



Oregon

Tina Kotek, Governor

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DATE: June 14, 2025

TO: Joint Committee on Transportation Reinvestment

FROM: Kristopher W. Strickler
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SUBJECT: HB 2025 – 2025 Transportation Funding Package

The Oregon Department of Transportation (ODOT) appreciates the committee's diligent work and thoughtful deliberation of a 2025 transportation funding package, and grateful for the Committee's continued commitment to ensuring a funding package passes this session that addresses Oregon's structural revenue challenges and provides sufficient and reliable funding to make Oregon's state and local transportation system safe and accessible.

ODOT recognizes the legislature must adjourn sine die by June 29, leaving just weeks for discussion and final decisions on this package. In an effort to ensure clarity in policy direction and guidance, feasibility in implementation, and ultimate success of this funding package, ODOT offers the following information for the Committee's consideration of House Bill 2025:

- Feedback and recommendations on specific sections of HB 2025; and
- A brief overview of the measure's fiscal impact (recognizing a full fiscal analysis will be complete by the Legislative Fiscal Office and the Joint Committee on Ways and Means)

FEEDBACK AND RECCOMENDATIONS ON SPECIFIC SECTIONS OF HB 2025

Accountability (Section 1)

Section 1f: Local Project Scope Expansion Requests. This section directs that when a city or county proposes to expand the scope of a state highway improvement project that may use federal transportation funds, and does not provide funding for the added scope, the Oregon Transportation Commission (OTC) shall consider the change and if approved, report it to the Joint Committee on Transportation (JCT). The JCT may then consider and recommend future appropriations to cover the increased costs approved by the OTC. This process applies when the scope change increases project costs by 10% or more for projects under \$25 million, or 5% or more for projects \$25 million or greater.

This section introduces a new procedural review mechanism for local requests that ODOT sees as intended to promote fiscal clarity, accountability, and coordination. ODOT would administer this process as directed and report to the OTC and JCT any potential delays in project delivery that

could unintentionally add to project costs. ODOT also presumes that this process would apply to changes requested by other entities besides cities and counties.

ODOT's plan would be to administer this process, evaluate its effectiveness for unforeseen impacts, and respectfully request adjustments in future legislative sessions if necessary.

Weight-Mile Taxes (Section 2 – 10)

Section 8: Weight-Mile Tax. This section simplifies and revises weight-mile tax rates. Two amendments to ORS 825.474 present revenue challenges for the department. First, it exempts vehicles over 80,000 lbs. from Table B, eliminating weight-mile tax (WMT) requirements for those vehicles. Second, it exempts electric vehicles operating on variance permits over 26,000 lbs. from WMT. This change would result in no weight-mile tax liability for these carriers, reducing overall revenue into the State Highway Fund.

Recommendation: Amend language to ensure vehicles over 80,000 lbs. with variance permits and electric vehicles over 26,001 lbs. with variance permits are subject to WMT consistent with current practice. This change could be addressed during the 2026 legislative session.

Diesel Fuel Tax Administration (Section 11 – 43)

Section 23: Dyed Diesel Use/Authority. This section restricts the use of dyed diesel in motor vehicles operating on public highways, aligning with existing federal prohibitions except in limited cases where a federal agency authorizes such use or when a refund is available. It also outlines storage requirements to prevent the commingling of dyed and undyed diesel fuels, with penalties for violations. However, the section does not currently outline a mechanism for state or local entities to legally operate vehicles on dyed fuel under a license or permit framework, as is permitted in Washington State for local governments and non-profits.

Recommendation: Establish a state-level licensing program allowing local governments and qualifying non-profits to use dyed diesel in on-road vehicles, similar to the state of Washington's model. Statutory changes and administrative requirements to support development of a compliant and functional program in Oregon need to be investigated. This change could be addressed during the 2026 legislative session.

Section 32: Fuel Permits for Non-IFTA out of state carriers. This section establishes new requirements for out-of-state motor carriers to obtain fuel trip permits when operating on Oregon highways without an International Fuel Tax Agreement (IFTA) license. Current language groups vehicles based on weight and axle count in a manner that does not align with the classifications used in IFTA. IFTA treats these groups distinctly and merging them may lead to inconsistencies in enforcement and compliance.

Recommendation: Amend the bill language to ensure compliance with IFTA framework and support consistent application of fuel tax requirements across jurisdictions. This change could be addressed during the 2026 legislative session.

Section 33 – 35: Federal Responsibility Requirements for Interstate Carriers. These sections provide conforming amendments to existing statutes related to motor carrier regulation and enforcement. These updates reinforce ODOT’s authority to collect and manage revenues, clarify requirements for interstate carriers operating in Oregon, and establish a reinstatement fee for carriers whose operating authority has been suspended. Section 34 references both a “certificate” and a “temporary pass” but uses “certificate” to refer to both, creating a discrepancy with the language used elsewhere in statutes and rules.

Recommendation: Amend Section 34 to include the term “permit” in association with ORS 825.100 to clarify the distinction between a “certificate” and a “permit,” ensuring consistency throughout statutes and rules. This change could be addressed during the 2026 legislative session.

Section 36 – 38: Weight Mile Tax Simplification. These sections update terminology in ORS 319.665 to reflect changes in Section 36. However, ORS 319.665 would become obsolete under this measure’s hybrid tax model, which replaces the WMT-only system and shifts alternative fuels to pump-based taxation under IFTA. Amending an outdated statute introduces unnecessary confusion.

Recommendation: Remove Section 38 in its entirety to account for the shift from WMT-only to the hybrid model. This change could be addressed during the 2026 legislative session.

Highway Cost Allocation Study (Section 44)

Section 44: Regulatory HCAS Balancing. This section directs the Department of Administrative Services (DAS) to downward revise two taxes to achieve equity between light and heavy vehicle classes—the weight-mile tax and fuels tax rates—if the equity ratio exceeds the statutory rate and the legislature has not adjusted the rates to achieve equity. Due to the new diesel tax (and payment of same by both light and heavy vehicles), DAS may not be able to make the adjustments to achieve equity through adjustment of only these rates.

Recommendation: Consider authorizing DAS to downward revise other rates (in addition to weight-mile tax and fuels tax) with small scale impact to achieve cost equity between light and heavy-duty vehicles. This change could be addressed during the 2026 legislative session.

Vehicle Fees and Taxes (Section 62 – 80)

Sections 64 – 65: Road Use Assessment Fees (RUAF). These sections would eliminate the current RUAF rate and phase in increased rates with the first phase-in period occurring July 1, 2028 – December 31, 2028. Since the language eliminates the current rate, but doesn’t begin the new rate phase-in until July 1, 2028 and all those changes are operative January 1, 2026, this

would result in no RUAF rates/payments from January 1, 2026 – July 1, 2028. We believe this is likely an error and assume the legislature intends for relevant carriers to continue paying the current RUAF rate until the new RUAF phase-in rates begin on July 1, 2028.

Recommendation: Retain the existing statutory language to keep current fee rates until the first phase-in period from July 1, 2028 – December 31, 2028, and change the operative date for the future fees in this section to July 1, 2028, rather than the current language's January 1, 2026, to ensure these vehicles continue to pay their fair share of road usage in the interim. ODOT respectfully recommends this be addressed in an amendment to HB 2025.

Sections 66 – 67: Commercial Vehicle Flat Fees. This section would make changes to flat fee rates for carriers hauling logs, poles, peeler cores, or piling. However, this section also eliminates these flat fees entirely from January 1, 2026 – June 30, 2028. We believe this is likely an error, and assume the legislature intends for these carriers to continue paying their current flat fee rates until the new rates included in the measure become effective July 1, 2028.

Recommendation: Retain the existing statutory language to retain current fee rates and change the operative date for the future fees in this section to July 1, 2028, rather than the current language's January 1, 2026, to ensure these vehicles continue to pay their fair share of road usage. Per the most recent flat fee study, the rates for these carriers need to be adjusted this year ahead of January 1, 2026, so it is especially important to keep current rate language in place so that these fees can be adjusted in time per HCAS requirements. ODOT respectfully recommends this be addressed in an amendment to HB 2025.

Transfer Taxes (Section 81 – 109)

Section 81: Establishes definitions for Transfer Taxes. This section provides definitions for transfer taxes, including bicycle tax, privilege tax, privilege use tax, transfer tax, and transfer use tax. It defines the gross weight rating (GVWR) for transfer tax vehicle as 10,000 pounds or less. The weight classification for Transfer Tax Vehicles differs from Privilege and Use Tax Vehicles, which has a GVWR of up to 26,000 lbs. This discrepancy could result in some vehicles being subject to the Privilege and Use Tax and not subject to the Transfer Tax, particularly large vehicles with high GVWR.

Recommendation: Clarify intent for application of privilege and privilege use tax to different classes of vehicles than transfer use and transfer use tax. ODOT respectfully recommends this be addressed in an amendment to HB 2025.

Sections 84 & 87: Transfer and Privilege Use Taxes. As written Section 84(4) would allow the transfer use taxpayer who also is liable for privilege use tax to reduce their transfer use tax by the amount they owe in privilege use tax. Section 87(4) presents the same issue but in reverse, where the privilege use taxpayer would reduce their tax liability by the amount of transfer use tax they paid.

ODOT would be collecting both taxes when titling a vehicle, and it's unclear if one tax reduces the tax liability of the other, or because they are paying both simultaneously, if the two taxes are intended to be additive.

Recommendation: Clarify whether the transfer use tax and the privilege use tax are intended to reduce the other or are additive. ODOT respectfully recommends this be addressed in an amendment to HB 2025.

Use of Revenues (Section 110 – 122)

Sections 110 – 116: Allocation of certain State Highway Fund Monies. Sections 110-116 direct increased revenue from motor vehicle fuels tax, diesel tax, vehicle registration fees, and vehicle title fees; and new revenue from the transfer tax and transfer use tax to the Anchor Project Account, Great Streets Program, Safe Routes to School Program, and the Wildlife-Vehicle Collision Reduction Fund. The balance remaining after the allocation is distributed to ODOT (50%), counties (30%), and cities (20%). The revenues and allocations are phased in over time with final revenues and allocations effective July 1, 2034.

The Anchor Projects Fund is allocated \$125 million annually beginning in 2026 and directs ODOT to fund a list of five major projects that collectively total roughly \$2.5 billion or more in unfunded costs. ODOT has begun developing preliminary funding scenarios for how these resources could be used to maximize investment in these projects using both cash flow and bonding. HB 2025 first prioritizes funding the I-5 Rose Quarter Project and then the I-205 Abernethy Bridge project. If funding remains after completing these two projects, ODOT would seek to fund one or more of the remaining three projects. However, depending upon costs and the priority order of completion, ODOT does not anticipate the existence of sufficient funding to complete the remaining projects for 10 to 25 years into the future, potentially after initial bonds are retired.

Section 122: Small Cities Allotment. ODOT operates the Small Cities Allotment Program, which provides grants to cities under 5,000 for road projects. Currently the program provides \$5 million a year; in 2024 this funding allowed 24 cities to receive grants of up to \$250,000 each. Half of the program's funding comes from ODOT's 50% share of the State Highway Fund and half comes from the city's 20% share; this would grow to \$6 million under HB 2025, and the equal split between ODOT and cities would continue. In addition to contributing half of the program's funding, ODOT funds the program operations at a cost of approximately \$250,000 per year, including paying for one full time position and other staffing costs as well as DOJ review of grant agreements.

Recommendation: With a growing program, ODOT will respectfully request an amendment to allow the Department to cover administrative costs from the Department's contribution to the Small Cities program. This change could be addressed during the 2026 legislative session.

Road Usage Charge (Section 123 – 153)

Sections 123 – 153: Administrative Costs. The measure does not cap administrative costs for the Road Usage Charge (RUC) program.

Recommendation: Cap administrative costs for the RUC program at 10 percent upon full implementation. ODOT respectfully recommends this be addressed in an amendment to HB 2025.

Section 123: Battery Hybrid Vehicles. Battery hybrid vehicles are not included in the RUC program proposed in HB 2025; however, battery hybrid vehicles pay disproportionately less than their fair share of road usage and should be included within the scope of the RUC program.

Recommendation: Include battery hybrid vehicles in the RUC program. ODOT respectfully recommends this be addressed in an amendment to HB 2025.

Section 127: Establishes Definitions. This subsection establishes definitions related to package delivery, including delivery vehicle; e-commerce property; electric delivery vehicle; electronic commerce; and fleet of delivery vehicles. Sec. 127 further establishes reporting periods for various vehicle types.

Recommendations: For consistency across statutes and rules, ODOT offers the following comments and recommendations:

- Section 127(1)(b): Requiring a person operating a delivery vehicle to obtain a “certificate or permit” rather than a “license” would provide greater consistency.
- Section 127(1)(c): Defining the delivery from a “fulfillment center” may not capture all delivery vehicles driving from various package pickup locations.
- Section 127(6): The use of “fleet” as a shorthand of “fleet of delivery vehicles” is not consistent with other uses of the term in the measure, statute, and rule. ODOT recommends amending the shorthand term to provide more specificity as it relates to delivery vehicles.
- Section 127(12): Battery hybrid vehicles are not captured.

These changes could be addressed during the 2026 legislative session.

Section 131: Opt-out & Registration Surcharge Exemption. This subsection allows a registered owner of a subject vehicle to opt-out of the Road Usage Charge (RUC) program by paying a flat annual fee of \$340.

Recommendation: ODOT recommends conforming the calculation method in this section to be consistent with the significant digits for fuels and weight-mile taxes by rounding the RUC rate in ORS 319.885(2)(a) to the nearest 0.1 cent and setting the flat fee in ORS 319.885(2)(a) to 17,000 miles times the RUC rate, or alternatively at the 90th percentile of miles driven. ODOT recommends this be addressed in an amendment to HB 2025.

Section 148: Repeals ORS 803.091. This subsection repeals ORS 803.091, establishing title fees based on miles per gallon, effective July 1, 2026. Related, Section 63 of the measure amends

vehicle registration fees with an effective date of January 1, 2026, resulting in a six-month period where a user is paying an additional \$112 on title fees.

Recommendation: Align effective dates in Section 63 and 148. ODOT respectfully recommends this be addressed in an amendment to HB 2025.

Section 150: Permitting provisions. This subsection establishes new provisions for the permitting of delivery vehicles under RUC. ODOT has been working towards streamlining administrative processes for cost and customer service efficacies, including moving away from issuing physical materials where possible. As written in Sec. 150, the issuance of physical permit tags is dissimilar to how the Department administers similar credentials, such as the Weight Mile Tax. Issuing physical permit tags will unnecessarily result in significant administrative costs, making it challenging to administer the program within a cap for administrative costs should the legislature chose to include a cap for RUC.

Recommendation: We respectfully request to remove language directing the issuance of physical permit tag and allow vehicles to stay enrolled until the owner removes their vehicle from the program (similar to how WMT is administered) allowing the Department to administer the program similar to current programs for cost efficiency. This change could be addressed during the 2026 legislative session.

Great Streets Program and General Changes (Section 154 – 160)

Section 154: Establishes Great Streets Advisory Committee. The measure renames the Oregon Department of Transportation's Jurisdictional Transfers Advisory Committee (JTAC) to the Great Streets Advisory Committee, maintains the existing charge of the committee, and expands the committee's charge to include advising and recommending projects for funding. The subsection further amends the Department's reporting requirements to include information on the projects selected for grant funding and to submit the report to the Oregon Transportation Commission in addition to the Joint Committee on Transportation.

ODOT's Great Streets program was established in 2022 and funds projects aimed at addressing multiple needs within a corridor through one project. The program focuses on state highways that operate as main streets and other state highway corridors where the top priority multimodal transportation needs intersect. The current language in HB 2025 prioritizes routes that are candidates for jurisdictional transfer; but in some cases, while ownership transfer may not be the ultimate goal (as determined by both the local jurisdiction and ODOT), the corridor may still be a good candidate for the program.

Recommendation: The Department respectfully recommends preserving the Great Streets program as it functions today—to continue focusing on addressing multiple needs within a corridor and support jurisdictional transfers when appropriate. ODOT recommends repurposing JTAC as the Great Streets Advisory Committee and removing language around Jurisdictional Transfers to maintain the broader focus of the program *or* establishing a new committee for Great Streets in addition to JTAC. Further, the Department recommends adding language that provides

ODOT rulemaking authority for the Great Streets program. These changes could be addressed during the 2026 legislative session.

Section 156: Establishes the Great Streets Fund. This subsection establishes a fund for the Great Streets program and directs the Department to award *grants* for projects that meet priority criteria in consultation with the Great Streets Advisory Committee. Today, the Great Streets program funds projects delivered by the Department and by nature is not a grant program. The inclusion of grant language in Sec.154 - 157 doesn't accurately characterize the structure and administration of the Great Streets program today.

Recommendation: ODOT respectfully recommends removing all references to “grants” and replacing them with “projects” as projects funded through this program are on the state highway system. ODOT respectfully recommends this be addressed in an amendment to HB 2025.

OVERVIEW OF FISCAL IMPACT

House Bill 2025 provides significant funding for Oregon's transportation system that will require extensive implementation efforts. ODOT will require additional resources to fully implement this measure. The extent of resourcing needs is further complicated by the uncertainty of the Department's ability to retain staff, which is contingent on the Department's final budget. ODOT anticipates the need to request additional staff and resources in future legislative sessions to complete implementation of HB 2025. Resource needs include, but are not limited to:

- Implementing some of the directed accountability measures
- Establishment of the Major Projects Office
- Participation in and funding for more frequent audits
- Expanding the Road Usage Charge program
- Transitioning to a hybrid Weight Mile Tax system
- Administering Statewide Transportation Improvement Fund (STIF) formula fund increases
- Conducting a STIF distribution study
- Information Technology needs associated with various aspects of the bill

SUMMARY

ODOT appreciates the committee's thoughtful consideration and deliberation of the 2025 transportation funding package. ODOT will continue to refine how the Department will deliver the projects, programs, and accountability provisions included in HB 2025 consistent with legislative intent. The Department may come forward in future legislative sessions to request additional resources to fully implement the measure.