# Road User Fee Task Force

Overview of Statewide Revenue Options

Revenue Options & Policy Topic Workshop

April 23, 2024

Oregon Department of Transportation

# Reflections on Options

What excites you about this option?

What worries you about this option?

What additional information do you need about this option?

# Tax Program Characteristics

- Fair – everyone pays a similar amount
- Adequate – provides enough net revenue to meet the needs of the programs it is supporting, taking into consideration other ways in which the programs are supported
- Simple – easy to understand so people know what they owe, when payment is due, and how it should be paid
- Transparent – easy to find who is being taxed, how much is paid, and what is done with the money
- Easy to administer – rules are well-known, forms are not too complicated, the state can tell if taxes are paid correctly and on time, audits can be done in a fair and efficient manner, and not too costly to either taxpayers or tax collector

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# Road Usage Charging

- An increasing number of states are exploring and implementing programs in which drivers pay for miles driven.
- Oregon launched the nation's first active RUC program – OReGO – on July 1, 2015.
- At least 12 states considered RUC legislation in 2023; bills in Hawaii, Michigan, Vermont, Virginia, and Washington became law.

# Road Usage Charging

- Hawaii passed RUC legislation in 2023; begins as voluntary for EV drivers in July 2025 before becoming mandatory for EV drivers in July 2028. Plan to transition all vehicles to RUC by 2033.
- Utah and Virginia also operate live RUC programs, though the specific program designs differ between the three states.
- The IIJA included a provision for USDOT to design and conduct a national per-mile RUC pilot program.

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# RUC Across the US

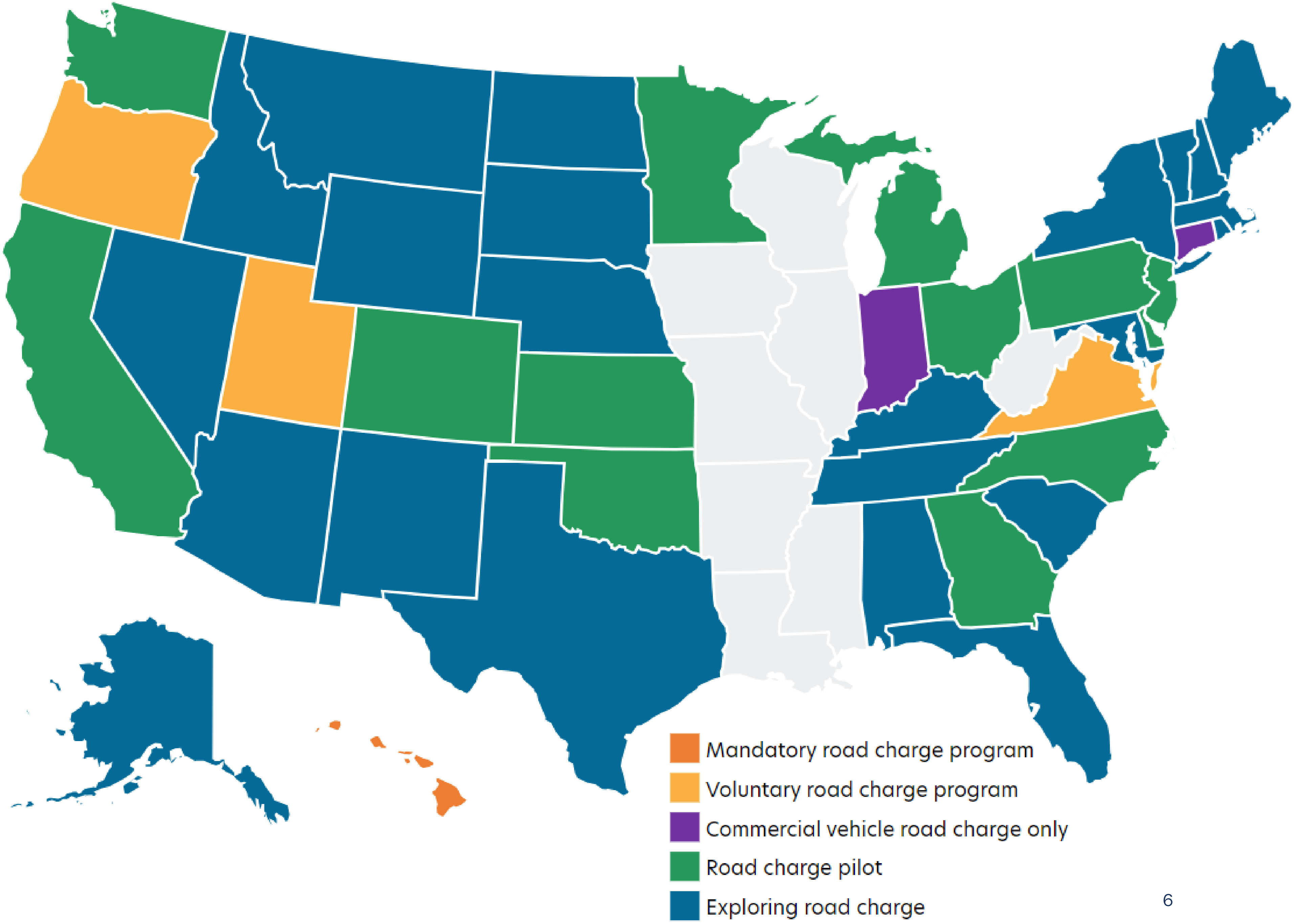


Image credit: California Road Charge

# Road Usage Charging

| Implementation Timeline | Collection Costs | Revenue Potential |
|---|---|---|
| Varies depending on policy choices, including which vehicles will be subject to RUC.<br><br>Applying RUC to new, highly efficient vehicles could be implemented in the near-term - feasibly 2028. Additional vehicles could be added over time as eligibility expands. | Unknown currently, but higher than fuels tax collections. Closer to DMV vehicle fee and CCD weight-mile collection costs. More vehicles result in reduced costs as percent of revenue.<br><br>ODOT will rebuild its RUC cost model with the latest data and assumptions to better estimate costs. | Very good, but varies depending on policy choices, including whether RUC is a replacement for or in addition to the fuels tax.<br><br>Comprehensive option that syncs road use to road taxes. Could ensure that revenues do not decline below existing levels or could raise significant revenue. |

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# Supplemental Registration & Title Fees for Efficient Vehicles

- 32 states impose supplemental reg. fees for battery EVs, and 19 impose a fee on plug-in hybrid EVs; Oregon included.
- Fees range from low of $50 per year to high of $225; new high will be $250 in NJ beginning July 2024.
- In some states, the revenue from supplemental reg. fees is allocated specifically for EV infrastructure.

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# Supplemental Registration & Title Fees for Efficient Vehicles

- Oregon imposes annual fees of $115 for EVs and $35 for other vehicles rated at 40+ MPG; also charges higher title fees for hybrids and EVs.

- Drivers can have their supplemental reg. fees waived by enrolling in Oregon's RUC program at point of sale/registration renewal.

- OTC's Section 75 Study found that high-efficiency vehicles are underpaying relative to low-efficiency vehicles.

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# Supplemental Registration & Title Fees for Efficient Vehicles

| Implementation Timeline | Collection Costs | Revenue Potential |
| --- | --- | --- |
| Short. If fees were increased by the Legislature, DMV would need time to prepare before the increase takes effect, but systems and processes are already in place. | Low. DMV collection fees are higher than those to collect fuels tax, but systems and processes are already in place. | Good. Increasing number of EV sales, per current policy, would result in either supplemental registration and title fee payments or RUC enrollments. |

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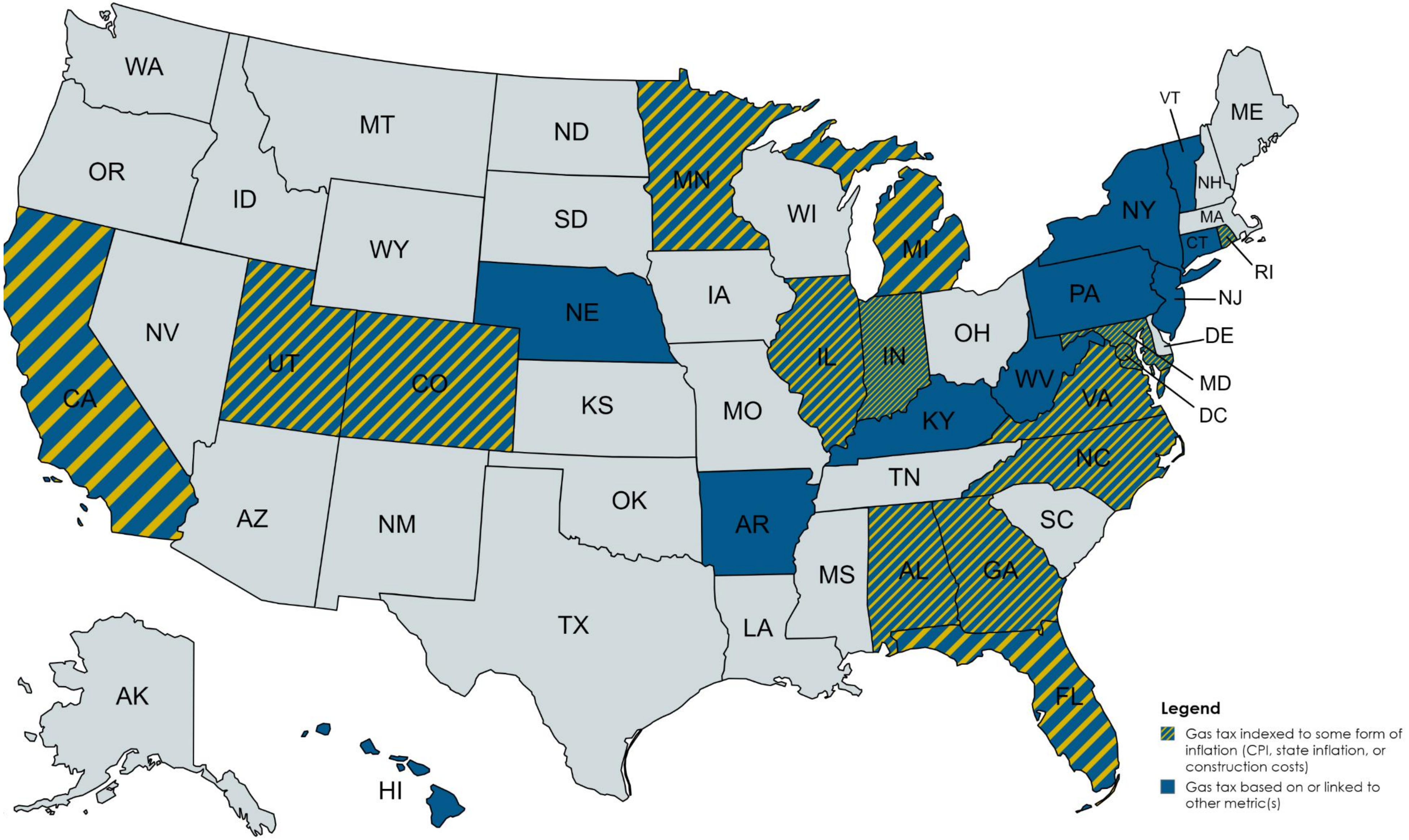
# Indexing Taxes and Fees to Inflation

- Fuel tax revenues have been unable to keep up with rising costs of operating and maintaining the transportation system.
- Prices (e.g. materials and equipment) and fuel efficiency are both increasing rapidly.
- 24 states and D.C. use variable rate fuel taxes that adjust with inflation or another index.
- Oregon’s fuel taxes are fixed and require legislative action to increase them.

# Variable Rate Gas Taxes

Source: *Variable Rate Gas Taxes*, National Conference of State Legislatures (Feb. 9, 2024), www.ncsl.org/transportation/variable-rate-gas-taxes.



# Indexing Taxes and Fees to Inflation

| Implementation Timeline | Collection Costs | Revenue Potential |
| --- | --- | --- |
| Short. Indexing Oregon's fuel taxes and registration fees to inflation could be implemented in a relatively short timeframe. | No additional collection costs beyond existing fuels tax collection costs. | Good. If Oregon's fuels tax were indexed to the Consumer Price Index, it would have produced an additional $270 million in 2023. Indexing all of the State Highway Fund to inflation would produce an additional $60 million each year. |

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# A Tax on Electricity Used for Charging EVs at Public Charging Stations

- EVs do not pay fuels tax, but several states have implemented a per kilowatt-hour tax on public charging stations.
- These taxes are relatively new, sample sizes are small, and revenue information is limited.
- Currently, they are not estimated to generate much revenue, but that could change as the charging network is built out and EVs gain an increasing share of the vehicle fleet.

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# A Tax on Electricity Used for Charging EVs at Public Charging Stations

| Implementation Timeline | Collection Costs | Revenue Potential |
|---|---|---|
| Medium. Decisions would need to be made regarding which stations the tax applies to – e.g. stations opened after a certain year or all stations. Also need to decide if it applies to all levels of charging or only the faster options - e.g. Level 1; Level 2; DC Fast Charging. | Medium. Revenue projections and collections from other states have been low, and collection costs could be significant relative to revenues. Would need to consider who is responsible for paying the fee – EV owner, charging station owner/operator, or electric utility. That policy choice will determine how many agents need to collect the tax on behalf of the state. | Low in the near term; potentially fair in the long term. Most charging at this stage of EV adoption tends to take place at home, but public charging stations may be used more as infrastructure comes online and EV sales increase. Wisconsin estimates annual revenue between \$211,000 and \$317,000 in FY25. |

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# Retail Delivery Fees

- With prevalence of e-commerce, several states are exploring the idea of implementing delivery fees on retail purchases to help fund and maintain their transportation systems.
- Colorado has a fee in place since July 2022; Minnesota's fee begins in July 2024.
- Washington State is conducting study of a retail delivery fee; report is due June 2024.

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# Retail Delivery Fees

| Implementation Timeline | Collection Costs | Revenue Potential |
|---|---|---|
| Unknown. While distinct from their sales and use tax, the states implementing retail delivery fees leverage their existing sales and use tax systems to implement the delivery fee. Oregon does not have a sales/use tax, so initial implementation would likely be more challenging. | Low. Policy choices would need to be made regarding who is responsible for paying the fee – the consumer or the retailer/marketplace facilitator. | Fair. Policy choices would need to be made regarding fee threshold – e.g. all purchases vs. purchases over a certain amount. Revenue would also largely depend on exemptions, including classes of items – e.g. groceries, clothing, baby products – and retailer characteristics – e.g. sales in Oregon less than a specified amount. |

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# Mileage-Based Fee for Medium-Duty Vehicles

- In Oregon, vehicles > 26,000 lbs pay a weight-mile tax (WMT) based on weight and distance traveled.
- The MDV fleet might electrify rapidly due to fuel cost savings and localized/centralized operating areas.
- If light vehicles shift to a RUC, and heavy vehicles remain on WMT, there's a strong case for MDVs to also pay by the mile, likely based on weight.

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# Mileage-Based Fee for Medium-Duty Vehicles

| Implementation Timeline | Collection Costs | Revenue Potential |
| --- | --- | --- |
| Short to moderate. There is a relatively limited number of MDV compared to passenger vehicles in Oregon, so implementation could be easier than for passenger vehicles. Compliance would be challenging, however, as ODOT sees a high rate of failure to comply with registration requirements among MDVs. | Unknown currently, but higher than fuels tax collections. Closer to DMV vehicle fee and CCD weight-mile collection costs. | Good to very good. ODOT has relatively limited data on mileage driven by MDVs, but based on recent trends in home delivery, and assuming a per-mile rate between the passenger vehicle RUC rate (2 cents) and the low-end of weight-mile tax (7.64 cents), there could be significant revenue potential. |

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# Reflections on Options - Flipcharts

What excites you about this option?

What worries you about this option?

What additional information do you need about this option?

# Debrief

- What jumps out for you?
- Other considerations or thoughts?

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# Prioritize Interest Level

- Each member has 5 dots
- Place dots on option(s) of highest interest
- All in or split them as desired


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# Options Deeper Dive

- Refer to primers provided
- Will try to address post-its as we go

# Summary & Next Steps