



Oregon

Kate Brown, Governor

Department of Transportation

Office of Innovation
355 Capitol Street NE, MS 32
Salem, Oregon 97301
Phone: (503) 986-6555
Fax: (503) 373-9429

To: Road User Fee Task Force
From: ODOT Staff
Subject: Exemption of Enhanced Registration Fees by OReGO Participants
Date: September 2018

Purpose: ODOT staff were directed by the Road User Fee Task Force (RUFTF) to examine the financial impacts of extending enhanced registration fee exemptions beyond electric vehicles to other OReGO program participants.

Background: Under House Bill 2017 of 2017, increased passenger vehicle registration fees were established based on vehicle fuel efficiency. All vehicles will be subject to additional registration fees beginning in 2018 and will be subject to tiered fees that increase with higher MPG ratings beginning in 2020. These increased fees are meant to offset the smaller amount of fuels tax paid by these vehicles compared to less efficient vehicles. According to the bill, fully electric vehicles that participate in the OReGO program are exempt from these additional registration fees. RUFTF is currently considering expanding the registration fee exemption to vehicles with high MPG ratings in order to incentivize participation in the OReGO program.

Policy Goals of OReGO:

- Collect equitable transportation revenue from high efficiency and electric vehicles compared to lower efficiency vehicles
- Increase awareness of current transportation funding issues and the risk of future revenue decline
- Increase familiarity with a road usage charge (RUC) as a viable source of transportation funding
- Create a sustainable long term transportation funding mechanism

Policy Goals of Enhanced Registration Fee Exemption:

- Expand OReGO participation in order to test and learn from the management of a larger program
- Increase knowledge and acceptance of the OReGO program through increased participation

Financial Impact of Exemption Scenarios: Three exemption scenarios have been evaluated for their net revenue impact on the highway fund.

Table 1: Exemption Scenario Impacts on Net Revenue

Registration Fee Exemption Scenario	Net Revenue to Highway Fund (Biennium)		
	20-21	22-23	24-25
20+ MPG Vehicles	- \$1,631,212	- \$3,097,510	- \$3,415,304
30+ MPG Vehicles	- \$121,406	- \$269,689	\$246,019
40+ MPG Vehicles	\$24,568	\$160,028	\$497,187

Source: ODOT RUC Financial Model

Assumptions:

- Registration exemptions for non-electric vehicles begin 2020
- 1% of existing eligible vehicles will enroll in OReGO each year
- Beginning 2021, 5% of new vehicles will enroll in OReGO each year
- Beginning in 2021, 3% of the previous year's enrolled vehicles will leave OReGO each year
- 3% of revenue is lost due to mileage reporting evasion and unpaid bills

Results:

Extending the additional passenger vehicle registration fee exemption to vehicles with 40+ MPG that enroll in OReGO results in increasing revenues each biennium. Extending exemptions to 30+ MPG vehicles results in a loss of revenue until the 2024-2025 biennium when the exemption would produce increased revenue. Extending exemptions to 20+ MPG vehicles results in mounting revenue losses each biennium.

Additional Considerations:

Due to the voluntary nature of OReGO, lost revenue due to unpaid bills or mileage reporting evasion is negligible in the current program and is partially recovered through the fuels tax.

Offering OReGO participation as an alternative to the enhanced registration fees creates the potential situation where vehicles join OReGO initially to avoid paying the registration fee, and then leave the program to stop paying the per mile charge. This would result in the vehicle paying neither the enhanced registration nor the per mile charge. Enforcement mechanisms should be established so that vehicles or drivers leaving the OReGO program pay an amount roughly equivalent to their exempted registration fees plus some amount that covers the cost of administering this part of the program. Enforcement options are set to be included in the 2019 RUFTF legislation.

Recommendation:

ODOT staff recommends expanding registration exemptions to passenger vehicles with a fuel efficiency rating of 40 MPG or higher, as was approved by the task force in the June 2018 meeting and will be included in the 2019 RUFTF legislation. ODOT staff does not recommend extending the exemption option to lower MPG vehicles.