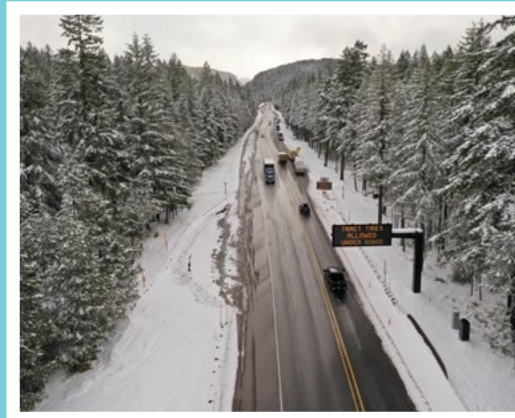
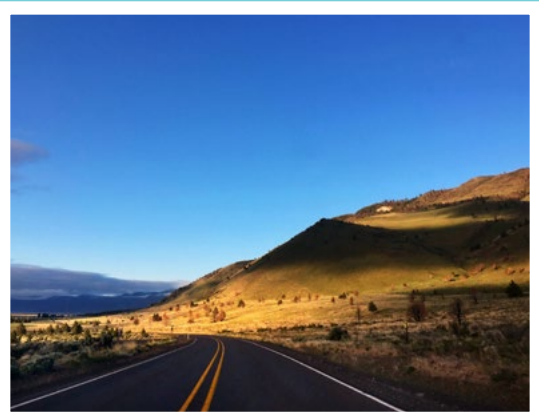


# ROAD USER FEE TASK FORCE Report to the Oregon Legislative Assembly

2023



# Road User Fee Task Force

**2023**

*Scott Boardman*

Innovative Programs Policy Advisor  
Office of Innovative Funding

*Oregon Department of Transportation*

355 Capitol St. NE  
Salem, OR 97301

# TABLE OF CONTENTS

INTRODUCTION .....	2
PROCEEDINGS .....	4
PROGRAM UPDATES .....	6
COLLABORATION WITH OTHER JURISDICTIONS & THE RUC INDUSTRY.....	9
WHAT'S NEXT?.....	11



# INTRODUCTION

This report is submitted to the Legislative Assembly in compliance with ORS 184.843[9]. The statute requires the Road User Fee Task Force [RUFTF] to report to the regular session of the Legislative Assembly in odd-numbered years on the work of the task force, the Oregon Department of Transportation, and the Oregon Transportation Commission in designing, implementing, and evaluating pilot programs.

When the Road User Fee Task Force was created in 2001, the State recognized that fuel taxes were not a sustainable funding source for transportation system maintenance, improvements, and construction. This is due in part to more drivers opting for increasingly fuel-efficient vehicles, thus purchasing less fuel and paying less in fuel taxes, which go toward maintaining and building roads and highways. As vehicles become more efficient and as electric vehicles become increasingly common, the problem will intensify.

Following two road usage charge [RUC] pilots in 2006 and 2012, Senate Bill 810 was passed during the 2013 legislative session. SB 810 [2013] is the foundation for the first operational road usage charge program in the nation. When it launched on July 1, 2015, it became the first road usage charge program to collect actual revenue. This program is branded “OReGO.”

SB 810, codified in Chapter 781, 2013, also encouraged the Oregon Department of Transportation [ODOT] to partner with other departments of transportation. Accordingly, ODOT started the Western Road Usage Charge Consortium, later known as RUC West and now known as RUC America, to lead a collaborative approach to developing road usage charge policy. RUC America consists of 20 states in various stages of exploring road usage charge programs. This includes Utah, which is operating a road usage charge system that allows its residents to enroll and pay a RUC rather than paying an enhanced registration fee if the vehicle uses alternative

fuels, such as electricity. It also includes California and Washington, both of which have conducted pilot projects. Washington’s interoperability pilot included Oregon volunteers.

Subsequent legislative action in 2017 and 2019 expanded and refined the OReGO program.

**HB 2017 (2017)** exempted OReGO participants with electric vehicles from paying enhanced registration fees enacted by HB 2017, creating an incentive to join the program.

**HB 2881 (2019)** helped lay the groundwork for a future mandatory program by:

- » Indexing the RUC rate to the fuel tax rate;
- » Eliminating eligibility for vehicles that are rated at 20 miles per gallon (mpg) or less;
- » Exempting program participants with vehicles rated at 40 mpg or higher from paying enhanced registration surcharge fees; and
- » Converting refunds of excess fuel taxes paid to non-refundable credits against RUC charges.

## Current program

The following points describe the OReGO program as it stands today:

- » Participants sign up with an account manager, select a mileage reporting option, and are billed for reported miles with a credit for fuel tax paid on fuel used to drive taxable miles.
- » Participant privacy is protected from the state in several ways:
  - ~ Private sector account managers are responsible for collecting the data and processing the individual transactions.

- ~ Private sector account managers are required by statute to destroy personally identifiable data within 30 days of account settlement.
- ~ Law enforcement can only access the data if they obtain a warrant.
- ~ ODOT receives aggregated and anonymized data only, which supports the tax filings from the account managers.

- » Participants may choose a GPS-based option, in which case they are automatically not billed for out-of-state miles, or they can choose a non-GPS based option, in which case all miles are presumed to have been driven in Oregon.
- » The OReGO program continues to evaluate and consider additional options—both low-tech and high-tech—for reporting mileage.
- » OReGO participants currently pay 1.9<sup>1</sup> cents for each mile they drive on public Oregon roads (including city and county roads).
- » Participants receive a non-refundable credit for state fuel tax paid.
- » RUC revenue goes into the State Highway Fund for the construction, maintenance, and preservation of roads and bridges.
- » Drivers of vehicles rated 40 mpg or higher have the opportunity to reduce their registration fees if they join OReGO.
- » Operational since July 1, 2015, the program has a proven track record of responding to statutory changes. The program continues to implement operational enhancements and build capacity in preparation for an expanded future program.

## DEMONSTRATION EFFORTS AND ENHANCEMENTS TO THE EXISTING PROGRAM

As RUFTR continues to work on designing a program that supports a future mandate, ODOT continues to refine and enhance the existing program through both demonstration projects and operational improvements that inform RUFTR of potential design options. This past biennium, ODOT:

- » Completed the local area pricing pilot project.<sup>2</sup>
- » Conducted an open procurement to select and certify additional commercial account managers.
- » As part of the RUC America consortium, participated in a comprehensive study and analysis of the impact of RUC on urban and rural drivers.
- » Began the process of further evaluating both tax equity and social equity under a RUC program.
- » Reached an agreement with a vendor to begin the ideation and implementation of a connected vehicle ecosystem.
- » Launched a project to work with auto dealerships to streamline the vehicle enrollment process at the point of sale.

## FUTURE DEMONSTRATION EFFORTS AND PROGRAM ENHANCEMENTS INCLUDE

- » Evaluating blockchain as a ledger to facilitate interoperability between states.
- » Exploring a road usage charge or weight-mile tax for medium-duty vehicles.
- » Evaluating payment options for cash-preferred payers.
- » Conducting additional public outreach and education efforts to inform Oregonians about the program and the benefits of participating.

---

1 The RUC rate is indexed to the fuels tax, so as increases to the fuels tax occur, the RUC rate is adjusted automatically. On January 1, 2022, the fuels tax increased to 38 cents per gallon.

2 [https://www.oregon.gov/odot/Programs/RUF/OReGO\\_FASTAct\\_STSFA2017\\_LOCALRUC\\_PilotEvaluationReport.pdf](https://www.oregon.gov/odot/Programs/RUF/OReGO_FASTAct_STSFA2017_LOCALRUC_PilotEvaluationReport.pdf)

# PROCEEDINGS

The Road User Fee Task Force held seven meetings since its last report to the Legislative Assembly in 2021. The task force did not meet in 2021; all seven of its meetings since the last legislative report took place in 2022. As ODOT prepared for the introduction of legislation in 2023 to establish a mandatory road usage charge program for specific vehicles beginning in 2027, the 2022 RUFTF meetings focused on soliciting input and feedback from task force members in the development of the legislative concept.

In March, the task force received an overview of OReGO along with updates concerning ongoing and recent projects undertaken by the program team. ODOT staff also provided the task force with a review of HB 2342 [2021], legislation proposed in 2021 that would have made the OReGO program mandatory for specific vehicles beginning July 2026.

In April, additional information on the OReGO program—including historical context and policy updates—was provided to task force members. RUFTF members also received an overview of Oregon’s revenue forecast from ODOT’s Chief Economist, who presented the business case for a road usage charge program and how it would ensure that highly efficient vehicles pay their fair share for use of the state transportation system.

At the May meeting, ODOT’s Assistant Director for Revenue, Finance, and Compliance shared with RUFTF the Oregon Transportation Commission’s Investment Strategy 2020 update. Also highlighted was ODOT’s Strategic Action Plan, which identifies sufficient and reliable funding as one of three strategic priorities, and how a road usage charge is integral to ensuring a reliable revenue stream into the future. ODOT staff also presented the anticipated timeline for development of the agency’s legislative concept.

The June meeting included a discussion on the methodology for determining the fee for subject vehicles that opt out of a mandatory RUC program. ODOT staff provided rationale for the design of the mandatory program and which vehicles would initially be subject to it, recommending an approach that would result in incremental increases in enrollment in the early years of a mandate in order to keep administrative costs down and reach economies of scale later on. Task force members also received an overview of how ODOT planned to further incentivize the transition to highly efficient vehicles.

In July, task force members received a detailed analysis of the financial impacts of a road usage charge on urban and rural households. The report, developed by a consultant on behalf of RUC America [formerly RUC West], analyzed transportation tax revenues across different geographic and demographic categories in fourteen states. ODOT staff built on that theme and followed the presentation with additional data focused specifically on impacts on urban and rural households in Oregon. The task force also continued to discuss the components of the legislative concept to establish a mandatory RUC program, including rules for commercial vehicles, the annual opt-out fee, and enforcement and compliance.

The September meeting featured discussions of socioeconomic equity under a RUC program, with detailed analysis of vehicle ownership trends and conclusions that high-income households are more likely to initially be subject to a mandatory RUC. ODOT staff provided task force members with a summary of the agency’s draft legislative concept, which incorporated input and feedback provided by the task force throughout the slate of 2022 meetings. Staff also answered questions from the task force related to the revenue impact of

implementing the mandate one year earlier than proposed, fuel tax refunds for private road usage, and tribal-owned roads.

In November, the task force received presentations from several external organizations on RUC policy development and projects in other parts of the country. These included presentations by Caltrans, The Eastern Transportation Coalition, and CDM Smith. ODOT provided a long-range forecast of the estimated vehicle stock in Oregon, noting the significant impact that the state's approval of the Advanced Clean Cars II rule will have on zero-emission vehicle adoption.

The language of the legislative concept was also reviewed and finalized ahead of introduction in the 2023 Legislative Session. The final draft legislative concept included the following provisions:

- » Passenger vehicles, beginning with model year 2028, with a combined rating of 30 mpg or greater, would be required to enter the road usage charge program. ODOT would begin the implementation process in July 2027.
- » Owners and lessees of vehicles subject to the program could choose to opt out by payment of an annual fee, though commercial vehicles would not be permitted to opt out of enrollment in RUC.

- » Enhanced registration and title fee surcharges would not apply to vehicles subject to the mandatory road usage charge program.

The legislation would also require ODOT to submit reports to RUFTF on a biennial basis that include analysis and examination of:

- » Costs associated with the administration and operation of the RUC program;
- » Technology options and pricing mechanisms other than a RUC;
- » Rate structures and collection methods for a RUC;
- » Methods for transitioning from the fuels tax to a RUC with a focus on potential socioeconomic impacts; and
- » The development and implementation of a weight-mile tax or road usage charge for medium-duty vehicles.

The bill was introduced as HB 3297 in the 2023 Legislative Session and was sponsored by Representative Lively. The bill received a public hearing in the Joint Committee on Transportation on May 11, 2023, but it did not receive a work session and thus did not advance out of committee.

More information about the Road User Fee Task Force deliberations from the preceding year can be found on the task force's website.<sup>3</sup>



<sup>3</sup> <https://www.oregon.gov/odot/programs/pages/road-user-fee-task-force.aspx>

# PROGRAM UPDATES

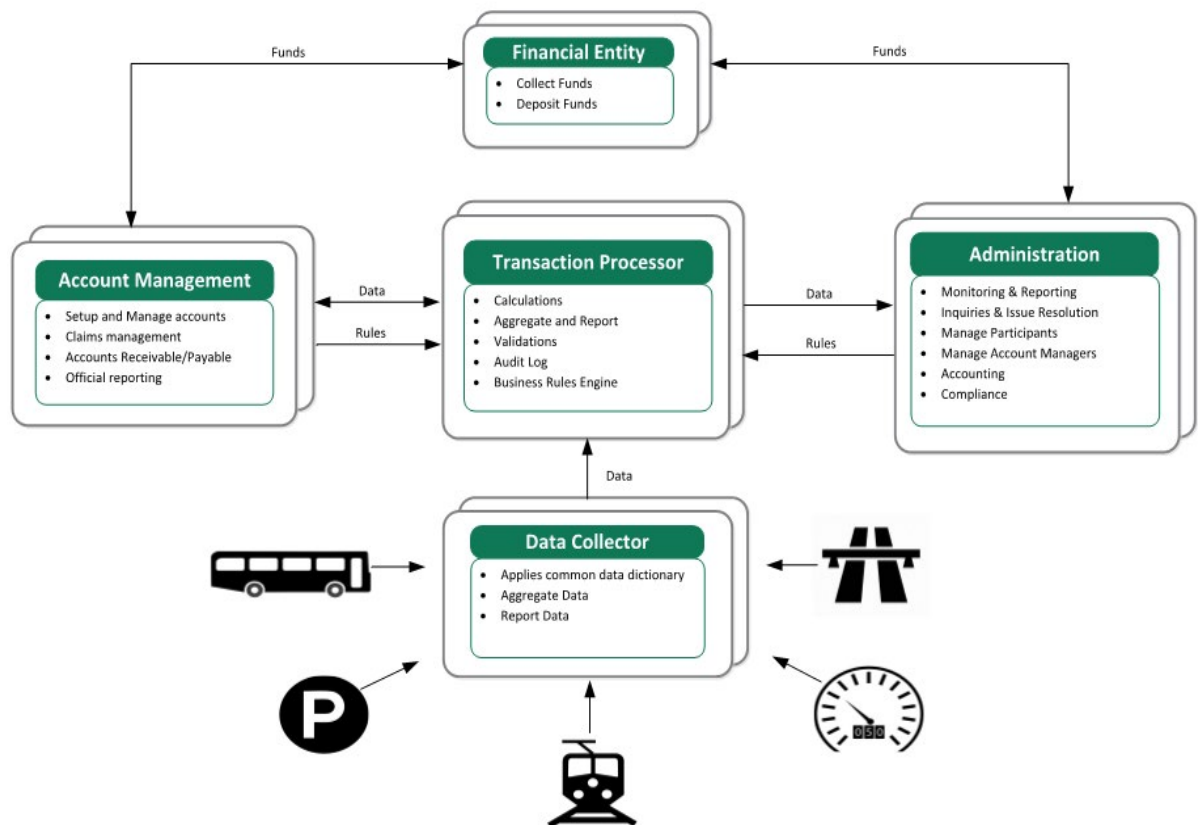
OReGO, Oregon’s road usage charge program, successfully launched on July 1, 2015. It has operated continually since, with ODOT undertaking projects to further enhance it. As more states research road usage charging and several implement their own programs, Oregon continues to serve as a leader in this policy arena; other states often seek insight from Oregon in hopes of learning from our experience.

An integral component to the OReGO program is its open architecture framework, which enables multiple private partners to receive certification and provide RUC services, as opposed to a proprietary system owned and operated by a single entity. This

supports the creation of a marketplace that allows for choice in service provider. The diagram below is a depiction of the open architecture framework.

As OReGO evolves and expands, education and engagement of existing and future participants take on increasing importance. The Department of Transportation has conducted education campaigns—including one that was recognized for excellence in public communications by the Transportation Research Board<sup>4</sup> in 2020—to inform Oregonians about how the OReGO program works and the benefits of participating. These efforts will continue

## Open Architecture for Transportation Services



4 The Transportation Research Board is part of the National Academies of Sciences, Engineering, and Medicine.



Program communications are a two-way street, as participants provide OReGO with helpful information, as well. Volunteers who leave the program are invited to participate in an exit survey, and those results are

shared with OReGO account managers to provide feedback and aid them in improving their services. Results are shown in the table below:

## OREGO EXIT SURVEY RESPONSES

Answer Options	Excellent	Very Good	Good	Fair	Poor	No Opinion or N/A	Response Count
Ease of initial application.	17	10	10	1	5	2	45
Ease of online account setup.	14	13	8	1	5	4	45
Ease of checking account balance.	11	12	4	2	8	7	44
Quality of service you received with the Account Manager.	11	11	4	1	11	7	45
Account Manager's knowledge about OReGO.	9	10	1	7	6	11	44
Account Manager's response time to inquiries and requests.	9	8	3	2	12	10	44
Accuracy of reported mileage.	18	9	1	2	7	7	44
Accuracy of reported fuel usage.	14	6	2	1	3	19	45
							<b>45</b>
							<b>0</b>

With RUC gaining national momentum as an emerging system for collecting transportation revenue, an increasing number of private sector companies are entering the market. This provides an opportunity for OReGO to offer additional options to Oregonians in terms of account managers. In 2023, Oregon conducted a procurement to identify and select additional commercial account managers. That procurement will remain open for several years, allowing for the ability to certify account managers on a rolling basis and build upon the foundation of a mobility marketplace<sup>5</sup> that reflects a modern transportation system. OReGO anticipates

certifying at least one additional account manager in 2023, with more expected in the future.

As more and more Oregonians decide to purchase or lease highly efficient vehicles—including electric vehicles—the OReGO program is expected to grow. An important element of the program is enrollment of a vehicle at the point of sale at the dealership, given that highly efficient vehicles can save on their registration fees if enrolled in OReGO. In order to educate auto dealers and streamline that process, ODOT is undertaking a project to engage dealers to better understand their needs in terms of program education; solicit their input in the

<sup>5</sup> The concept of a mobility marketplace entails making modern transportation services – e.g. parking reservation and payment, RUC reporting and payment, remote emissions testing, and transit planning and payment – available via a single account in order to provide a streamlined, superior user experience.

development of promotional materials; and partner with a select number of dealers on a pilot project to test process improvements. The findings from this project should result in a better enrollment experience for both vehicle dealers and potential OReGO participants. Following this, OReGO plans to expand the educational effort to used car dealerships and institutions that finance vehicle purchases.

In further developing OReGO, ODOT continues to build upon its history of innovative revenue programs, which also includes the first implementation of a weight-mile tax for motor carriers in 1947. These two programs cover two weight classes: 10,000 pounds and below (light-duty) for OReGO; 26,000 pounds and above (heavy-duty) for the weight-mile tax. That leaves a gap in the form of the medium-duty category, which contains vehicles between those two weight thresholds.

The medium-duty class includes vehicles that vary widely in use and weight, including such examples as delivery trucks, box trucks, bucket trucks, and buses.

Despite the varied uses, the medium-duty class presents a compelling case for electrification. Transitioning medium-duty vehicles to alternative motive power could result in significant fuel cost savings for operators. Moreover, many medium-duty uses involve the vehicle beginning and ending its business at a principal location, which provides an opportunity to centralize charging infrastructure and streamline the refueling process. The potential benefits of electrification aside, medium-duty vehicles with internal combustion engines are also becoming increasingly efficient, which poses challenges to ODOT in terms of declining fuel tax revenues.

While passenger EVs currently receive the lion's share of attention related to vehicle electrification, ODOT is cognizant of the fact that the medium-duty vehicle landscape is evolving, and so too should the design for how the agency collects revenue for their use of the transportation system. Over the 2023-2025 biennium, ODOT intends to study and develop a mileage-based tax on medium-duty vehicles.



# COLLABORATION WITH OTHER JURISDICTIONS & THE RUC INDUSTRY

As a leader in the RUC policy arena, Oregon plays a prominent role in several organizations examining the feasibility and application of road usage charging. Oregon continues to participate in RUC America (formerly known as RUC West), a consortium of 20 states that has seen consistent growth in membership in recent years.

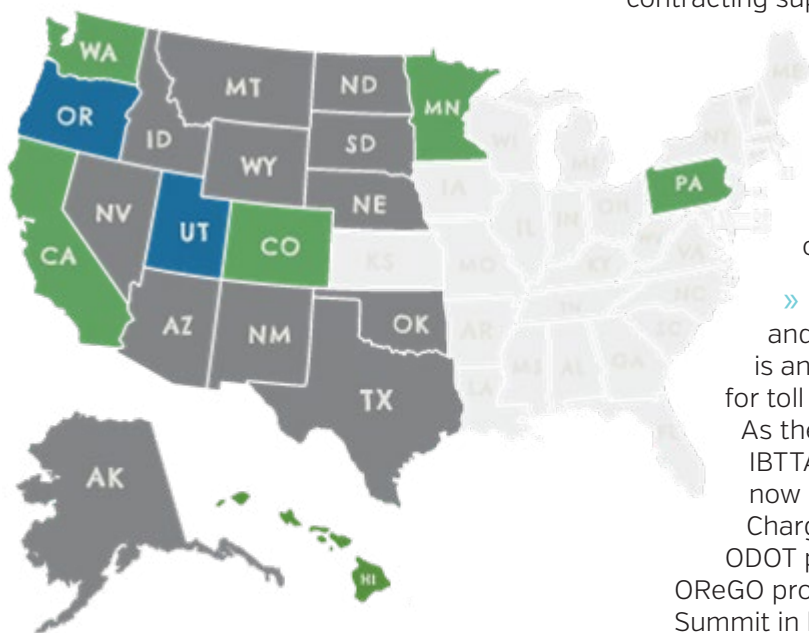
RUC America provides its member states with the opportunity to collaborate on research concepts and use cases that span a variety of RUC-related subjects. The consortium has produced a number of informational reports that have helped advance policy conversations surrounding RUC. Oregon provides administrative support to RUC America, which includes procurement and contracting support. Additional information can be found on RUC America's website.<sup>6</sup>

ODOT also participates in standing meetings and has presented at conferences and webinars held by several organizations. These include:

- » International Bridge, Tunnel and Turnpike Association – IBTTA is an international trade association for toll facility owners and operators. As the RUC industry matures, IBTTA has expanded its focus and now hosts an annual Road Usage Charging and Finance Summit.

ODOT presented content related to its OReGO program at the RUC and Finance Summit in both 2022 and 2023.

- » Mobility Open Blockchain Initiative – MOBI is a nonprofit organization that brings public and private entities together in the development of standards and use cases for digital infrastructure, connected ecosystems, and the Internet of Things [IoT]. ODOT partnered with MOBI to present on how road usage charging can serve as a foundation for the mobility marketplace of the future and will also be presenting information about the program at MoCoLA23.



<b>LEGEND</b>	Tier 1: Active Program
	Tier 2: Exploring & Piloting
	Tier 3: Monitoring Trends

<sup>6</sup> <https://www.rucwest.org/>

- » Mileage-Based User Fee Alliance – MBUFA is a nonprofit organization that provides a platform for transportation policy experts, private practitioners, and members of academia to build awareness and educate elected officials on the benefits of road usage charge programs. ODOT participates in regularly scheduled implementation meetings and also presented at the 2022 MBUFA National Conference.
  - » RUC America – With the aid of a grant from the Federal Highway Administration, RUC America hosted a RUC Forum that explored such concepts as the business case for RUC, communication strategies, and emerging transportation technologies. As a Tier 1 member with an active RUC program, Oregon played a prominent role in developing content for the event and presenting on relevant subjects.
  - » OmniAir Consortium – Oregon is working with others on developing the test cases for certification of automotive standards related to mobile payments. Other participating entities include OEMs and tolling authorities.
- ODOT also continues to work closely with both Washington and California as they further develop their RUC programs. Collaboration between the three west coast states is a point of emphasis in the exploration of an interoperable RUC system within the region, which will aid in simplifying the experience for interstate drivers and reduce the administrative costs of determining RUC owed to each state.



# WHAT'S NEXT?

The vehicle fleet is changing. As drivers adopt technologies that no longer require the use of traditional fuels like gasoline, our system for collecting transportation revenue must adapt. ODOT continues to monitor vehicle purchasing trends and the market emerging around road usage charging. In the meantime, the agency is improving and enhancing the existing OReGO program in an effort to create a mobility marketplace and build a foundation upon which future pricing mechanisms can be implemented.

In preparation for an expanded program, ODOT remains engaged with external partners, including industry groups and other states, such as Washington and California. The agency is continuing public education and outreach efforts and is committed to further improving the user experience for program participants.

Road usage charging is likely to become increasingly salient in the next biennium, as the topic of new and innovative transportation revenue models has gained attention at the federal level. The Infrastructure Investment and Jobs Act included a provision directing the U.S. Department of Transportation to design and conduct a national per-mile road usage charge pilot program, which could spur more states to explore their own RUC projects, further advancing RUC research and policy.

Recent legislative cycles have demonstrated the momentum that road usage charging is building in states all across the country. For example, Virginia passed multiple RUC bills ahead of its program launch in July 2022. Washington State's House Committee on Transportation held several public hearings on its road usage charge bill in 2023. Oklahoma is preparing to conduct its own pay-per-mile pilot project from July to December 2023, as required by legislation that was passed in 2021. And in Hawaii,

legislation creating a RUC program – that includes language mandating participation by EVs beginning in 2028 – awaits the governor's signature, as of this writing.

Oregon has served as a pioneer in the RUC arena for two decades, paving the way for other states to embark upon their own RUC journeys. Other states have followed this path and some, like Hawaii, are now blazing a trail ahead that Oregon may choose to follow. Absent a legislative mandate, the OReGO program will not see the necessary increases in enrollment to stem the revenue losses from a declining fuels tax. To solve the impending transportation funding crisis, bold action will be required of the Oregon Legislature.

## Nexus to Other ODOT Efforts

Development and expansion of the OReGO program is a key initiative of the Strategic Priorities established by the agency's Strategic Action Plan. The implementation of large-scale road usage charging is viewed as an integral component of the Modern Transportation System and Sufficient and Reliable Funding Priorities.

The Office of Innovative Funding works closely with other sections within ODOT. These include DMV, to coordinate registration surcharge waivers for eligible vehicles, and the Climate Office, to ensure that the program's development supports the agency's greenhouse gas reduction goals.

## Summary

The Oregon Department of Transportation continues to successfully operate the first fully functional road usage charge program in the country while also conducting research and implementing improvements in preparation for a mandatory program. Federal grants and collaboration with other states have enabled the OReGO program to enhance its operations and continue to learn about how to best administer this revenue model.

The Road User Fee Task Force, in partnership with ODOT, welcomes the opportunity to share lessons learned from the OReGO program and provide additional information to the Legislature at any time.