



Oregon Department of Transportation



***PERSPECTIVES ON THE ECONOMICS
OF FUEL TAXES AND OPTIONS TO
RESOLVE THE IMPENDING
FUNDING GAP***

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Long-Range Planning
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Directly or indirectly, Oregon's highway programs are overwhelmingly dependent upon fuel taxes.

- State fuel taxes
- Federal fuel taxes
- Fuel tax linkage to cost-responsibility



Indicators of Future Fuel Tax Viability:

- Gallonage 2000 – 2010 – Stagnant
- Vehicle propulsion tech – Rapidly improving
- Vehicle weight reduction – Improving
- New CAFÉ standards – Rising
- Future CAFÉ standards - Rising



Indicators..., Continued:

- Consumer willingness-to-pay for new vehicle fuel economy - Unclear
- Cost of fuel economy improvements – Expensive but falling
- Fuel price due to potential GHG emission reduction policies – Likely to rise
- Fuel price due to slowly increasing supply and rapidly increasing demand – Rising



Conclusion:

It does not appear that fuel tax revenues can continue to be the principal source of funding for highway programs beyond 2025.



Alternatives to Fuel Taxes:

In recent years, the Oregon Legislature has focused on vehicle ownership fees, rather than highway user fees.



Alternatives..., Continued:

- RUFTF 1 considered many potential alternatives, and endorsed four:
 - New facility tolling
 - Studded tire use fee
 - Congestion pricing
 - Mileage fees



Alternatives..., Continued:

RUFTF 1 concluded VMT fees are the only full-system replacement option for fuel taxes.



Options for Transportation Agencies to Pursue VMT Fees:

- Perfect what was tested in 2006-2007
- Test a similar, but cellular-based (non-GPS), system
- Test a VMT estimate system
- Copy and test the Netherlands' system
- Make Oregon's weight-mile tax system all-electronic



Options..., Continued:

- Turn the initiative over to U.S. DOT
- Pursue gaps in the Oregon Concept:
 - Out-of-state vehicle issues
 - Interstate inter-operability
 - Tamper prevention systems
 - Public ed. (hwy. finance, vehicle devices)
 - Vehicles that do not need to be refueled at service stations (CNG, electricity)



Staff Recommendation:

Develop, test, prove and implement a VMT fee system for vehicles that do not need to refuel at service stations.