

## HOUSE COMMITTEE ON TRANSPORTATION

April 05, 1999 Hearing Room D

8:30 a.m. Tapes 62 - 63

**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

HB 3403 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 62, A		

004	Chair Montgomery	Opens the meeting at 8:30 a.m. Opens the public hearing on HB 3403
<b><u>HB 3403 PUBLIC HEARING</u></b>		
009	Adkins	Explains HB 3403, which would require the Oregon Department of Transportation (ODOT) to enter into contract for monitoring incidence of uninsured motorist claims.
014	Chair Montgomery	Closes the public hearing on HB 3403. Opens the public hearing on HB 3344.
<b><u>HB 3344 PUBLIC HEARING</u></b>		
030	Bob Russell	<p>Oregon Trucking Associations (OTA). Clarifies three issues from his earlier testimony:</p> <ul style="list-style-type: none"> <li>• He reported that, according to the Nelson survey, 77% of the surveyed Oregon-based carriers were interstate carriers; however, ODOT is unsure if the majority of Oregon <u>carriers</u> are in fact interstate carriers. ODOT can only state that the majority of Oregon-based <u>vehicles</u> are interstate.</li> <li>• ODOT has indicated that they will make every effort not to lay anyone off during the switch from a diesel tax to the weight-mile tax, but some lay-offs may occur.</li> <li>• Very few states are currently participating in the clearing houses for the International Fuel Tax Agreement (IFTA) and the International registration plan (IRP).</li> </ul> <p>States that HB 3344 is entirely new and represents the best diesel fuel tax system in the country. Explains the diesel fuel tax proposal outlined in HB 3344, noting the tax rate, the at-the-rack collection, and the fuel dying program.</p>
080	Russell	Lists the exceptions for particular carriers, including concrete mixers and log trucks. States that registration fees are prorated by weight and adjusted for low-mileage vehicles. Describes the axle incentives in HB 3344. Discusses the mechanism for changing the diesel fuel tax rate to maintain revenue neutrality.
135	Russell	Addresses the policy aspects of HB 3344. Notes the effects of trucking deregulation and the need for relief for Oregon truckers in the form of a more efficient, competitive tax system.
180	Russell	Discusses the recent passage of a gas tax, the lack of weight-mile tax rates in that bill and the difficulty of interpreting the present rates. Supports the legislature's policy-making role and involvement in establishing truck taxes. Submits a letter from Governor John Kitzhaber stating that he will sign a bill with a diesel tax as long as it maintains cost responsibility and revenue neutrality ( <b>EXHIBIT A</b> ).
190	Rep. Taylor	Asks how revenue neutrality is possible in the context of a \$36 million administrative savings to the trucking industry.

195	Russell	Replies that the \$36 million savings is independent of the tax rates, while the administrative savings to ODOT is factored into the proposal and given back to the trucking industry. Stresses that, though taxes decrease, the administrative savings to government allow the same amount of revenue to be put on roads.
249	Rep. Taylor	Asks how the savings to the trucking industry are going to be put back into streets and highways.
253	Russell	Responds that the gas tax proposal would increase taxes on the trucking industry by \$34 million, thereby offsetting the savings.
260	Rep. Taylor	Asks if the \$34 million increase is annual or biennial.
268	Russell	Responds that it is annual.
275	Rep. Krummel	Asks how HB 3344 will level the playing field between Oregon-based and out-of-state carriers.
279	Russell	Provides an example of a carrier that is bearing a larger tax burden in Oregon than in other states due to the number of miles traveled in Oregon. Compares the tax rates between Idaho and Oregon and the competitive disadvantage to Oregon companies.
315	Rep. Lehman	Asks about the cost of driving trucks on Oregon roads and the impact of out-of-state and in-state trucks.
327	Russell	Describes the total administrative savings to the government and to the trucking industry and its effect on the theory of revenue neutrality.
370	Rep. Lehman	Asks how HB 3344 will make Oregon companies more competitive.
372	Russell	Replies that the average tax rate per mile and administrative costs will drop.
385	Rep. Wells	Asks Russell to explain the quarterly purchase of registration fees.
395	Russell	Replies that there is an option to pay registration fees on a quarterly basis, which may be more attractive to seasonal companies. Adds that interstate companies also are allowed to pay full-year registration fees on a quarterly basis.
<b>TAPE 63, A</b>		
003	Betsy Earls	Associated Oregon Industries (AOI). Discusses AOI's interaction with OTA and ODOT on the subjects of revenue neutrality and cost shifting. Introduces

		the Nelson survey, which attempts to determine whether there will be cost shifting between truck classes.
025	Mark Nelson	AOI. Notes that the Nelson survey is a mail poll of approximately 3000 Oregon-based companies with three or more trucks. Contrasts the methodology of a mail poll, which is controlled by who returns the survey, with a telephone poll ( <b>EXHIBIT B, C &amp; D</b> ).
060	Nelson	Reviews the preliminary results of the poll, the questions and the responses to those questions. Notes the dominance of trucks over 78,000 pounds that drive a large number of miles. Describes the number of companies that support and oppose HB 3344 and their reasons for doing so.
106	Nelson	Discusses the companies' impressions of the possible savings and costs resulting from HB 3344. Examines the survey results on this point and provides a more specific breakdown of the companies' impressions.
152	Rep. Krummel	Asks about the 18% of trucking companies that operate entirely in Oregon.
156	Nelson	Explains the responses of the companies in question ( <b>EXHIBIT C</b> ).
174	Rep. Walker	Asks if the total universe is the 3000 surveys sent or the 300 responses.
175	Nelson	Replies that the universe is the 300 responses. Continues to discuss the spreadsheet breakdown of companies that will pay more, less or the same amount under the diesel tax system. Stresses that the perception was that high-weight, high-miles trucks will pay less. Underscores the importance of the companies that will pay about the same amount under the diesel or the weight-mile tax and their significant support for a diesel tax.
225	Nelson	Notes that companies' support of HB 3344 is related to how much more or less they will pay under the proposal. Stresses that surveys and studies are different approaches, and the survey can involve some bias.
265	Rep. Hill	Asks why the survey is important.
267	Nelson	Replies that the survey shows what shifts will occur between truck classes under the diesel tax.
284	Rep. Hill	Asks if the analysis is statistically significant.
288	Nelson	Replies that he thinks it will be, but it is not now.
297	Rep. Hill	Asks if the final results can be compared to the preliminary cost responsibility study.

312	Nelson	States that he does not think his survey can be overlaid on the cost responsibility study. Notes that the survey reflects perceptions.
330	Rep. Taylor	Asks how the survey might be affected by truckers' personal views.
338	Nelson	Replies that the survey was done in a "charged" atmosphere which will be reflected in the results.
358	Rep. Lehman	Asks how many one and two truck owners exist that were not surveyed.
365	Nelson	Replies that there are thousands, possibly 30,000.
370	Bob Hall	Portland General Electric. Acknowledges the controversy between separate sets of statistics. Reviews the origin and focus of Professor Tom Hibbard's study of the OTA proposal, HB 3344 ( <b>EXHIBIT E</b> ).
<b>TAPE 62, B</b>		
017	Hibbard	Economics Professor, Willamette University. Discusses the focus of the study, to determine if HB 3344 will shift costs between truck classes. States that the OTA proposal would favor heavier trucks over lighter trucks. Stresses that the study is partially, but not wholly, hypothetical ( <b>EXHIBITS F &amp; G</b> ).
060	Hibbard	Describes the effect of the proposal on trucks driving different numbers of miles, emphasizing that highway taxes would be shifted from high-mileage to low-mileage trucks. States that the OTA proposal favors interstate trucks over intrastate trucks. Underscores that the interstate truck will pay less taxes despite travelling more miles in Oregon.
100	Rep. Hill	Asks why the interstate truck will pay less.
102	Hibbard	Replies that interstate trucks will only pay a fraction of the Oregon registration fee.
108	Rep. Krummel	Asks if the slide reflects the current system ( <b>EXHIBIT F, pp. 7</b> ).
110	Hibbard	Replies no, it describes the effects of the OTA proposal.
113	Rep. Kropf	Asks if the 62% payment refers to registration fees.
116	Hibbard	Replies yes.
117	Rep. Kropf	Asks if an Oregon-based trucking company will only pay 62% registration fees.

120	Hibbard	Replies that this trucking company will pay 62.6% of Oregon's registration fee and the rest to other states.
130	Rep. Wells	Explains why the truck will only pay a fraction of the registration fees.
135	Rep. Kropf	Asks if an Oregon-based trucking company will pay the full registration fee to the state of Oregon.
140	Hibbard	Replies no. Reiterates that the interstate truck travelling more miles in Oregon may actually pay less tax under the OTA proposal. Describes how the proposal will favor interstate trucks based out of Oregon over interstate trucks based in Oregon. Discusses a hypothetical model of three separate categories of trucks (intrastate, interstate based in Oregon and interstate based out of Oregon) and the taxes they would pay under the current system.
179	Rep. Wells	Contests Hibbard's use of interstate trucks that have higher total miles.
183	Hibbard	Replies that the point of the comparison is to see how or if the tax would change among trucks that drive the same miles in Oregon and cause similar damage, some of which may also drive out of Oregon.
195	Rep. Wells	Asks if the point is to focus on the mileage or whether the company is based in state or out of state.
202	Hibbard	Replies that the point is to see how trucks that travel the same amount of miles in Oregon will pay a different tax. Notes that, under the proposed diesel tax, interstate trucks based out of Oregon will benefit greatly due to the prorated registration fees. States that, oddly, the amount of tax is dependent upon how many miles a truck travels out of Oregon.
239	Don Negri	Economics Professor, Willamette University. Notes that, based on 1997 data, the OTA proposal would reduce the 80,000 pound truck taxes by approximately \$44 million per year, a reduction of about 31%. Describes why this percentage is so large.
282	Negri	States that non-80,000 pound trucks will have to pay an increased amount to achieve revenue neutrality. Describes the effect of HB 3344 on one large interstate trucking firm (a \$1.59 million tax reduction).
313	Rep. Lehman	Asks how the numbers were accessed for this firm.
318	Negri	Replies that they picked one firm from the state records.
322	Rep. Kropf	Asks if the firm is the largest firm operating in Oregon

325	Negri	Replies that he does not know. Adds that the firm's name was withheld.
327	Rep. Kropf	Asks if the firm was headquartered in Oregon and pays Oregon income taxes.
330	Negri	Replies that the firm does pay Oregon taxes, though he does believe it is based out of Oregon. Describes how the firm would benefit under HB 3344. Notes that HB 3344 reduces the incentives to add axles.
380	Negri	Indicates that the OTA proposal encourages owners to fall within the favored low-weight/low-mile category and not travel over 30,000 miles. Describes what would happen to different trucks should they travel the 30,001 <sup>st</sup> mile.
418	Rep. Hill	Asks if the OTA proposal would tax the same class of vehicles differently depending on if they were interstate or intrastate.
422	Hibbard	Replies yes.
426	Negri	Adds that the graduation of registration fees causes this disparity.
<b>TAPE 63, B</b>		
040	Garth Dull	Former Director, Nevada Department of Transportation (1986-1995). Describes the past combination of weight-mile and diesel tax systems in Nevada and the legal challenge to these tax structures. Discusses the effect of AB 943, the diesel tax proposal that passed in Nevada in 1989, and the effects of further increases in diesel taxes on equity between cars and trucks. Indicates that, according to periodic cost allocation studies, trucks are contributing 25% to the highway fund despite being responsible for 40% of road wear.
097	Dull	Notes the disparity between taxes paid by interstate and intrastate carriers in Nevada. Describes the lack of correlation between cost responsibility and taxes paid by carriers in Nevada. Reports the rates of evasion under the weight-mile tax and the rate of evasion under the diesel tax, noting that the rate of evasion was not significantly affected by the switch.
144	Rep. Lehman	Asks if the diesel tax caused any change in the types of vehicles registered in Nevada.
146	Dull	Replies that the number of vehicles is increasing and there are a larger percentage of interstate carriers.
152	Rep. Lehman	Asks if the shift in tax systems resulted in the detection of a large group of carriers who were previously evading the weight-mile tax.
155	Dull	Replies no. Adds that the evasion rate appears to be increasing. States that

		interstate carriers are paying less than they were in 1989 while intrastate vehicles are paying double and light vehicles are making up the difference. Indicates that there is interest in returning to the weight-mile system in Nevada.
196	Rep. Lokan	Asks if Nevada achieved cost responsibility under the previous system.
202	Dull	Replies no, but it was closer than it is now.
222	Rep. Lokan	Asks about the public response to the inequity of the current system.
224	Dull	Responds that the people who are educated about the issue understand and agree that changes need to be made.
232	Rep. Wells	Asks Dull to explain the legal challenge to the prior system.
237	Dull	Replies that they had a diesel tax/registration fee primarily used by intrastate carriers and a diesel tax/registration fee/mileage fee for interstate carriers, a system which was challenged as a violation of the Commerce Clause.
249	Rep. Wells	Asked what the current registration fee is for an 80,000 pound truck.
250	Dull	Replies that it is \$1384.
251	Rep. Wells	Asks if the low registration fee could account for not collecting a fair amount from truckers. Asks if the Nevada and Oregon proposals can really be compared.
260	Dull	Replies that the Nevada and Oregon tax rates are different, but the effects are the same; an interstate carrier benefits in both states.
270	Rep. Taylor	Asks about the administrative savings that resulted from the switch in tax structures in Nevada.
277	Dull	Replies that no full-time equivalents (FTE) went away after the switch. Adds that returning to the weight-mile tax will require increased administration costs, but represents a good investment. Concedes that a weight-mile tax requires increased administration.
296	Rep. Wells	Asks why there is such a large difference in the two accounts of Nevada's history with a diesel tax.
299	Dull	Replies that it may be because Daryl Capurro represents the trucking industry and he does not.



316	Claude White	States that his company will save about \$2000 per year. Adds that the paperwork is the major problem with the weight-mile tax. Supports HB 3344.
341	Rep. Lokan	Asks how many trucks he has.
343	White	Replies that he has about 20 trucks on weight-mile tax as well as some other farm trucks.
360	Don Miner	Oregon Manufactured Housing Association. Supports HB 3344. Acknowledges the complicated nature of Oregonis system.
375	Adkins	Asks if manufactured homes are subject to separate registration fees that are not reflected in the increases of HB 3344.
378	Miner	Replies yes. States that most of their trucks are under 26,000 pounds.
382	Rep. Walker	Asks about used fuel tax.
386	Miner	Defines the used fuel tax and who pays it.
398	Adkins	Adds that it is a diesel tax.
405	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, letter, Gov. John Kitzhaber, 1 p.**

**B ñHB 3344, survey letter, Mark Nelson, 1 p.**

**C ñHB 3344, spreadsheet, Mark Nelson, 3 pp.**

**D ñHB 3344, preliminary survey results, Mark Nelson, 45 pp.**

**E ñHB 3344, written testimony, Bob Hall, 1 p.**

**F ñHB 3344, written testimony, Tom Hibbard & Don Negri, 24 pp.**

**G ñHB 3344, analysis, Tom Hibbard & Don Negri, 26 pp.**