NRDC

NATURAL RESOURCES DEFENSE COUNCIL

October 28, 2020

Chair and Members of the Road Users Fee Task Force

RE: Comment on proposal to advance a VMT-based fee to the 2021 Legislature

NRDC agrees with comments submitted by the Oregon Environmental Council, Forth and others that the current VMT proposal emerging from the Road Users Fee Task Force would undermine the state's climate and equity goals because (1) it would penalize drivers of zero-emission vehicles, and (2) it fails to retain the price on pollution inherent in the state's gas tax.

If the state is going to move forward with a VMT fee, it needs to be adjusted to reflect the "polluter pays" principle and it cannot be levied solely on the cleanest vehicles on the road. The proposal advanced by OEC and Forth would be one way to effectively accomplish this.

Alternately, the state could simply index the existing gas tax to both inflation and total fuel consumption and tax electric vehicles as if they drove on gasoline. This simple fix that merely tweaks the existing system would stabilize the revenue stream needed to fund the transportation system, the objective the RUFTF seeks, but in a simpler manner that is consistent with the state's climate goals.

Oregon does not need to pilot this alternative solution because it merely tweaks the state's existing system. 26 states already have variable rate gas taxes that generally automatically adjust to keep pace with inflation (the largest source of revenue loss). A modest extension of that existing solution to also account for total fuel consumption is also a proven solution. It has been working for over 30 years in another major portion of the U.S. economy — the power sector. Decades ago, utilities and efficiency advocates realized that if they wanted to pursue energy efficiency that lowers total household bills, they had to break the link between the volume of electricity and natural gas sold and the recovery of revenue needed to maintain the electric and gas systems. They began indexing utility rates to fuel consumption via "revenue decoupling mechanisms," which adjust utility rates up or down automatically to ensure utilities collect no more or no less than their authorized revenue requirements. Oregon first adopted this indexing mechanism in for Portland General Electric in 2009 and it's been working ever since.

Extending that indexed gas tax to electricity is relatively simple: (a) dividing the annual miles driven by the mile-per-gallon equivalent rating of an EV (available on *fueleconomy.gov*) (b) multiplying that result by the state's gas tax results, and (c) capturing this charge in a vehicle registration fee equal to what an EV driver would pay if he or she drove a gasoline vehicle of equivalent efficiency.

Just like the existing gas tax, drivers of more efficient EVs would pay less and drivers of less efficient EVs would pay more. And it's future-proof: because the fees are tied to the state's indexed gas tax, even if the entire vehicle fleet in the state were to gradually become all electric, the state would still collect the exact same amount in total revenue in real dollars.

This simple tweak to the existing system avoids novel taxes, fees, or administrative processes yet to be proven at a statewide scale, and instead builds upon the inflation indexing that has already been successful in states across the nation and another major part of Oregon's economy.

The Natural Resources Defense Council is a nation-wide environmental advocacy organization with some 50,000 Oregon members.

Angus Duncan
Consultant
Pacific Northwest Region
Natural Resources Defense Council

Cc: Metro Commissioner Craig Dirksen

Representative John Lively