Joint Committee On Transportation Reinvestment

Action Date: 06/20/25

Action: Do pass with amendments. (Printed A-Eng.)

House Vote

Yeas: 4 - Evans, Gamba, McLain, Nathanson Nays: 3 - Boshart Davis, Helfrich, Mannix

Senate Vote

Yeas: 3 - Gorsek, Pham, President Wagner

Nays: 2 - Starr, Weber
Fiscal: Fiscal impact issued
Revenue: Revenue impact issued

Prepared By: Patrick Brennan, LPRO Analyst **Meeting Dates:** 6/9, 6/10, 6/11, 6/12, 6/17, 6/20

WHAT THE MEASURE DOES:

The measure increases several transportation taxes and fees, creates a new vehicle transfer tax, imposes audit requirements on the Oregon Department of Transportation(ODOT), and expands applicability of the OReGO road usage charge program.

Detailed Summary

Section 1: Audits: Directs Secretary of State Audits Division to conduct biennial performance audits on responsible use of State Highway Fund moneys, and annual performance audits on ODOT capital projects. Specifies audit results are to be presented to appropriate legislative committees.

Section 1a - 1c: ODOT Director: Specifies that ODOT director is appointed by, and serves at the pleasure of, the Governor, with Senate confirmation.

Section 1d: Continuous Improvement Advisory Committee (CIAC): Revises provisions and membership of CIAC to include commission members, ODOT director, and ODOT chief engineer, as well as individuals with expertise in major projects and application of National Environmental Policy Act (NEPA). Requires monthly meetings and quarterly reports from CIAC to Oregon Transportation Commission (OTC) and Joint Committee on Transportation.

Section 1e-1f: Joint Transportation Committee (JCT) Review of Major Projects: Adds to statutory responsibilities of JCT the review of scope, schedule, changes, and budget updates of major projects on quarterly basis, as well as city or county projects of less than \$25 million with a requested cost increase of at least 10 percent, or projects exceeding \$25 million if the request is an increase of at least five percent, and make appropriate funding recommendations to Joint Ways and Means and Emergency Board as appropriate.

Sections 1g-1h: Legislative Policy and Research Office (LPRO) Professional Services Contract for ODOT Performance Audit: Directs LPRO to contract for performance audit of ODOT operations, including whether and how it addressed recommendations from study conducted this year. Sunsets January 2, 2027.

Sections 2-10: Weight Mile Taxes: Simplifies the number of tables based on declared combined truck weight and sets rates for those categories. Creates new Table E for electric vehicles subject to the weight-mile tax that are not issued an annual variance permit to operate at weight above 26,000 pounds.

Sections 11-43: Administration of Diesel Fuel Tax and Motor Carrier Regulation: Adds diesel fuel to definition of "motor vehicle fuel" rather than a use fuel. Exempts dyed diesel from definition of motor vehicle fuel. Revises

Carrier: Rep. McLain

inspection of premises and records authority of ODOT over enforcement of motor vehicle fuel taxes. Authorizes ODOT to deny any international fuel tax agreement (IFTA) license based on reasonable grounds and eliminates \$650 maximum fee but maintains requirement that fee not exceed cost to Department. Revises list of offenses for which motor carrier enforcement officers may issue citations to include two new offenses: failure to comply with IFTA; or improper use of dyed diesel (designates both as Class A traffic violations). Establishes circumstances under which a person may operate or maintain a motor vehicle on state highways with dyed diesel and requirements for doing so; establishes civil penalties ODOT may impose for highway uses of dyed diesel, not to exceed the greater of \$10 per gallon capacity or \$1,000, plus the amount of unpaid tax. Requires valid fuel trip permits for out-of-state vehicles not licensed under IFTA. Limits number of trip permits that may be issued to any single vehicle to three per year, with each permit good for up to three consecutive days, and allows ODOT to set fee rate by rule. Permits ODOT to require operator of vehicle combination to submit to inspection of the fuel supply tank, designating violation as a Class B misdemeanor. Repeals provision allowing credit for motor fuel tax paid against weight-mile tax assessed.

Section 44: Highway Cost Allocation Study (HCAS): Specifies that biennial HCAS is to incorporate results of examination of most recent study results for which actual data are available. Establishes that if equity ratio for either heavy or light vehicles exceeds 1.05 percent, the Legislative Assembly is to enact whatever measures are necessary to reduce the equity ratio to 1.05 or less.

Sections 45-53: Motor Vehicle Fuel Tax Increases: Increases per-gallon state motor vehicle fuel tax to 50 cents beginning January 1, 2026, and to 55 cents beginning January 1, 2028. Specifies that beginning January 1, 2029, the per-gallon motor vehicle fuel tax rate will be adjusted for inflation per the Consumer Price Index for All Urban Consumers West Region for the 12 previous consecutive months, based on a ratio, with caveat that the ratio shall not be below 100 percent nor shall it exceed 104 percent. Modifies use fuel tax comparable to motor vehicle fuel tax.

Sections 54-57: Employee Payroll Tax for Transit: Increases the employee payroll tax from 0.1 percent to 0.18 percent effective January 1, 2026; imposes additional increase to 0.25 percent effective January 1, 2028, and third increase to 0.3 percent effective January 1, 2030. Directs ODOT to conduct study and review of method of funding distribution from Statewide Transportation Improvement Fund (STIF) to determine effective and equitable distribution of STIF to address transit service levels around the state, as well as how to improve interagency partnerships and service to address transit gaps and unmet needs in the metro region (study repealed January 2, 2027).

Section 58: Deleted from earlier draft and remains unused.

Section 59-61: Vehicle Privilege Tax: Increases the privilege tax rate, and commensurate use tax rate, from 0.5 percent to one percent of the retail sales price of taxable motor vehicles. Stipulates that 50 percent of privilege tax revenue is to be annually transferred to Railroad Fund (ORS 824.014), with remainder continuing to be used to fund zero-emission vehicle rebates and Connect Oregon Fund. Modifies uses of Railroad Fund.

Section 62: Trailer, Camper, and RV fees: Increases fees as follows:

- trailers/campers 6-10 feet (from \$81 to \$125)
- trailers/campers 10+ feet (from \$81 to \$125, maintaining additional \$7/foot)
- motor homes 6-14 feet (from \$86 to \$132)
- motor homes 14+ feet (from \$125 to \$194, maintaining additional \$8/foot)

Sections 64-81: Vehicle Fees and Taxes: Increases annual fees for documents and services as follows:

- registration of passenger vehicles (from \$43 to \$113)
- utility and light trailers (from \$63 to \$129)
- mopeds and motorcycles (from \$44 to \$110)

- low-speed vehicles (from \$63-\$129)
- medium-speed electric vehicles (from \$63-\$129)
- title fees (from \$77 to \$182 for new titles)
- salvage titles (from \$27 to \$44)

Sets rates for non-divisible load permits and flat fees as follows:

- single-trip non-divisible load permit road use assessment fee increased from ten and nine-tenths to twenty-four and zero-tenths cents per equivalent single-axle load mile traveled
- motor vehicles used in transporting logs, poles, peeler cores, or pilings pay annual fee computed at following rates for each 100 pounds of declared combined weight: \$16.48 for electric motor vehicles; and \$14.80 for non-electric vehicles
- motor vehicles equipped with dump bodies and used in transportation of sand, gravel, rock, dirt, debris, etc., pay annual fee computed at following rates for each 100 pounds of declared combined weight: \$26.64 for electric vehicles; and \$34.95 for non-electric vehicles

Modifies fees for certain documents as follows:

- replacement registration plates (from \$12 to \$33)
- transfer of license plate (from \$30 to \$44)
- duplicate plates and/or stickers (from \$12 to \$33)
- Class C license or Class C restricted license (from \$58 to \$100)
- instruction driver permits (from \$30 to \$75)
- motorcycle endorsements (from \$60 to \$90)
- farm endorsements (from \$26 to \$60)

Increases renewal fees as follows:

- Class C driver license (from \$48 to \$74)
- Instruction driver permit (from \$26 to \$69)
- Replacement driver license or permit (from \$30 to \$56)
- Class C knowledge test (from \$7 to \$10)
- Commercial skills test to remove a restriction or add endorsement (from \$145 to \$540)

Increases dismantler fees as follows:

- new or renewed dismantler certificate covering single place of business, or supplemental certificate for each additional place of business (from \$500 to \$2,492)
- new or renewed vehicle dealer certificate (from \$1,100 to \$2,044 for single place of business, or from \$350 to \$1,053 for each additional place of business)
- new or renewal vehicle transporter certificate (from \$450 to \$1,294)
- new or renewal vehicle appraiser certificate (from \$100 to \$504)

Increases trip permits as follows:

- heavy motor vehicle trip permit (from \$10 to \$27)
- registration weight trip permit (from \$5 to \$27)
- registered vehicle trip permit (from \$7.50 to \$27)

Increases registration documents as follows:

- duplicate or replacement registration card (from \$3 to \$15)
- original or replacement plate (from \$3 to \$20, includes a sticker)
- pair of plates is set at \$25, which includes a pair of stickers
- single sticker set at \$12
- pair of stickers set at \$13
- original, replacement, or duplicate trusted carrier plate set at \$36
- original, replacement, or duplicate preclearance transponder set at \$79

Sections 81-92: Transfer Taxes: Imposes a new tax on the transfer of a new or used vehicle with a gross weight of 26,000 pounds or less sold for a transfer sales price greater than \$10,000, paid at two percent of sales price for new vehicles or one percent of sales price for used vehicles. Specifies that the tax is the liability of the purchaser, who is considered the taxpayer. Creates commensurate transfer use tax for transactions occurring outside Oregon, to be paid upon Oregon registration of the vehicle. Stipulates that both transfer tax and use tax are subject to State Highway Fund limitations. Modifies statutory references of "taxable motor vehicle" to account for separate and distinct privilege tax and transfer tax. Outlines duties of dealers with regard to transfer tax and transfer use tax.

Sections 93-109: Bicycle Tax, Privilege Tax, and Excise Tax Collection: Clarifies collection and payment procedures for bicycle excise tax established in House Bill 2017 (2017) and that of privilege tax revenues. Prohibits local governments from imposing privilege, excise, sales, transfer, or use taxes unless authorized by statute or approved by a governing body prior to measure's effective date.

Sections 110-122: Use of Revenues: Provides for use of fuel taxes to Anchor Project Account to pay for following projects in priority order: I-5 Rose Quarter; Abernethy Bridge; and as determined by OTC for the following projects: Interstate 205 widening, Newberg-Dundee Bypass, State Highway 22/Center Street Bridge retrofit, with remaining revenues distributed 50/30/20 to ODOT, counties and cities, with 1.37 percent of county share going to a small county distribution. Modifies distribution, effective July 1, 2027, to provide \$125 million to Great Streets Fund, \$25 million to Safe Routes to Schools Fund, and \$5 million to Wildlife-Vehicle Collision Reduction Fund, with additional \$125 million per year to pay for costs including debt service of Anchor Project Account projects. Modifies funding sources beginning July 1, 2028, and again on July 1, 2034. Establishes the Wildlife-Vehicle Collisions Reduction Fund to reduce instances of vehicle collisions with wildlife, effective July 1, 2027. Establishes the Anchor Project Account to carry out project delivery of listed anchor projects. Outlines use of revenues for small county distribution. Increases small city allotment from \$2.5 million to \$3 million from both county and state shares of State Highway Fund.

Sections 123-153: Road Usage Charge: Sets alternate flat fee for participation in Road Usage Charge Program at \$340 per year. Requires owners of delivery fleets to enroll their electric fleet vehicles in road usage charge program and assesses per-mile charge of 10 percent of the rate of the per-gallon fuel tax in effect at the time of assessment. Requires enrollment of plug-in electric vehicles, plug-in hybrid vehicles, and hybrid vehicles beginning in 2028. Increases per-mile road usage charge annually as a percentage of price of motor vehicle fuel per gallon for same period. Prohibits vehicle rental companies from passing on per-mile usage charge to consumer beyond what is reasonable to cover costs. Limits maximum administrative costs of road usage charge program by limiting agreement with service provider for retaining more than 10 percent of the charge collected under the agreement, allowing for penalties should service provider violate the limit.

Sections 154-158: Great Streets Program: Changes name of Jurisdictional Transfer Advisory Committee to Great Streets Advisory Committee. Specifies that annual recommendations report is to be submitted to both JCT and OTC, as well as funding projects and progress report on projects already awarded. Establishes a Great Streets Fund to fund projects to support beneficial transfers; benefit facilities with above-average risk and rates of injury or death, limited transportation options, history of safety concerns and/or vulnerable users; and other factors. Repeals advisory committee sunset provision.

Section 160: Lane Widths: Specifies that minimum travel lane widths may be set at 12 feet only on portions of state highway freight routes outside of urban growth boundary.

Sections 162-166: Abandoned RV Cleanup Fund: Amends in provisions from House Bill 3209 (2025) related to Abandoned RV Cleanup Fund and fee increases to provide moneys to fund to pay for cleanup of abandoned RVs.

Section 170: Statewide Transportation Improvement Fund (STIF) Funding for Light Rail Capital Maintenance Expenses: Authorizes use of moneys from STIF for capital expenses related to the maintenance of existing light rail infrastructure.

Section 171: Statewide Transportation Improvement Program (STIP) Selection Criteria: includes criteria for project selection in STIF to include whether a project reduces overall demand for motor vehicle travel on a highway, whether it is located in an area where the receiving government has made a good faith effort to maintain, preserve, and operate highways to the satisfaction of the OTC.

Sections 172-173: LRO Studies: Directs Legislative Revenue Office (LRO) to study distribution of specified tax revenues and report to legislative committees by September 15, 2026.

Sections 174-175: Deposits \$2 million annually from "Lawnmower Fund" (gas tax collected for non-highway uses) into Multimodal Active Transportation Fund.

Sections 176-177: ODOT Studies: Directs ODOT to conduct the following studies:

- -allowing all STIF entities to provide free youth passes for persons age 22 and younger;
- impact on travel demand for all new federal/state capacity expansion projects;
- collaborate with cities and counties to develop a plan to improve interagency partnerships and address transit gaps and unmet needs in all state regions

Sections 178-179: ODOT Study of Westside Express Service (WES) Expansion: Directs ODOT to study expansion of Westside Express Commuter Rail to Salem and Eugene.

Section 180: Snowmobile Registration Fees: Increases registration and renewal for snowmobiles from \$10 to \$30.

Section 181: ODOT Vehicle Electrification Studies: Directs ODOT to conduct studies and report to Legislative Assembly by September 15, 2026 on the following:

- --how to increase number of EV charging stations available for all types of motor vehicles powered by electricity, including those weighing more than 26,000 pounds
- --how to encourage the purchase of electric motor vehicles through rebates or other financial incentives
- --; sunsets January 2, 2027

ISSUES DISCUSSED:

- Importance of completing promised projects
- Potential traffic and safety improvements
- Need to adequately maintain existing highway system and infrastructure
- Need for maintaining cost responsibility through Highway Cost Allocation Study
- Contracting for construction projects
- Tax burden on Oregonians, particularly low-income Oregonians
- Questions about Oregon Department of Transportation's ability to absorb more duties
- Need for greater transportation electrification
- Tendency for cost overruns in large projects
- Need for transportation construction projects dashboard
- Fees for different classes of vehicles
- State environmental and greenhouse gas reduction goals
- Importance of transit options for non-drivers
- Consider larger increase in the employee payroll tax to improve transit
- More funding for Great Streets and Safe Routes to Schools
- Desire to move away from motor vehicle-centric transportation system
- Need greater investment in Community Paths program
- Transit ridership is improving, though not yet back to pre-pandemic levels in many areas
- Better road design needed to improve safety

- Health benefits of active transportation
- Need for increased funding for intercity passenger rail for greater speed, efficiency, and safety
- Problems related to deferred maintenance
- Many local government transportation systems "at breaking point"
- Maintain the 50/30/20 state-local revenue split
- Constraints on local government transportation funding
- Potential impact of privilege tax, transfer tax, and registration fees on car sales
- Need to protect safety of highway workers
- Areas of the state with very little highway worker coverage
- Consider privatization of some government services as alternative to higher fees
- Consider imposing landing fees on all Oregon airports
- Aging information systems need upgrades
- Consider applying road usage charge on all passenger vehicles

EFFECT OF AMENDMENT:

<u>Section 1</u>: Defines "performance audit" and combines biennial performance audit on use of State Highway Fund moneys into a single report with performance audit of department capital projects. Relocates Legislative Policy and Research Office (LPRO) professional services contract requirement and sets sunset on that provision for January 2, 2027.

<u>Sections 2-4</u>: Modifies weight-mile tax tables. Sets weight-mile tax tables to take effect July 1, 2028, with no additional future adjustments (resulting in Sections 5-7 being deleted).

<u>Section 15</u>: Clarifies offenses of operating vehicle without commercial driving privileges and operating vehicle while commercial privileges are suspended or revoked by adding classifications for gross vehicle weight rating of 10,001+ pounds, gross combination weight rating of 10,001+ pounds, and gross vehicle weight of 10,001+ pounds. Reorganizes statute related to weighmaster authority to issue citations for listed offenses.

<u>Section 44</u>: Reinstates provisions from base bill related to Highway Cost Allocation Study (HCAS). Specifies that biennial HCAS is to incorporate results of examination of most recent study results for which actual data are available. Replaces automatic weight-mile reductions if Legislative Assembly has not take action to rectify imbalance between light and heavy vehicles with directive that Legislative Assembly rectify imbalance.

<u>Section 45, 47</u>: changes term "years 2029 and later" to "year 2029" with regard to the Oregon Transportation Commission setting price of fuel commensurate with calculation of Consumer Price Index (CPI). Increases maximum annual increase related to CPI from 103 percent to 104 percent. Modifies CPI adjustment beginning January 1, 2030, by referencing 12 consecutive months prior, rather than 12 consecutive months ending June 30, 2027.

<u>Section 56</u>: Adds requirement that study include how to improve interagency partnerships and service to address transit gaps and unmet needs in the Metro region. Establishes goal to include input by cities, counties, and transit providers in the tri-county Metro area to identify gaps and unmet needs. Directs that report be submitted to Joint Committee on Transportation by September 15, 2026; sunsets report requirement January 2, 2027.

<u>Section 62</u>: Revises fee schedules for trailers, campers, and recreational vehicles.

<u>Sections 64-65</u>: Replaces incorrect road use assessment fees and flat fees with a single increase effective July 1, 2028. Removes Sections 66 and 67.

Section 69: Revises fee schedules for certain Department of Motor Vehicle documents and services.

Section 71: Revises trip permit fees.

<u>Section 81</u>: Widens applicability of transfer tax to all vehicles with a gross vehicle weight rating of 26,000 pounds or less (modified from 10,000 pounds or less).

Section 84: Adds reference to privilege use tax to other taxes paid relative to the transfer use tax.

Section 110: Clarifies 50/30/20 revenue split of moneys after deposits are made into the Anchor Projects Fund.

Section 111: Relocates anchor projects list to this section.

Section 120a: Sets effective date of anchor projects list at July 1, 2027.

<u>Section 127</u>: Adds definition of "hybrid electric vehicle" and "plug-in electric hybrid vehicle" and treats both the same with regard to applicability of the road usage charge.

<u>Section 131</u>: Increases the per-mile road usage charge flat fee annually as a percentage of the price per gallon motor fuel tax for the same period.

<u>Section 134b</u>: Prohibits motor vehicle rental companies from passing on per-mile road usage charge to consumers, beyond what is reasonable to cover costs.

<u>Section 136</u>: Limits maximum allowable administrative costs for road usage charge program by limiting agreement with service providers for retaining administrative costs more than 10 percent of the road usage charge collected under the agreement, allowing penalties should service provider violate this section.

<u>Section 140</u>: Modifies the mile-per-gallon registration surcharge as follows:

- 0-19 MPG: reduced from \$20 to zero
- 20-39 MPG: reduced from \$25 to \$5
- 40+ MPG: reduced from \$35 to \$15
- electric vehicles reduced from \$115 to \$95

<u>Section 148</u>: Changes repeal date of ORS 803.091 (imposition of title fees based on mile-per-gallon rating of vehicle) from July 1, 2026, to January 1, 2026.

Section 153: Corrects start dates for administration and permit tags for delivery vehicles (July 1, 2028).

Sections 154-157: Removes references to grants from Great Streets Program.

<u>Section 160</u>: Specifies that the limitation on lane widths less than 12 feet applies on portions of state highways on identified freight routes located outside of urban growth boundaries

<u>Section 162-166</u>: Amends in provisions related to recreational vehicle trip permit surcharges to pay for disposal of abandoned vehicles; sunsets provisions on January 2, 2036 [see House Bill 3209, 2025 Session].

Section 167-168: Adjusts fee changes for trailers, campers, and motor homes according to changes in CPI.

<u>Section 170</u>: Allows use of funds from Statewide Transit Improvement Fund (STIF) for capital expenses related to maintenance of existing light rail.

<u>Section 171</u>: Modifies selection criteria for Statewide Transportation Improvement Program (STIP) to include whether a project reduces overall demand for motor vehicle travel on highways or is located in an area where the receiving government has made a good faith effort to maintain preserve, and operate highways to the satisfaction of the Oregon Transportation Commission.

<u>Sections 172-173</u>: Requires Legislative Revenue Office to conduct a study on the distribution of certain tax revenues and to submit the report no later than September 15, 2026; repeals requirement on January 2, 2027.

<u>Section 174-175</u>: Deposits \$2 million annually from "Lawnmower Fund" (motor fuel tax collected for non-highway uses) into Multimodal Active Transportation Fund.

Sections 176-177: Directs ODOT to conduct the following studies:

- allowing all STIF entities to provide free youth passes for persons age 22 and younger
- impact of travel demand for all new federal/state capacity expansion projects
- collaborate with cities and counties to develop a plan to improve interagency partnerships and address transit gaps and unmet needs in each region of the state

Section 178-179: Directs ODOT to study expansion of Westside Express Commuter Rail to Salem and Eugene.

Section 180: Increases fee for issuance or renewal of snowmobile registration from \$10 to \$30.

<u>Section 181</u>: Directs ODOT to conduct studies and report to Legislative Assembly by September 15, 2026 on the following:

- --how to increase number of EV charging stations available for all types of motor vehicles powered by electricity, including those weighing more than 26,000 pounds
- --how to encourage the purchase of electric motor vehicles through rebates or other financial incentive. Sunsets January 2, 2027

BACKGROUND:

Oregon was the first state in the United States to adopt a motor vehicle fuel tax (one cent per gallon, adopted in 1919). Since that time, the fuel tax has been increased a number of times, the two most recent examples being major transportation funding packages: House Bill 2001 (2009) increased the tax from 24 cents per gallon to 30 cents per gallon; House Bill 2017 (2017) increased it in four steps over four biennia to 40 cents per gallon, the most recent taking effect January 1, 2024. In both cases, a large portion of the new revenues was used for the construction of numerous small, local improvement projects as well as a number of projects of statewide significance. Some of the latter group of projects (including the Interstate 5 Rose Quarter project, the Abernethy Bridge, the Interstate 205 widening and seismic project, later phases of the Newberg-Dundee Bypass, and the Center Street Salem bridge) remain unfunded or underfunded.

The Oregon Department of Transportation (ODOT) reported to the Joint Committee on Transportation shortly before the 2024 session that the agency would soon be facing a critical shortfall that would degrade the Department's ability to carry out its mission and duties. For more than two decades it has been known that the state's reliance on the motor fuel tax (combined with the weight-mile tax for heavy trucks) was a source of declining efficacy, as steadily improving vehicle mileage ratings, combined with a growing percentage of electric and hybrid vehicles within the state, were reducing the amount of revenue taken in per vehicle mile traveled, during a time when inflation was also increasing the cost of both labor and materials for construction and maintenance activities. This factor, combined with past bonding of certain transportation revenues for project delivery, lack of action to increase funding at the federal level, and some miscalculation, resulted in an estimated shortfall of nearly \$1 billion per year.

House Bill 2025 A is the transportation funding and policy package for the 2025 session. It includes increases to not only the fuel taxes, but also to fees for services and documents produced by ODOT; increases to the employee payroll tax that provides funding for transit services statewide; increases to the privilege tax; and a new vehicle transfer tax to provide continued funding for electric vehicle rebates and charging infrastructure, completion of the legacy highway projects still awaiting funding, and safety projects statewide through the Great Streets and Safe Routes to Schools programs. It also transfers the authority to appoint the director of the Oregon Department of Transportation to the Governor (with Senate approval), enhances ODOT audit requirements, and directs a number of studies to be completed.