

## **HOUSE COMMITTEE ON TRANSPORTATION**

**March 10, 1999 Hearing Room D**

**8:30 a.m. Tapes 42 - 44**

**MEMBERS PRESENT: Rep. Mike Lehman, Vice-Chair**

**Rep. Richard Devlin**

**Rep. Jim Hill**

**Rep. Jeff Kropf**

**Rep. Jerry Krummel**

**Rep. Jane Lokan**

**Rep. Jackie Taylor**

**Rep. Vicki Walker**

**Rep. Larry Wells**

**MEMBERS EXCUSED: Rep. Bob Montgomery, Chair**

**HOUSE REVENUE**

**MEMBERS PRESENT: Rep. Ken Strobeck, Chair**

**Rep. Anitra Rasmussen, Vice Chair**

**Rep. Deborah Kafoury**

**Rep. Jeff Merkley**

**Rep. Lane Shetterly**

**Rep. Max Williams**

**Rep. Bill Witt**

**HOUSE REVENUE**

**MEMBERS ABSENT: Rep. Diane Rosenbaum**

**Rep. Jim Welsh**

**STAFF PRESENT: Janet Adkins, Administrator**

**Dick Yates, Legislative Revenue Office**

**Paul Warner, Legislative Revenue Office**

**Joan Linn, Administrative Support**

**Brad Daniels, Administrative Support**

**MEASURE/ISSUES HEARD: Joint meeting with the House Revenue Committee on the Transportation Cost Allocation model**

**HB 2635 Public Hearing**

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
<b>TAPE 42, A</b>		
004	Chair Ken Strobeck	Opens the meeting at 8:37 a.m.
015	Paul Warner	Legislative Revenue Office. Discusses the history of the Oregon Highway Cost Allocation Study (OHCAS). Describes the contracting process and his role in the study. Emphasizes that the findings are preliminary at this time.
045	Mike Kane	Project Manager, OHCAS. Describes the Department of Administrative Services and the study review team's role in the process. Notes that the final findings will be available on April 1 <sup>st</sup> and the final report on April 15 <sup>th</sup> ( <b>EXHIBIT A</b> ).
082	Joe Stowers	President, Sydec Inc. Commends Oregon and the Department of Transportation (ODOT) for its leadership in the field of cost allocation. Reviews the progress of the OHCAS, mentioning the model, the assembly of data and the report's status ( <b>EXHIBIT B</b> ).
150	Stowers	Presents a list of the issues debated by the study review team. Introduces the team of researchers who were involved in the study.
165	Chair Strobeck	Asks where Stowers' firm is headquartered.
166	Stowers	Replies that it is in the Washington, D.C. area.

171	Roger Mingo	R.D. Mingo and Associates. Describes the results of the cost responsibility portion of the assignment. Describes the use and modification of the national pavement cost model. Notes the proportion of cost attributed to heavy vehicles. Mentions the need for further refinements.
225	Chair Strobeck	Asks Mingo to review the process as a whole.
233	Mingo	Describes the process of assigning costs and cost allocation theory. Reviews the number of factors that affect pavement wear. Discusses bridge construction and the factors that might affect bridge cost and construction.
275	Rep. Lehman	Asks why a cost responsibility model or study would be done every two years.
281	Mingo	Answers that the uses of the highway system and of road funds may change in a biennium. Expresses his opinion that studies need to be done regularly.
294	Rep. Wells	Asks about the role of studded tires in determining road damage.
291	Mingo	Replies that, in Oregon, studded tire damage does affect pavement deterioration. Describes how his firm accounted for studded tire damage.
316	Rep. Hill	Asks what was learned from the OHCAS.
326	Mingo	Replies that the distribution of truck costs is one area that changed. Notes that the lighter types of trucks have a higher cost responsibility.
349	Rep. Hill	Asks if the diesel tax will adequately spread cost responsibility for roads.
361	Mingo	Replies that fuel consumption does not vary with weight the way cost responsibility does. Adds that registration fees can not account for the different mileage in vehicles. Notes that they did not specifically look at this issue.
375	Chair Strobeck	Asks what period of time "Exhibit 1" reflects ( <b>EXHIBIT B</b> ).
385	Stowers	Explains that all work is focused on the year 2000. Refers to <b>EXHIBIT B</b> , noting that heavier trucks travel more annual miles per year.
419	Rep. Hill	Asks how the committees should view the information of the OHCAS from a policy standpoint.
<b>TAPE 43, A</b>		
015	Stowers	Answers that fixed fees, which do not vary by mileage, subsequently do not

		reflect usage. Stresses the need of looking at things from a per mile perspective to understand the equity of any tax structure.
024	Rep. Lehman	Asks if the study looks at two things: the relationship between cars and heavy trucks and the relationship between classes and mileage of trucks.
027	Stowers	Replies yes. Notes that increases in registered weight can have dramatic effects.
035	Rep. Lehman	Asks if a fuel tax/registration fee system will be able to balance the payments of cars and heavy trucks, but will not be able to balance payments among truck classes
037	Stowers	Replies yes. States that interstate trucks travel much more than intrastate trucks, thus increasing interstate trucks' cost responsibility. Describes the relationship between gallons per mile, weight and number of axles.
062	Rep. Hill	Asks if they looked at the class of roads that are traveled by interstate and intrastate trucks.
070	Stowers	Replies that interstate trucks mostly travel on interstate roads. Presents graphs that address diesel and gasoline use ( <b>EXHIBIT B</b> ).
091	Rep. Hill	Asks Stowers to describe how the graphs relate to policy decisions.
098	Stowers	Responds that they now have the capability to determine how much certain vehicles pay of their respective cost responsibility.
107	Rep. Krummel	Notes that the legislators now have the capability to get answers.
112	Stowers	Explains that a major difference is the speed with which the answers can be obtained.
118	Rep. Krummel	Asks when it is appropriate to ask questions.
124	Stowers	Explains the capability for answering various questions.
130	Rep. Hill	Asks Stowers if he analyzed the revenue-to-cost responsibility percentages of cars and trucks.
140	Stowers	Refers to "Exhibit 5" ( <b>EXHIBIT B</b> ). Replies that cars and light vehicles pay 99% of what they should pay while heavy vehicles are paying 102% of what they should be paying. Notes that the current tax structure is pretty fair right now. Indicates the type of vehicles that are paying their fair share.

182	Chair Strobeck	Asks if, by "fair," Stowers means that the amount paid per mile relates directly to the vehicle's impact on the road.
185	Stowers	Replies yes.
188	Chair Strobeck	Notes that some states may have made a policy decision to undercharge certain vehicles and overcharge others.
192	Stowers	Responds that the OHCAS did take this decision into account for Oregon, citing the different taxes for school buses, farm vehicles, etc.
196	Rep. Hill	Asks if the study attempts to distinguish between interstate and intrastate trucks.
202	Stowers	Replies that they will report this distinction in the final study. Notes that, by his rough estimates, the interstate truck will be paying about 60-65% of their cost responsibility while the intrastate will be paying close to the full share under the OTA proposal.
218	Rep. Hill	Asks if the missing 40% shifts to cars.
219	Stowers	Replies that the final report will reflect who is paying more than their share.
236	Rep. Kropf	Asks Stowers how other states without weight-mile taxes compensate for heavy trucks.
244	Stowers	Answers that these states do not compensate for heavy trucks that drive fewer miles. Notes that other states may try, but do not come as close to an equitable tax structure as Oregon.
258	Chair Strobeck	Asks what the next step is.
267	Warner	Stresses that the OHCAS is a technical study and contains important information for the policy process. Notes that other factors may be taken into account, including efficiency and administration.
294	Rep. Lehman	Asks Warner to outline the effects of the OHCAS on the weight-mile tax and the fuel tax systems.
308	Stowers	Cites "Exhibit 6D" ( <b>EXHIBIT B</b> ). Reviews the preliminary analysis of the recommended weight-mile tax rates.
338	Rep. Hill	Asks Stowers to relate that data to "Exhibit 5," which lists the ratios of revenue-to-cost allocation ( <b>EXHIBIT B</b> ).

350	Stowers	Replies that the taxes for vehicles over 60,000 pounds could be reduced to bring their cost-responsibility ratios closer to 1.00.
374	Rep. Krummel	Asks why other states dropped the weight-mile system.
383	Stowers	Answers that most states have not administered the weight-mile tax very well, creating a problem with evasion. Notes the power of the lobbying effort against the weight-mile tax.
400	Rep. Kropf	Asks how someone would evade registration fees and diesel taxes
414	Stowers	Replies that fees can be evaded by reporting mileage in different states. Notes that the evasion rate for fuel taxes is significantly higher than the evasion rate for the Oregon weight-mile system. Explains that many fuel taxes are not paid at the pump, but through reporting.
<b>TAPE 42, B</b>		
027	Stowers	Notes that Oregon does a good job of auditing out-of state firms.
029	Rep. Welsh	Indicates that other states were faced with the important policy question of cost responsibility. States that consumers are just as responsible for the presence of trucks on the road. Stresses that if cost responsibility is eliminated as a basis for policy decisions, congestion pricing becomes more viable. Notes that the fundamental issue is who pays what and when.
063	Rep. Welsh	Notes that the cost of administering the fuel tax is proportionally smaller than the cost of administering the weight-mile tax. Emphasizes that the movement toward the elimination of cost responsibility will allow the state to start moving toward decreasing administrative costs.
076	Rep. Devlin	Asks if anyone has attempted a hybrid version of both tax systems.
081	Stowers	Replies yes. Discusses the states that use different models. Notes that it is impossible (per international agreement) to have a multiple-level graduated diesel tax.
096	Rep. Shetterly	Asks the witnesses to explain the administrative elements of a diesel tax.
109	Mingo	Notes that diesel is different than gasoline and has varied uses. Explains the evasion tactics that are possible under a fuel tax system. Notes that a diesel tax is the hardest tax to administer.
128	Rep. Witt	Asks about the additional cost of administering the weight-mile tax compared to a diesel tax.

135	Stowers	Replies that a study was done a couple of years ago. Notes that it may be required to spend more to align the evasion rates of diesel and weight-mile taxes. Stresses that increased administration costs are a cost-effective measure.
162	Rep. Witt	Asks if the ratio of the cost of enforcing the weight-mile tax and the revenue it creates is higher than other states.
167	Stowers	Replies yes.
169	Rep. Witt	Asks how much higher.
172	Stowers	Replies that the administrative costs for the weight-mile system are about 4% of the revenue. Adds that administrative costs will decrease in the future
188	Rep. Rasmussen	Asks Rep. Welsh to restate his earlier point.
195	Rep. Welsh	States that the private firms doing the studies have advocated heavily for the weight-mile tax.
196	Stowers	States that he has written nothing advocating one tax over another.
198	Rep. Rasmussen	Asks if the implication is that the witnesses' objectivity is corrupted.
202	Rep. Welsh	Replies that the current firms' support the weight-mile tax in the general tone of their comments.
219	Rep. Rasmussen	Asks Warner how the particular firms were selected to perform the OHCAS.
225	Warner	Explains how the firm was selected and the emphasis on independence and objectivity. Notes that the intent of the process is to provide objective data.
247	Rep. Lokan	Asks if states that do not have weight-mile taxes are required to subsidize any gap in tax collection.
260	Stowers	Replies that these states usually subsidize the gap.
270	Rep. Lokan	Asks if the subsidization is greater than the tax paid.
277	Stowers	Replies that the common percentage is 50-80.
285	Rep. Lehman	Refers to "Exhibit 6D" ( <b>EXHIBIT B</b> ). Asks why a shift has occurred between the amounts paid by lighter and heavier trucks.

298	Stowers	Replies that the current pavement model has done a better job of accounting for axle weights.
313	Rep. Lehman	Asks if the incentive to use extra axles is effective.
319	Stowers	Replies yes. Explains the shift to vehicles with more axles and the decrease in axle weight.
340	Rep. Devlin	Comments on Rep. Welsh's earlier comments about cost responsibility. Asks if the conversion to a higher fuel tax would create a problem with evasion.
370	Mingo	Replies yes. Reviews the reasons for evasion or non-compliance.
380	Rep. Devlin	Asks what the diesel fuel tax rate is in Washington and California.
382	Stowers	Replies that it is 18 cents in California and in the 20s in Washington.
385	Rep. Merkley	Asks if the current system provides an incentive for trucks to configure themselves so as to do the least amount of damage to roads.
395	Stowers	Answers yes.
397	Rep. Merkley	Asks if the logical result of the current system is that more freight gets moved per dollar.
400	Stowers	Expresses uncertainty. Relates that the current weight-mile structure is better for the Oregon economy. Describes the various efficiency elements in the current tax structure.
<b>TAPE 43, B</b>		
024	Rep. Hill	Asks if the cost responsibility ratios can be viewed only by taking expenditures into account.
034	Stowers	Underlines that the analysis is based on expenditures rather than costs, and it may be more rational in the future to take costs into account.
044	Rep. Hill	Asks what value the ratios have and how the study has adjusted for more conventional car use on interstates.
059	Mingo	Explains that both cars and heavy trucks were adjusted for in the same way.



060	Rep. Hill	Asks if the final report will include an analysis of revenue versus cost.
072	Stowers	Replies no. Indicates that the study may take projected expenditures into account.
085	Mingo	Explains the difficulties with doing a study based on costs.
098	Rep. Hill	Expresses interest in the responsibility for road deterioration. Asks if this will be included in the raw data of the study.
110	Mingo	Explains that the study may address this question.
120	Rep. Welsh	Asks if roads can still be protected through axle requirements combined with a diesel tax.
132	Mingo	Replies yes, adding that regulations can be adjusted.
139	Rep. Wells	Asks how the OHCAS compares with other states. Notes that Michigan includes weather as a factor in road deterioration.
156	Stowers	Explains that Oregon is doing very well in comparison to other states. Notes that their studies have validated what ODOT has done in the past.
176	Rep. Wells	Asks what cost responsibility percentages other states have.
184	Stowers	Replies that the percentages probably do not vary a great deal. Cites the dependence of these percentages on the expenditure rate.
197	Mingo	Notes that the federal government's cost responsibility for heavy trucks is about 10% higher. Explains the reason for this distinction.
225	Rep. Wells	Relates the difficulty of comparing the cost allocation studies between states.
230	Chair Strobeck	Adjourns the Revenue Committee at 10:25 a.m.
265	Rep. Lehman	Opens the public hearing on HB 2635.
<b><u>HB 2635 PUBLIC HEARING</u></b>		
270	Janet Adkins	Explains HB 2635, which would allow 75 foot vehicles to operate without a variance permit.

282	Gregg Dal Ponte	Deputy Director, ODOT Motor Carrier Division. Describes the 50 foot length limit for vehicle combinations travelling on state, county and city highways and the exceptions to this limitation. Introduces Group Map 1 and Route Map 7 (EXHIBIT C, D & E).
335	Dal Ponte	Reviews the history of this issue and the origin of HB 2635 through the specific example of one grower. Explains the type of vehicles used by Christmas tree growers, their dependence on separate trucks and the current status of the tree industry.
390	Dal Ponte	Explains why trucks over the length limit are not allowed to travel on certain highways. Discusses the frustration of the growers with the State Transportation Improvement Plan (STIP) process. Describes the problem solving that occurred in one case.
<b>TAPE 44, A</b>		
020	Dal Ponte	Explains HB 2635. Concedes that a legitimate problem exists, but HB 2635 is not the adequate solution. Describes the decision-making and permit-issuing process.
065	Dal Ponte	Opposes HB 2635 because it could result in accidents or loss of life. Notes that vehicles of this length are difficult to track and maneuver. Explains the effect of pin setting requirements on carrying capacity and bridge weight limit sanctions.
105	Dal Ponte	Notes the driving requirements for trailers and the dangers of having unregistered drivers pulling long loads down a dangerous highway. Explains that HB 2635 addresses access issues that should be addressed by other means. Stresses the effectiveness of the permit process.
135	Rep. Lokan	Emphasizes the tardiness of government response to private industry. Expresses the need for an immediate response to the needs of private industry.
156	Dal Ponte	Agrees with Rep. Lokan. Expresses a willingness to work with the growers.
160	Rep. Devlin	Asks why growers' needs have not been resolved in a reasonable period of time. Asks about the public purpose of a paper-shuffling permit process.
178	Dal Ponte	Explains that the permit-issuing practice referred to by Rep. Devlin was an anomaly. Explains that there are legitimate safety concerns that killed the last bill. Notes that the series of discussion groups, formulated to address the problem, were not well attended. Expresses preference for legislative instruction.
222	Dal Ponte	Underscores the presence of productive dialogue between growers and ODOT.
236	Rep. Taylor	Asks if the state and Marion County still have a single permit policy.

242	Dal Ponte	Replies that the single permit only applied to highway 214, but provides a model for further cooperation.
246	Rep. Lehman	Asks Miller if he would be willing to meet other parties to solve this problem in the next couple of weeks.
256	Shawn Miller	Oregon Christmas Tree Growers. Replies yes.
261	Rep. Lehman	Asks the interested parties to attempt to solve the problem outside of the legislative process. Inquires if there are any further opinions.
273	Don Schellenberg	Oregon Farm Bureau. Suggests that the discussion extend beyond Clackamas and Marion counties.
285	Rep. Lehman	Asks the parties to report back in two weeks. Closes the public hearing on HB 2635. Adjourns the meeting at 10:50 a.m.

Submitted By, Reviewed By,

Brad Daniels, Janet Adkins,

Administrative Support Administrator

#### **EXHIBIT SUMMARY**

**A ñList of Study Review team members, Mike Kane, 2 pp.**

**B ñOregon Highway Cost Allocation Study, Joe Stowers,**

**C ñHB 2635, written testimony, Gregg Dal Ponte, 1 p.**

**D ñHB 2635, group map 1, Gregg Dal Ponte, oversize**

**E ñHB 2635, route map 7, Gregg Dal Ponte, oversize**