

HB 2025 B STAFF MEASURE SUMMARY

Joint Committee On Transportation Reinvestment

Carrier: Rep. McLain

Action Date: 06/26/25**Action:** Do pass with amendments to the A-Eng bill. (Printed B-Eng.)**House Vote****Yeas:** 5 - Gamba, Lively, Mannix, McLain, Nathanson**Nays:** 2 - Boshart Davis, Helfrich**Senate Vote****Yeas:** 3 - Frederick, Manning Jr, Pham**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, 6/26**WHAT THE MEASURE DOES:**

The measure increases several transportation taxes and fees, 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 that 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 inspection of premises and records authority of ODOT over enforcement of motor vehicle fuel taxes. Authorizes

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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 52 cents beginning January 1, 2026. 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 an additional increase to 0.25 percent effective January 1, 2028, and a 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 58-58a: Adds definition of "new" to mean motor vehicles with 7,500 miles or less on the odometer; for motor vehicles not equipped with an odometer, a vehicle is classified as "new" if it has a manufacturer's certificate of origin or a manufacturer's statement of origin. Modifies definition of "taxable motor vehicle" to include new or used vehicles with a gross vehicle weight rating of 26,000 pounds or less. Adds definition of "used" to mean motor vehicles that are not covered by definition of "new." Sets operative date of new and modified definitions in Section 58 as July 1, 2028.

Section 59-61: Vehicle Privilege Tax: Increases the privilege tax rate, and commensurate use tax rate, from 0.5 percent to 2.5 percent of the retail sales price of new taxable motor vehicles and also for the amount of the retail sales price of used vehicles over \$10,000. Revises transfer of moneys attributable to privilege tax as follows:

- 38 percent to Great Streets Fund;
- 38 percent to Anchor Project Account;
- 10 percent to Zero-Emission Incentive Fund;
- 8 percent to Connect Oregon Fund;
- 6 percent to Railroad Fund.

Revises revenue distribution related to the use tax as follows:

- up to \$5 million to the Wildlife-Vehicle Collision Reduction Fund;
- up to \$25 million to the Safe Routes to Schools Fund;
- balance of use tax revenues distributed under Section 110 of this measure.

Revises effective date from January 1, 2026, to July 1, 2028.

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Section 62-81: Vehicle Fees and Taxes: Reverts most vehicle, driver, document/service fees, and dealer and dismantler certificates to current statutory levels, with the following exceptions:

- passenger vehicles (\$43/yr to \$75/yr);
- utility/light trailers (reduced from \$63/yr to \$75/yr);
- motorcycles & mopeds (reduced from \$44/yr to \$75/yr);
- low-speed vehicles (reduced from \$63/yr to \$75/yr);
- medium-speed electric vehicles (reduced from \$63/yr to \$75/yr);
- certificate of title/duplicate/replacement, or new title due to name change (increased from \$182 to \$312);
- Single-trip, non-divisible load permit fee from ten and nine-tenths cents per equivalent single axle load mile traveled to twelve and seven-tenths cents per equivalent single-axle load mile traveled;

Provides for following fee rate reductions for each 100 pounds of declared combined weight for vehicles transporting logs, poles, peeler cores or piling:

- for electric vehicles: \$12.21;
- for vehicles other than electric: \$7.82;

Provides for following fee rate reductions for each 100 pounds of declared combined weight for vehicles transporting sand, gravel, debris, etc.:

- for electric vehicles: \$19.75;
- for vehicles other than electric: \$12.64;
- for recreational trip permit of \$50.

Sections 94-100: 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.

Sections 101-102: Local government taxes: Eliminates prohibition on local governments imposing privilege, excise, sales, transfer, or use taxes unless authorized by statute or approved by a governing body prior to measure's effective date.

Section 103: Vehicle title requirements: Removes reference to vehicle transfer use tax.

Section 106-109: Integrators: Removes reference to privilege tax and modifies maximum allowable negotiated document fee charged by vehicle dealer as follows:

- Increase fee from \$250 to \$450 if dealer uses an integrator;
- Increases fee from \$200 to \$350 if dealer does not use an integrator.

Changes operative date of fee changes to January 1, 2026.

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

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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 used electric vehicles beginning July 1, 2026; new electric vehicles beginning January 1, 2027; plug-in hybrid vehicles and hybrid vehicles beginning July 1, 2027; and electric delivery vehicles beginning July 1, 2028. Prohibits vehicle rental companies from passing on per-mile usage charge to consumers 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 reports 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 Study: 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 181-182: 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;
- sunset January 2, 2027.

Section 183: Study of Possible Rail and Transit Agency: Requires Director of Legislative Policy and Research Office (LPRO) to contract with qualified vendor to conduct a study and prepare a report on impact of governance reform options for passenger rail and transit in the state. Requires submission of report to LPRO by September 1, 2026, and submission of report from LPRO Director to legislative committees related to transportation by September 15, 2026.

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:

The amendment makes the following changes to the A-engrossed measure:

Section 2: Reduces fee rates in weight Mileage Tax Rate Table A and increases fee rates in weight Mileage Tax Rate Table E.

Section 11: Eliminates definition of "Consumer Price Index for All Urban Consumers, West Region."

Section 45-48: Replaces the two increases in motor fuel taxes (10 cents in 2026, five additional cents in 2028) with a single 12-cent increase effective January 1, 2026. Eliminates adjustments for inflation originally scheduled to commence in 2029.

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Section 58-58a: Adds definition of "new" to mean motor vehicles with 7,500 miles or less on the odometer; for motor vehicles not equipped with an odometer, a vehicle is classified as "new" if it has a manufacturer's certificate of origin or a manufacturer's statement of origin. Modifies definition of "taxable motor vehicle" to include new or used vehicles with a gross vehicle weight rating of 26,000 pounds or less. Adds definition of "used" to mean motor vehicles that are not covered by definition of "new." Sets operative date of new and modified definitions in Section 58 as July 1, 2028.

Sections 59-61: Increases privilege tax rate and use tax rate from 0.5 percent to 2.25 percent of new taxable vehicles and the amount of the retail sales price of a used vehicle over \$10,000. Revises transfer of moneys attributable to privilege tax as follows:

- 38 percent to Great Streets Fund;
- 38 percent to Anchor Project Account;
- 10 percent to Zero-Emission Incentive Fund;
- eight percent to Connect Oregon Fund;
- six percent to Railroad Fund.

Revises revenue distribution related to the use tax as follows:

- up to \$5 million to the Wildlife-Vehicle Collision Reduction Fund;
- up to \$25 million to the Safe Routes to Schools Fund;
- balance of use tax revenues distributed under Section 110 of this measure.

Revises effective date from January 1, 2026, to July 1, 2028.

Section 62: Modifies the following fees from A-engrossed measure:

- passenger vehicles (reduced from \$113/yr to \$75/yr);
- utility/light trailers (reduced from \$129/yr to \$75/yr);
- motorcycles & mopeds (reduced from \$110/yr to \$75/yr);
- low-speed vehicles (reduced from \$129/yr to \$75/yr);
- medium-speed electric vehicles (reduced from \$129/yr to \$75/yr).

Section 63: Increases cost to issue certificate of title, duplicate or replacement certificate of title, or issue a new title due to name or address change from \$182 to \$312.

Sections 64-65: Reduces single-trip, non-divisible load permit fee from twenty-four and zero-tenths cents per equivalent single axle load mile traveled to twelve and seven-tenths cents per equivalent single-axle load mile traveled.

Provides for following fee rate reductions for each 100 pounds of declared combined weight for vehicles transporting logs, poles, peeler cores, or piling:

- for electric vehicles: reduced from \$16.48 to \$12.21;
- for vehicles other than electric: reduced from \$14.80 to \$7.82;

Provides for following fee rate reductions for each 100 pounds of declared combined weight for vehicles transporting sand, gravel, debris, etc.:

- for electric vehicles: reduced from \$26.64 to \$19.75;
- for vehicles other than electric: reduced from \$23.95 to \$12.64.

Section 68: Reverts to existing statutory fees for registration cards, registration plates, and stickers.

Section 69: Reverts to existing statutory fees for documents, including driver licenses, permits, motorcycle endorsements, farm endorsements, and renewals and replacements of documents. Reverts to existing statutory fees for skills tests for Class C and commercial driver licenses; reverts to existing statutory fees for dismantler and vehicle dealer certificates.

Section 70: Reverts to existing statutory fees for dealer certificates and dismantler certificates.

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Section 71: Reverts to existing statutory fees for trip permits *except for recreational trip permit*, which retains the A-engrossed measure's increase to \$50.

Section 71a: Reverts to existing statutory fees for duplicate registration documents, stickers, and plates.

Section 79: Removes reference to ORS 803.575, ORS 807.370, ORS 822.700, and ORS 826.023, and to sections 68-70.

Sections 81-93: These sections, relating to the imposition of transfer taxes, are deleted (subsequent sections were not renumbered).

Sections 94-100: Removes language differentiating between bicycle tax and privilege tax.

Sections 101-102: Deletes sections prohibiting local governments from imposing any privilege, excise, sales, transfer, or use tax on or with respect to transfer tax vehicles. Reinstates provisions for when purchasers are required to remit use tax and excise tax; and interagency agreement between Department of Revenue and Department of Transportation. Deletes references and sections related to transfer tax vehicles.

Section 106: Increases maximum negotiated fee between purchaser and dealer for document processing from \$250 to \$450 if dealer uses an integrator, or from \$200 to \$350 if dealer does not use an integrator.

Section 107: Changes statutory references as conforming amendments.

Section 108: Removes reference to transfer tax.

Section 109: Sets operative date for amendments in Section 106 related to integrators at January 1, 2026. Changes references based on sections removed or modified and delays implementation from January 1, 2027, until January 1, 2028.

Section 110: Includes moneys from use tax imposed under ORS 320.410 that are transferred under ORS 320.435.

Sections 111-114: Modifies list of revenue sources and eliminates references to transfer tax and transfer use tax. Deletes deposits to Great Streets Fund, Wildlife-Vehicle Collision Reduction Fund, Safe Routes to Schools Fund, and Anchor Projects Fund. Changes operative date of section 111 from July 1, 2027 to July 1, 2028.

Sections 117-118: Modifies funding source for Wildlife-Vehicle Collision Reduction Fund by deleting reference to Section 110 and adding reference to use tax transferred under ORS 320.435. Changes operative date from July 1, 2027, to January 1, 2026.

Section 119: Reinstates section and specifies that Safe Routes to Schools Fund moneys in the fund include use tax transferred under ORS 320.435.

Section 120: Modifies sources of moneys in Anchor Projects Account by removing reference to Section 110, adding reference to use tax transferred under ORS 320.405. Specifies use of funds is to pay costs related to anchor projects, in the following order of priority:

- Interstate 5 Rose Quarter;

- Abernethy Bridge;

- Oregon Transportation Commission to determine priority among I-205 Widening Project, Newberg-Dundee Bypass Project, and State Highway 22/Center Street Bridge.

Specifies that once all anchor projects are completed, up to \$125 million per year shall be allocated 50/30/20. Changes effective date of Section 120 from July 1, 2027, to January 1, 2026.

Section 156-156b: Expands sources of funding for Great Streets Fund to include privilege tax transferred under ORS 320.405. Deletes modifications to Great Streets Fund scheduled for July 1, 2027, by deleting Sections 156a and 156b.

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Section 183: Requires Director of Legislative Policy and Research Office (LPRO) to contract with qualified vendor to conduct a study and prepare a report on the impact of governance reform options for passenger rail and transit in the state. Requires submission of report to LPRO by September 1, 2026, and submission of report from LPRO Director to legislative committees related to transportation by September 15, 2026.

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: fuel taxes, fees for services and documents produced by ODOT, the employee payroll tax that provides funding for transit services statewide, 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.