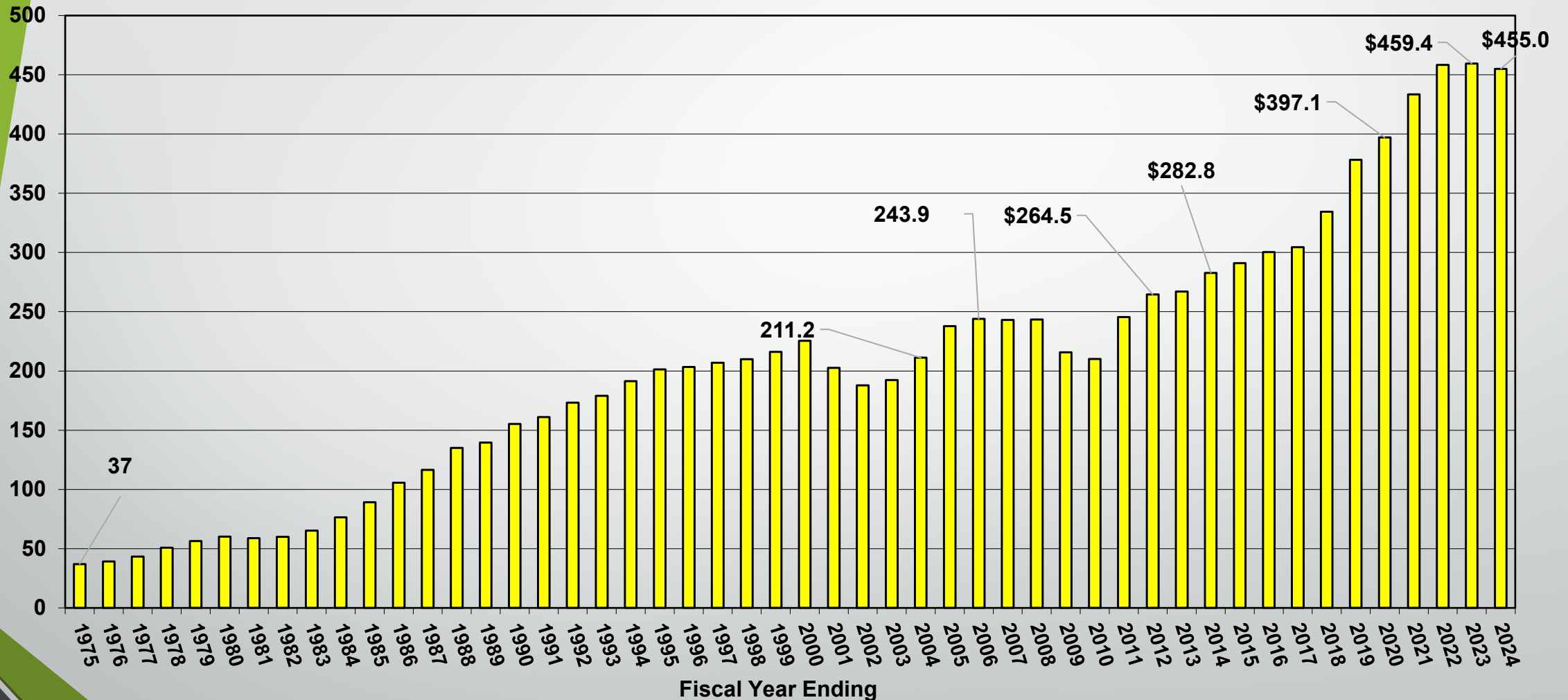
Adjusted for Current Law changes (HB 2017) reflecting 2022



Weight-Mile Tax Revenue

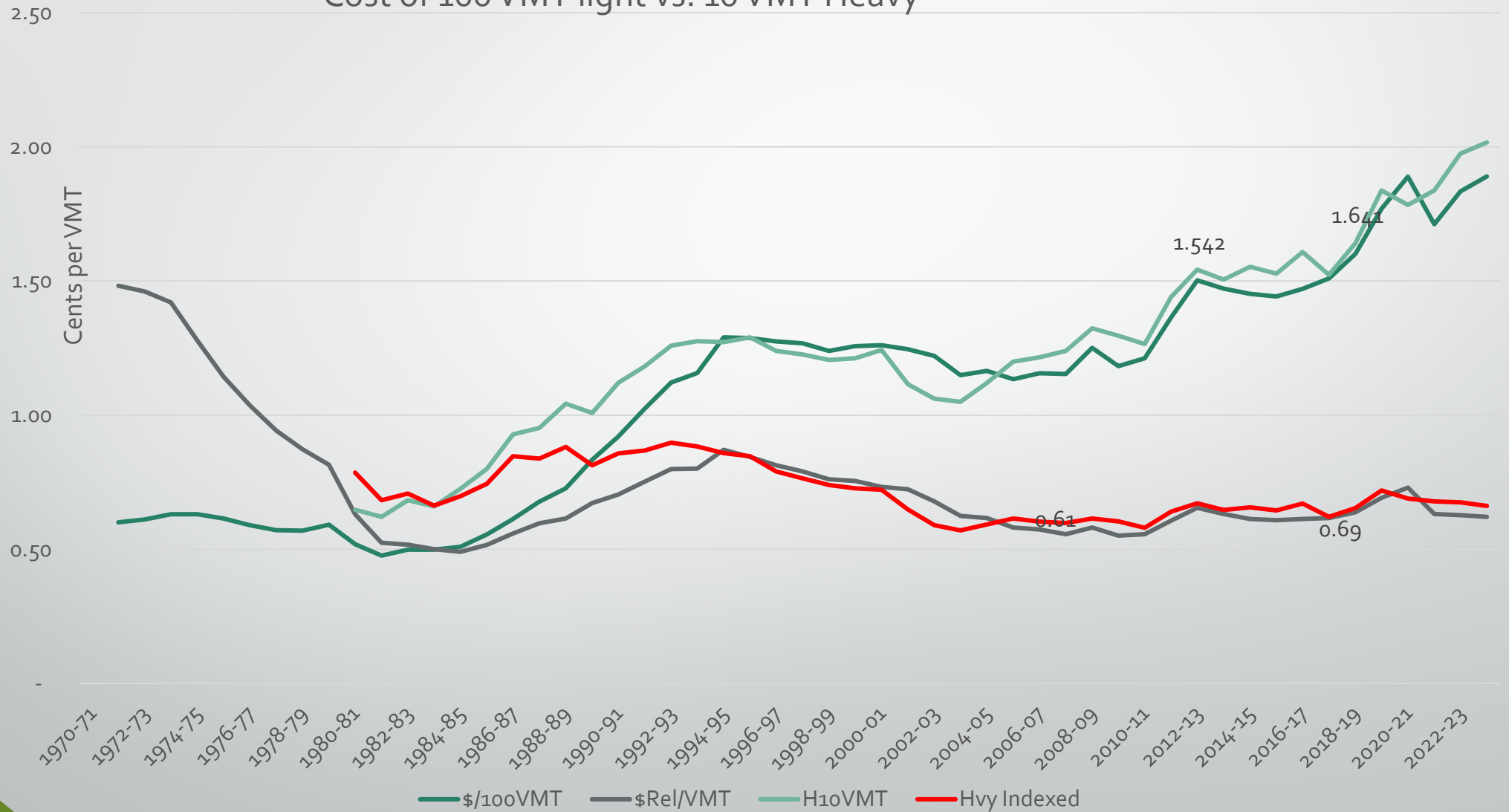
(including FF & RUAF)

Millions of Dollars



The pricing system in current & constant \$\$

Cost of 100 VMT light vs. 10 VMT Heavy



Highway Fund Revenue increase Options

Single Light Instrument

Preliminary Estimates

Table 1		Considering Rebalance for 25-27 forward				Only <u>ONE</u> instrument increase for light <u>and</u> Heavy							
		New Revenue	State	Counties	Cities	Gas Tax		Registration	Title Fee	WM, FF, RUAF			
		Millions \$\$											
Annual	\$250	\$125	\$75	\$50		\$0.20	or	\$87	or	\$331	and	-16.5%	
Biennial	\$500	\$250	\$150	\$100									
Annual	\$384	\$192	\$115	\$77		\$0.25	or	\$108	or	\$409	and	-5.2%	
Biennial	\$768	\$384	\$230	\$154									
Annual	\$750	\$375	\$225	\$150		\$0.41	or	\$176	or	\$668	and	16.9%	
Biennial	\$1,500	\$750	\$450	\$300									
Annual	\$875	\$438	\$263	\$175		\$0.47	or	\$200	or	\$759	and	23.8%	
Biennial	\$1,750	\$875	\$525	\$350									

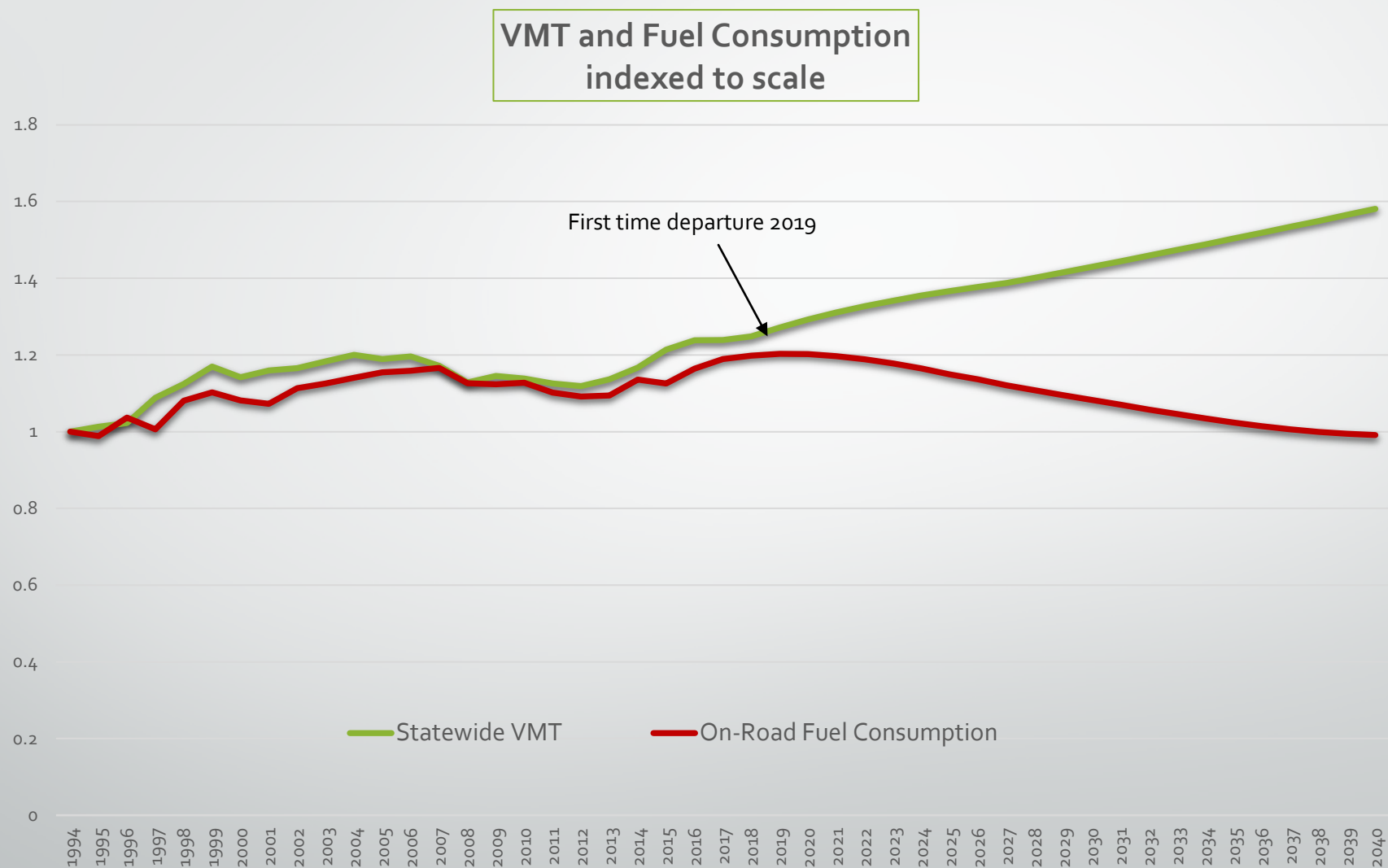
Highway Fund Revenue increase Options

Multiple Light Instruments

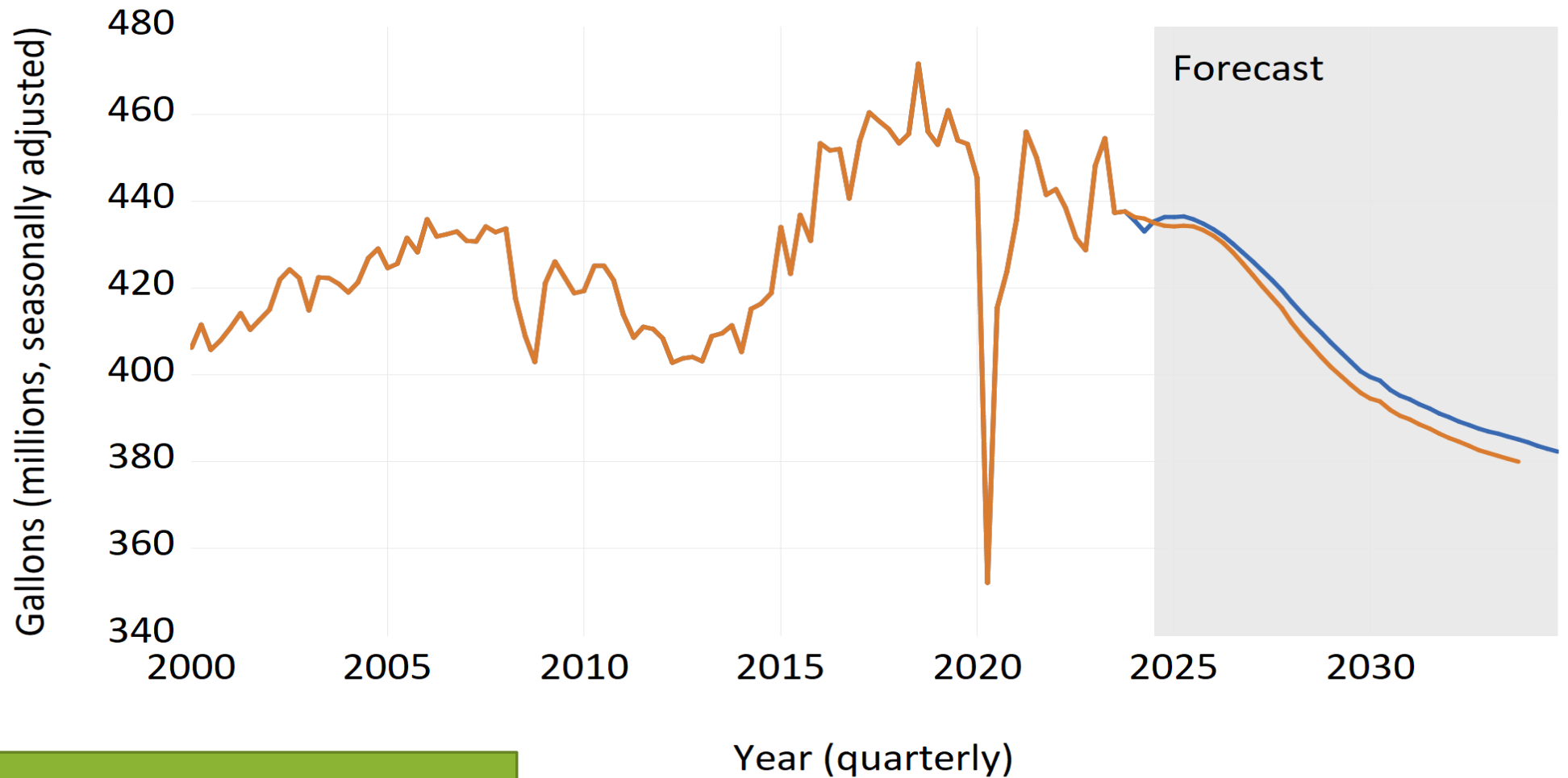
Preliminary Estimates

Table 2		Considering Rebalance for 25-27 forward										All instruments increase for light					and	Heavy			
		New Revenue		State		Counties		Cities				Gas Tax		Registration		Title Fee		WM, FF, RUAF		Total	
		Millions \$\$								Increase		\$0.05		& \$55		& \$40		and		-16.5%	
Annual		\$250		\$125		\$75		\$50		Revenue		\$82		\$209		\$40		(\$81)		\$250	
Biennial		\$500		\$250		\$150		\$100													
										Increase		\$0.10		& \$49		& \$60		and		-5.2%	
Annual		\$384		\$192		\$115		\$77		Revenue		\$163		\$186		\$60		(\$25)		\$384	
Biennial		\$768		\$384		\$230		\$154													
										Increase		\$0.20		& \$66		& \$90		and		16.9%	
Annual		\$750		\$375		\$225		\$150		Revenue		\$326		\$252		\$90		\$82		\$750	
Biennial		\$1,500		\$750		\$450		\$300													
										Increase		\$0.25		& \$66		& \$100		and		23.8%	
Annual		\$875		\$438		\$263		\$175		Revenue		\$408		\$251		\$100		\$116		\$875	
Biennial		\$1,750		\$875		\$525		\$350													

Forecasting a Departure from VMT



Taxable Motor Fuels forecast comparison



Reductions of 15.5% by 2035.
California is expecting 60%

Heavy Vehicles Tax reforms (major effort)

- a. **Raising Taxation point for Deisel** new Hybrid taxation System for Heavy Vehicles
 - essentially combines a Deisel Tax with the existing Weight Mile Tax.
 - It might achieve revenue neutrality, but it changes and realigns the relationships between who pays the tax and how it is related to damage and payments (HCAS).
 - Hybrid Tax system would be analogous to augmenting the state Income Tax with Sales tax as, while keeping the total revenue neutral.
 - the relationship between income and tax payments might be significantly altered.
- b. **Simplifying the Weight-Mile tables** Depending on how it is applied, this would have the impact of changing the tax incidence
 - a major reform that would result in changing the complexion of the heavy taxation system.
 - If the analogy to the state income tax, it would be analogous to changing the income tax marginal rates, that are based progressively on Income, to a Flatter tax rate.
 - If we do this while keeping revenue neutrality, it will basically shift the burden of the tax and who ends up paying more and who pays less.