

## JOINT SENATE REVENUE AND SENTATE TRANSPORTATION COMMITTEES

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MARCH 10, 1999 - 3:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

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Revenue Members Present: Senator Randy Miller, Chair

Senator Thomas Wilde, Vice Chair

Senator Lee Beyer

Senator Tom Hartung

Senator Charles Starr

Transportation Members Present: Senator Marylin Shannon, Chair

Senator Mae Yih, Vice-Chair

Senator Susan Castillo

Senator Joan Dukes

Senator Gary George

Transportation Members Excused: Senator Ted Ferrioli

Senator Lenn Hannon

Staff: Paul Warner, Legislative Revenue Officer

Richard Yates, Economist, Legislative Revenue Office

Joan Green, Legislative Revenue Committee Assistant

Jim Stembridge, Committee Staff Manager

Invited Testimony: Mike Kane, Department of Administrative Services

Joseph Stowers, Sydec, Inc.

Roger Mingo, R. D. Mingo and Associates

**TAPE 058, SIDE A**

- 006 Chair Miller Meeting called to order at 3:04 p.m., as a subcommittee.
- Full committee convened at 3:25 p.m.
- 019 Paul Warner Discussed the cost allocation study's history and the process whereby the Oregon Department of Transportation (ODOT) contracted with the Department of Administrative Services to perform an independent objective study, with the help of a contracted consultant. Reviewed the process used in selecting a Study Review Team and the selection of a contractor.
- The draft report of the preliminary findings will be presented today. The study can provide an estimate of the cost responsibility, by weight class, for the current projected ODOT budget.
- 067 Chair Shannon Is it current law that a cost allocation study must be done every so many years?
- 071 Warner ODOT's policy is to update the study on a regular basis; the last thorough analysis was in 1994.
- 075 Chair Shannon What was the cost of the study?
- 077 Warner A little over \$200,000, however there was no impact on the State budget; as it was budgeted for in ODOT's planning office.
- 087 Chair Shannon Do states that use a diesel tax do a study as often as Oregon?

090 Warner No other state does studies as often as Oregon.

095 Mike Kane Reviewed the study's timeline and the representatives of the Review Team. (Exhibit 1)

130 Questions and answers as to the timelines and why the process was so lengthy.

165 Joseph Stowers Introduced himself, discussed his qualifications and spoke to his admiration for Oregon's far-sightedness in highway taxes.

172 Chair Shannon "You favor weight mile tax?"

173 Stowers "Yes, as a part of Oregon's highway tax system." Presented slide show. (Exhibit 2)

250 Roger Mingo Continued with presentation and discussion of cost responsibility for construction and other expenditures by category, (Page 5, Exhibit 2).

334 Discussion and questions regarding pavement rehabilitation.

381 Chair Shannon "ODOT expects to spend \$180.776 million out of \$200+ billion in a two-year period on construction, correct?"

387 Mingo Concurred.

394 Stowers Clarified that the report figures are based on an average per year, representative of calendar year 2000.

411 Sen. George Questioned which figure is accurate; ODOT's figure of \$43 million for backlog or the consultants \$10.5 million figure?

418 Mingo Explained how ODOT arrived at the \$43 million figure; the \$10.5 million/year is an estimate for an expenditure rate to repair the damage and address the backlog.

005	Stowers	Continued with presentation and revenues, (Page 9, Exhibit 2).
053	Stowers	Continued with presentation and noted errors in chart, (Page 15, Exhibit 2).
068	Chair Shannon	Questioned how data errors will be addressed.
070	Stowers	Spoke to that concern and discussed the checks and balances practiced to achieve as accurate a report as possible; the big picture is fairly accurate.
087	Stowers	Continued with presentation, (Page 16, Exhibit 2).
118	Chair Shannon	Questioned accuracy of school buses receiving a reduced tax/fee; noted that the Transportation Committee is currently looking at a measure to exempt school buses from diesel fuel tax?"
119	Stowers	Responded that the analysis would need to be corrected to reflect that, however school buses don't pay a weight-mile tax.
131	Stowers	Continued with presentation, (Page 17, Exhibit 2).
170	Chair Shannon	Questioned whether weigh stations are a factor in enforcement.
172	Stowers	Responded that they are linked with the thorough auditing process, which is even more effective enforcement tool.
178		Discussion and questions on evasion and the location of weigh stations.
193	Stowers	Continued with presentation and cost responsibility, (Page 17, Exhibit 2).
227	Stowers	Continued with presentation, (Page 18, Exhibit 2).
247	Chair Shannon	Questioned whether the weight mile tax is an expensive way to collect taxes.

266	Stowers	Responded that the collection cost of the weight-mile tax is about 4% of the collected revenue. That is quite low; compared to other ODOT programs.
278	Chair Shannon	"Collection of cars for the gas tax, licensing, etc. nets approximately \$740 million and it cost \$14 million to collect. The weight mile collects \$420 million and costs \$26 million to collect."
284	Stowers	Economists in the country conclude that Oregonís weight mile tax is an economical way to tax.
288	Chair Shannon	"Is that why 45 other states collect differently?"
289	Stowers	"Very few states collect like Oregon and none do it as well as Oregon. In terms of the administrative and enforcement costs, as a function of the revenues collected, it is relatively low charge. Compared with registration fees or many fuel taxes, the weight mile tax is a modest cost. It is not necessarily inexpensive, but by comparison with other types of revenue the weight mile tax is a low percentage."
321	Chair Shannon	Stated, for the record, that weight mile is not economical in Oregon.
308	Stowers	Continued with presentation, (Page 18, Exhibit 2).
353	Stowers	Continued with presentation, (Page 21, Exhibit 2).
410	Sen. George	Questioned the presumption that the damage, per weight, is a real number. Other states have a lower cost responsibility for heavy trucks than Oregon; cites California statistics.
421	Stowers	Responded that the California study was broader and the factors involved in Californiaís study would lower the percentage for heavy vehicles. If the differences from the two studies were removed, the results would be similar.
431	Sen. George	"Isnít the assumption in California that trucks pay a lesser percentage because they are building capacity for the cars?"

- 434 Stowers "Californians do not pay as much attention to equity and efficiency of the highway tax structure."
- 445 Sen. George "If Oregon does not build roads doesn't that shift the responsibility to the trucker because damage is being paid for instead of capacity?"
- 448 Stowers Concurred, a construction program is imperative in the long term.

**TAPE 058, SIDE B**

- 030 Sen. George Questioned what would happen to the numbers if the Equivalent Single Axle Load (ESAL) method were used in Oregon.
- 031 Mingo Responded that it would shift more to the heavier axle loads and would have a higher cost under the Californian methodology.
- 040 Sen. George Questioned why Oregon is higher than California for heavy vehicles and presented hypothesis that could affect the costs.
- 048 Mingo The program mix and definitions in California is different.
- 059 Sen. George The net effect is that a truck operator in California pays one-half the rate of what is paid in Oregon?
- 061 Mingo The difference between what is paid and the cost responsibility is much greater in California than what an Oregon trucker pays.
- 066 Stowers California's car driver is comparable to Oregon in paying their share, in California the heavy vehicles do not pay a fair share.
- 083 Sen. George California's fuel tax is not currently covering the cost for those people running heavy weight, high mileage?
- 084 Stowers No; fuel taxes are somewhat connected to weight, (Page 7, Exhibit 2).

113		Discussion and questions regarding the morning presentation and whether diesel taxes would carry out into the future.
149	Chair Shannon	<p>A diesel tax is perceived as being unfair to the lightweight trucks, however a large percentage of lightweight trucks want to move in this direction.</p> <p>Distributed handout of fuel tax collected from cars and the administrative costs to collect it. (Exhibit 3)</p>
161	Sen. Castillo	Requested, for the record, that the presenters speak to the credentials of the Study Review Team and the quality of the work that went into the report.
177	Stowers	<p>Spoke to two aspects:</p> <ol style="list-style-type: none"> <li data-bbox="560 835 1474 987">1. The model used was developed and made available to states by the federal highway administration. Oregon is the first state to use the national model. The data collection and testing processes used with both Oregon and California confirms the model is the best available. However, it is a first time use of the model and refinements will need to be made.</li> <li data-bbox="560 1018 1474 1113">2. The amount and quality of data compiled by ODOT allowed for very detailed analysis. ODOT's quality of data far surpasses what is kept, even at the national level.</li> </ol>
217	Sen. Shannon	<p>Referenced handout of the Study Review Team Membership, (Exhibit 1). Observed that based on the Review Team's composition the bias and credibility of the study is evident.</p> <p>Questioned why Oregon would want to keep a very expensive model, in terms of collection, if there are other more equitable ways to achieve a revenue neutral highway tax?</p>
248	Stowers	Responded that the study does not address policy questions.
259	Sen. Dukes	Concurred that how money is collected for the roads is a legislative decision. Spoke to the Chair's implication that eight out of the nine members of the Review Team would bias the study because of personal perspective. "There are representatives from the University of Oregon, Legislative Revenue, Oregon State University and it is my belief these representatives would not bias the study."

277 Warner Spoke to his responsibilities, as Chair of the Review Team, and his only agenda was to ensure that an objective independent analysis was provided to the Legislature. The panel held different perspectives, but as a group the study was approached in an objective manner. Doug Benson, from Idaho, provided perspective to the study. Idaho has both a weight mile tax and a diesel tax and had just completed a highway cost allocation process. Not wanting direct ODOT participation in the review team, consultants were relied on. Every effort was made to present an objective report.

310 Discussion and questions regarding the objectivity of the panel and the accuracy of the report.

Chair Shannon Meeting adjourned at 4:18 p.m.

Submitted by, Reviewed by,

Joan Green Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. Informational, Kane, Highway Cost Allocation Study, 2 pages
2. Informational, Stowers, Slide show, 21 pages
3. Informational, Senator Shannon, Handout, 1 page