

HOUSE COMMITTEE ON TRANSPORTATION

March 29, 1999 Hearing Room D

8:30 a.m. Tapes 57 - 58

MEMBERS PRESENT: Rep. Bob Montgomery, Chair

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

STAFF PRESENT: Janet Adkins, Administrator

Brad Daniels, Administrative Support

MEASURE/ISSUES HEARD: HB 3344 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
TAPE 57, A		

004	Chair Montgomery	Opens the meeting at 8:33 a.m. Opens the public hearing on HB 3344.
<u>HB 3344 PUBLIC HEARING</u>		
014	Adkins	Explains HB 3344, which eliminates the weight-mile tax and replaces it with higher registration fees and a diesel tax. Elaborates on the credits for certain vehicles, the one-time inventory tax and the provisions for adjusting the diesel tax after six-month periods. Introduces the ñ1 amendments (EXHIBIT A).
054	Chair Montgomery	Asks who is sponsoring the ñ1 amendments.
056	Adkins	Answers that the amendments are from the Oregon Trucking Association (OTA) with partial changes from the Oregon Department of Transportation (ODOT) Fuel Tax Division.
075	Rep. Wells	Describes the history of attempts to raise the fuel tax and the politics surrounding the transportation funding package during the 1995 session. Discusses the beginning of the dialogue about eliminating the weight mile tax, the goal of revenue neutrality and the need to increase registration fees.
115	Rep. Wells	Reviews the action taken during the 1997 session on transportation funding and his and Rep. Lehman's efforts to deal with truck taxes. Explains the work done during the interim.
152	Rep. Lehman	Relates the history of transportation funding and the lack of agreement during the 1997 session. Highlights the goals of revenue neutrality, cost responsibility and some equity between cars and trucks. Underlines that the new tax structure has to be better than the current system. Reviews the arguments in support of and opposition to switching from the weight-mile system to a diesel tax.
206	Rep. Lehman	Notes the disagreements over the level of tax collected and evasion.
214	Chair Montgomery	Asks about the definition of evasion.
215	Rep. Lehman	Answers that evasion means driving on Oregon roads without paying a tax for the use. Adds that the current proposal is dramatically ahead of the last proposal.
240	Bob Russell	OTA. Asks the other panel members (Bob McKellar ñOregon Forest Products Association, Steve McCoid -Oregon Grocery Association, Chritan Mitchell ñOregon Refuse and Recycling Association, Al Elkins ñOregon Tow Truck Association, Bill Stewart ñOregon Drayman and Warehousemen's Association) to introduce themselves and their organizations.
280	Russell	States that the Oregon truck tax system is out of step with the other states and Canada as the only state without a diesel fuel tax. Discusses the action taken by Congress to create a uniform system of truck taxation, the International Fuel

		Tax Agreement (IFTA) and the International Registration Plan (IRP), and their role in the collection of truck taxes and fees. Stresses the burdens of the old system of registration and the benefits of the current system (EXHIBIT B).
355	Russell	Describes how fuel taxes are collected, noting the similarities between the collection of diesel taxes and registration fees. Lists the current states with the weight-mile tax and the number of states that have eliminated the weight-mile tax. Quotes Roger Mingo and Joseph Stowers on the benefits of IFTA and IRP (EXHIBIT B, pp. 3).
410	Russell	Emphasizes the large number of different tax rates in the Oregon system.
420	Rep. Lehman	Asks how Oregon's unique tax structure affects the trucking industry.
TAPE 58, A		
003	Russell	Replies that the majority of Oregon-based trucking companies also operate in other states. Discusses the inefficiency of the current weight-mile reporting requirements, including the change in configurations, the monthly reporting requirement and the administrative costs of the current system. Notes the administrative savings, both for the state and for trucking companies, that would result from eliminating the weight-mile tax.
060	Russell	Cites an ODOT analysis about the savings resulting from a diesel tax. Underlines the diminished audit, license plate and data entry costs that would result from the implementation of a diesel fuel tax.
104	Rep. Lehman	Asks about the projected elimination of 106 full-time equivalent (FTE) ODOT positions if a diesel tax is implemented.
106	Russell	Answers that initially it would be 106 positions and additional positions could be eliminated after the switch is completed.
108	Rep. Lehman	Asks if ODOT has already eliminated 48 positions and if these positions are included in the 106 projection.
110	Russell	Replies that the 48 positions are included in the 106 projection.
114	Rep. Lehman	Asks if an additional 60 positions would be eliminated.
114	Russell	Replies yes.
116	Rep. Rep. Kropf	Asks why ODOT has reduced 48 positions already.

119	Russell	Replies that it was part of their cost-reduction strategy.
127	Rep. Lokan	Asks how the decreased positions will translate into savings if no lay-offs will occur.
132	Russell	Replies that the FTE positions would be eliminated, but the people would be absorbed into other departments
138	Rep. Lokan	Asks if the people would be taken out of weight-mile administration and moved into other parts of ODOT without increasing FTEs.
141	Russell	Replies yes. Reiterates that there would be a reduction in FTE.
146	Rep. Lokan	Expresses concern that numbers are not simply shuffled around.
150	Russell	Replies that Ways and Means will implement HB 3344 based on its intentions.
152	Rep. Taylor	Asks if the savings would be \$10.6 million.
158	Russell	Replies no. Cites the last page of the ODOT analysis. States that the current number is \$11.6 million per biennium.
167	Russell	Addresses evasion, noting that it is a contentious issue. Stresses that they have not taken credit for any reduced evasion in their proposal. Contrasts the honor-system reporting of the weight-mile tax with the immediate payment of a diesel fuel tax. Notes that diesel fuel taxes, from a common sense point of view, will result in less evasion.
202	Russell	Describes the evasion study of the weight-distance tax in New York, underlining the 32-44% evasion rate documented in the study (EXHIBIT B, pp. 13). States that the Oregon diesel tax will be collected at the first point of distribution in the state (at the rack) and will employ fuel dying to reduce evasion. Emphasizes the positive financial result of moving the point of taxation to the rack. Describes relatively low estimates of Oregon's weight-mile tax evasion rates and possible problems with these estimates.
268	Russell	Explains Mingo's diesel fuel tax study and the revision of his evasion estimate. Underlines the differences between the assumptions of the Mingo study and the proposed tax system in HB 3344. Acknowledges the involvement of Congress in diesel fuel collection.
296	Russell	Quotes the New York study on the lack of a compelling reason for the weight-mile tax. Cites the cumbersome documentation involved in collecting the weight-mile tax and the resulting administrative burden.

342	Rep. Hill	Asks if Russell is suggesting an evasion rate of 40-80%.
344	Russell	Replies that the most recent study in New York found a 32-44% evasion rate.
352	Rep. Hill	Asks if he has ever evaded the weight-mile tax.
362	Russell	Replies that he has never knowingly reported less miles, but has been audited and found to owe additional taxes. Notes that he is aware of other companies that have evaded Oregon weight-mile tax. Relates an anecdote about companies paying bonuses to drivers who avoid Oregon ports of entry and weigh stations.
397	Rep. Hill	Asks if some members of the OTA knowingly evade the weight-mile tax.
400	Russell	Answers that he is not aware of any.
405	Rep. Taylor	Asks if the diminished administration costs for ODOT are considered in OTA's calculations of revenue neutrality.
TAPE 57, B		
013	Russell	Replies that reduced administration costs are considered in their calculations revenue neutrality
015	Rep. Taylor	Asks if he assumes reduced evasion would result in a decrease in truck taxes.
019	Russell	Replies that there will probably be a decrease in diesel taxes or an increase in trucks' contribution to the highway fund. Explains that there have been a number of changes causing him to shift his support from the weight-mile tax to a diesel tax, including trucking deregulation, national uniformity and the elimination of the weight-mile tax in other states.
053	Rep. Hill	Asks if Russell is suggesting the repeal of a technically superior tax in favor of a populous tax.
060	Russell	Answers that there is a difference between the theoretical basis for the weight-mile tax and its practical inefficiencies.
064	Rep. Hill	Asks if decreased evasion will result in higher revenue.
069	Russell	Replies yes.
071	Rep. Hill	Asks why a revenue-neutral analysis exists if the tax is actually revenue increasing.

074	Russell	Replies that the reason is the lack of agreement on the issue of evasion. Adds that they eliminated the aspect of evasion from their analysis.
081	Rep. Hill	Asks if the goal is to collect more money than projected.
087	Russell	Explains that legitimate companies pay a higher tax to cover the evasion of others. Stresses that recapturing evasion will allow these legitimate companies to reduce their tax rates.
099	Rep. Hill	Notes that one could argue an opposing position, essentially that more money needs to be spent on enforcement of the current system.
103	Russell	<p>Concedes that this is true, but the point is that the weight-mile tax is inefficient. Discusses the principles adopted by the trucking industry and the goals of the new diesel tax structure:</p> <ul style="list-style-type: none"> • Revenue neutrality ñDefines revenue neutrality and explains how the proposal would seek to achieve revenue neutrality.
144	Rep. Walker	Asks if ODOT has assured that they will be able to implement a diesel tax and be Y2K compliant.
147	Russell	Replies no. Acknowledges that ODOT has expressed some concerns about implementation.
160	Rep. Walker	Asks the if cost of implementation has been factored into his analysis.
161	Russell	Replies yes. States that the Fuel Tax Division of ODOT may not be able to collect the diesel tax immediately. Reviews the ODOT cost analysis of the weight-mile tax and the proposed revenue-generating techniques. Underscores the increases, the adjustments for certain classes of vehicles and the efforts to obtain revenue neutrality.
222	Rep. Hill	Asks for a definition of "at the rack."
223	Russell	Explains that the rack is the first point of entry or distribution in the state.
229	Rep. Hill	Asks if this method of collection is similar to the gas tax.
232	Russell	Replies that it is not exactly the same as the gas tax.
240	Rep. Devlin	Asks if the adjustments for particular vehicles are reflected in HB 3344 and the ñ1 amendments.

244	Russell	Replies yes. Describes the goal of revenue neutrality and cost allocation, underlining that no shift in revenue collection will occur between cars and trucks.
263	Rep. Hill	Asks if Russell is aware of how much diesel fuel his company consumes.
264	Russell	Replies yes.
270	Rep. Hill	Asks if he will be paying more or less under the proposed diesel tax. Expresses desire to see the numbers.
275	Russell	Answers that an analysis has been done of how the existing and proposed systems will impact each segment of the trucking industry.
281	Rep. Hill	Asks if companies will be paying the same amounts under HB 3344. Asks if he is suggesting there are inequities in the current system.
285	Russell	Replies that he is suggesting there are inequities in the current system. States that the trucking industry as a whole is paying its fair share. Describes Oregon's history of reviewing the highway tax rates every two years, noting the desire to reassess the trucking industry's tax rates at that time.
314	Russell	Addresses tax equity within the trucking industry. Recognizes the broad support for the diesel tax among Oregon-based, for-hire trucking companies. States that a survey was sent to all Oregon-based trucking companies with three or more trucks (EXHIBIT B, pp. 44).
332	Rep. Lehman	Asks if the survey only included for-hire trucking companies.
337	Russell	Replies that all aspects of the trucking industry were included.
343	Rep. Lehman	Asks if for-hire and self-owned trucking companies pay different taxes.
346	Russell	Replies that they both pay the same taxes. Reviews the preliminary results of the survey. Relates that deregulation has resulted in an inability to track changes in the trucking industry. States that the majority of respondents are interstate trucks that are 80,000 pounds or above and drive over 60,000 miles per year. Stresses that 73% of the respondents support a diesel fuel tax.
413	Russell	States that the trucking industry as a whole wants to pay their fair share, but they are seeking competitive equity within the trucking industry, i.e. that all log trucks are taxed the same way.
TAPE 58, B		

019	Rep. Hill	Asks about the relationship between diesel tax rates and damage to roads.
033	Russell	Replies that, theoretically, the weight-mile tax is more precise in capturing cost-responsibility on an individual basis, but in practice the equity has been eroded by changes that require the same truck to pay seven different levels of tax.
050	Rep. Lehman	Asks about the change in the trucking industry that will result from higher registration fees.
060	Russell	Replies that there are winners and losers in every category of truck, but no one category wins or loses exclusively. Concedes that low weight, low mile trucks would be disadvantaged under a diesel tax/fee system, but their registration fees are reduced.
068	Rep. Lehman	Asks if there is a legitimate state interest in trying to create fairness.
075	Russell	Replies that they are not giving breaks as much as reflecting the different operating characteristics of different trucks.
084	Rep. Lehman	Asks if the proposed tax system will reflect that certain trucks pay less under the current system.
090	Russell	Explains that they don't pay less, but have different cost responsibility.
098	Rep. Lehman	Asks if the diesel tax will encourage going to larger, heavier shipments instead of lighter, more frequent shipments.
108	Russell	Replies no. Expresses concern about the emphasis on equivalent single axle loads (ESAL) per ton, noting that triples are one of the kindest to the highway because of the number of axles.
124	Rep. Lehman	Asks who will come back to the legislature in two years and be complaining about the diesel tax.
134	Russell	Replies that he does not know. Emphasizes the administrative cost savings and the involvement of all OTA members in formulating a tax structure that will preserve their separate interests.
153	Rep. Lehman	Asks if subsequent legislators should not expect to be faced with a large group of the trucking industry that is critical of the diesel tax.
159	Russell	Replies that they have not identified any segment of the trucking industry that will be treated to their decided disadvantage. Notes that a strong majority of respondents to the previous survey were in support of the diesel tax.

182	Rep. Hill	Asks if they have examined whether HB 3344 will meet the constitutional test of equity among classes.
202	Russell	Replies that, from a legal perspective, there will not be a constitutional conflict. Stresses that Oregon is the only state without a diesel fuel tax.
227	Rep. Hill	Notes that Oregon has many unique characteristics. Asks if weight-mile is itself an inequitable system. Asks who is not paying enough now and should be paying more in the future.
251	Russell	Replies that the people who should be paying more are those who evade the weight-mile tax.
270	Rep. Hill	Asks if a person who pays more under the proposed system is evading or in the loser category.
277	Russell	Responds that the largest fleet will save substantial amounts of money. Notes that there is a strong indication of support for the diesel tax as an equitable proposal. States that a current cost allocation study did not attempt to reflect the real world of the trucking industry and made unwarranted assumptions.
337	Rep. Taylor	Asks about the \$36 million savings to trucking industries and how it will be distributed.
350	Russell	Responds that the trucking industry seeks to be an active partner in contributing to the highway fund.
388	Russell	Discusses the role of cost allocation studies and the trucking industry's commitment to maintain cost allocation.
440	Chair Montgomery	Adjourns the meeting at 10:25 a.m.

Submitted By, Reviewed By,

Brad Daniels, Janet Adkins,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñHB 3344, -1 amendments, staff, 5 pp.

B ñHB 3344, written testimony, Bob Russell, 68 pp.