

**PUBLIC HEARING: HB 3163**

**TAPES 156, 157 A/B**

**HOUSE REVENUE COMMITTEE**

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**May 2, 1997 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING**

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**MEMBERS PRESENT:** Rep. Tom Brian, Chair (Arrived 9:05 a.m.).

Rep. Tony Corcoran

Rep. Randall Edwards

Rep. Leslie Lewis

Rep. Anitra Rasmussen (Arrived 8:55 a.m.)

Rep. Lane Shetterly (Arrived 9:05 a.m.)

Rep. Mark Simmons (Arrived 9:00 a.m.)

Rep. Ken Strobeck

**MEMBERS EXCUSED:** Rep. Lee Beyer, Vice-Chair

**WITNESSES PRESENT:** Grace Crunican, Oregon Department of Transportation Michael Meredith, Oregon Trucking Associations, Inc.

Bob McKellar, Oregon Forest Products Transportation Association

Ken Booze, Eastern Oregon Fast Freight

Leon Fisher, Siletz Trucking, Independence, Oregon

Larry Campbell, AAA Oregon

Craig Campbell, AAA Oregon

Rich Angstrom, Oregon Concrete & Aggregate Producers Association (OCAPA)

**STAFF PRESENT:** Dick Yates, Economist

Barbara Guardino, Committee Assistant

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**TAPE 156 SIDE A**

008 Rep. Strobeck Called meeting to order at 8:42 a.m.

**PUBLIC HEARING - HB 3163**

012 Grace  
Crunican Refer to written testimony (EXHIBIT A) "Oregon Department of Transportation,  
Subject: HB 3163" charts.

Chart # 1: "Steady State Scenario 1998-2001 (annual)"

Defined as maintaining the condition of the existing road pavement, and permitting a limited number of expansions to the system to accommodate traffic congestion at level that it was when measured in 1992.

034 Crunican

OM&P (Operation, Maintenance and Preservation)

Capital

Total

045 Rep. Lewis Asked, why such a low efficiency level? In the private sector, this would not be acceptable.

Each of cities, counties and states is trying to increase efficiency. ODOT is trying to represent assumptions of Oregon Transportation Initiative.

054 Crunican

Data is from 1992. Since then has been four years of inflation. Believes the study reflects conservative view of the road needs.

- 093 Crunican Continued explanation of chart # 1
- Chart # 2: "Steady State Scenario 2001 Annualized HB 3163A Funding Solution"
- 108 Crunican OM&P
- Capital
- Chart # 3: "HB 3163 Funding Provides:"
- 125 Crunican \* Operation, Maintenance and Preservation \$154 million
- Capital Transportation Projects \$142 million
- Questions and discussion, clarifications.
- Chart # 4: "1997 State Highway Pavement and Bridge Conditions"
- 209 Crunican \* Pavement - poor/very poor condition estimated cost \$450 million
- \* Bridges - poor condition cost \$85 million; fair condition cost \$120 million
- Questions and discussion concerning goals in mix of poor and fair condition roads and bridges.
- Chart # 5: "1997 Bridge Conditions"
- 284 Crunican City, County, State
- "\$\$ cost" indicates cost of bringing very poor bridges into good shape.
- Chart # 6: "Bridge Cathodic Protection"
- Displayed a boot coated with zinc to illustrate that covering bridge with zinc would cost \$2 million. Would cost \$9 million to replace bridge. Explained the process.
- Comparative costs to three bridges:
- 292 Crunican \* Cape Creek Bridge
- \* Yaquina Bay Bridge
- \* Depoe Bay Bridge
- Chart # 7: "Operations, Maintenance and Preservation"
- 346 Crunican Correction: "restore 200 miles of pavement ... \$50 million."
- Chart # 8: "Modernization and Capital Improvements"
- 370 Crunican Selected some projects in terms of magnitude

Chart # 9: "Airport Improvements"

Chart # 10: "Safety & Service and Other Fees"

\* 70 % for Senior and Disabled Transportation

409 Crunican \* 20 % for State Police

\* 7 % for High Speed Rail

\* 2 % for flexible transportation projects

\* 1 % grants for ports

### **TAPE 157 SIDE A**

023 All Questions and discussion concerning safety, service and other fees.

Testified in opposition to HB 3163. Refer to written testimony (EXHIBIT B) paraphrased. In the last two years, trucking industry has been turned upside down, when Congress deregulated the trucking business. Since then, 6,200 new carriers have begun operating in Oregon. Difference between airline deregulation and truck deregulation: airlines can lower their rates, trucks can't. Result is, a serious over-capacity. Pricing discounts have lowered profitability and stability of trucking companies.

060 Michael  
Meredith

Asked legislature to intervene to help in-state trucking industry.

How does this relate to HB 3163? Oregon is home of highest highway use taxes for truckers. Oregon is also good place to operate cars because of this cost. A 31 % increase as proposed in HB 3163 will devastate trucking industry in Oregon. It will send a negative message to out of state business.

110 Meredith

139 Meredith Supports elimination of weight mile tax. Why?

- 1) This is the only thing that will keep trucking companies going
- 2) Tax is non-uniform with every other state that truckers operate in
- 3) Will capture out-of-state tax evaders
- 4) \$20 million in lost revenues to highways due to ODOT's inefficiencies

171 Meredith

Truckers are willing to pay fair share, but competitive tax rate is imperative. Supports third-party payer concept outlined in the access fee. Not asking for automobiles to pick up more taxes. Trucking industry has come up with a revenue neutral plan. The trucking industry would be happy to work with lawmakers for a solution to this situation.

Wished to dispel any uncertainty whether entire trucking industry is in agreement in its

201 Bob McKellar opposition to HB 3163. He represents intrastate small truckers. Supports Mr. Meredith's proposal. Industry is unified in its opinion.

223 Rep. Corcoran Asked Meredith, why Congress deregulated trucking industry.

229 Meredith Was not sure, but probably large shippers. Deregulation is the trend today. In some cases it makes sense, but not for truckers. Oregon Trucking Association testified in Washington DC against deregulation.

263 Ken Booze Testified in opposition of HB 3163 (EXHIBIT C) color brochure, "Eastern Oregon Fast Freight". Located in Portland, employs 150 people in Oregon. Services every community east of coast range with over-night service. This bill equates to a 31 % increase in his weight mile tax. In 1996 he spent \$300,000 in weight mile tax. The tax increase will be \$93,000. His profit was 4 % last year.

Fears he will have to discontinue overnight service. This will affect customers who need immediate service.

328 Booze Booze testified in Washington DC against deregulation. Believes Congress had already made its decision before he arrived. Trucking business is in poor shape, and he's barely surviving. He is willing to pay his fair share, but 31 % not equitable solution.

UPS and Federal Express had the money and influence to pass intrastate deregulation.

397 Rep. Corcoran Asked, what happened to ESOP employee shareholders.

412 Booze Since deregulation the appraisal has decreased. Profits are shrinking, and price per share is decreasing. That affects employees who leave the company and have to sell their stock back.

## **TAPE 156 SIDE B**

030 Leon Fisher Representing Siletz Trucking in Independence, a trucking company that hauls logs. Testified in opposition to HB 3163. Company has 30 trucks, 50 employees. Last year his company paid \$140,000 in weight mile taxes. Cannot afford an additional \$45,000. Fuel prices went up last year, doubts they will ever come down. In a deregulated market, you don't recover those costs, you absorb them. Employees proud of their safety record. Employees try to make as much money as possible because of their stocks. Last two years, stocks have been stagnant. Company has never been in the red, but it is getting harder and harder to make money.

Questions and discussion

071 Rep. Lewis Asked, since there is a need for more money for roads, is there some level of increase truckers can handle.

080 Booze Looked at Oregon Trucking Association's proposal, provision came out of legislature to handle evasion factor. Interstate truckers are evading payment of weight mile tax. Oregon truckers are paying them. Estimates Oregon is under-collecting by 30 %. This

money, if collected, would go to ODOT. Out-of-state evaders are killing his business. Provision of OTA proposal is, it is a fuel tax, collected when truckers buy diesel.

114 Booze

Believes heavy farm trucks should pay same tax he does. Catching evaders will put revenues back into roads. Weight mile tax killing the trucking industry in Oregon. His company employs two people solely to handle administration of this tax.

130 Larry  
Campbell

Refer to written testimony verbatim (EXHIBIT D)

Will share two things:

1) AAA Oregon/Idaho provided parameters on what it could support by way of a tax increase.

2) Results of scientific poll conducted by Davis & Hibbits Inc. indicating public tolerance for a gasoline tax and registration fee increase, and for efforts to shift tax increase for trucks.

AAA Oregon/Idaho support a 3 cents gasoline increase, and a 20 % registration fee increase.

Reviewed Davis & Hibbits poll (EXHIBIT E)

162 L.  
Campbell

Page 1: Summary of Findings

Page 2, paragraph 2: Favor/oppose gas tax increase

Page 3, paragraph 3: Favor/oppose vehicle registration fee increases

Page 4: Trucking weight mile tax issue

Page 7, bottom: Oregon access tax

199 L.  
Campbell

Summarized, AAA supports increase of taxes, supports cost responsibility and weight mile tax system.

244 Craig  
Campbell

Refer to written testimony verbatim (EXHIBIT F) In opposition to amendments to HB 3163 proposed by the Oregon Trucking Associations; and to raise a concern about HB 3163 in its current form. (Proposal was presented to House Transportation Committee)

Failure to Meet Cost Responsibility

Revenue Shortfall Under OTA Plan

Directed members' attention to "AA Analysis of the Oregon Trucking Associations (OTA) Proposal to Repeal Oregon's Weight-Mile Tax" (EXHIBIT G)

320 C.  
Campbell

Page 6: Six-year forecasts run in three series. "Annual Impact of OTA Proposal on State Highway Fund (HB 3163) Calculated for Calendar Year 1999." Revenue Impact of Proposal - Industry Estimates; ODOT Estimates; and AAA Estimates

416 C.  
Campbell

Concluded, OTA amendments would result in substantial loss to highway funds and substantial departure from Oregon's long-standing principle of tax responsibility based on wear and tear cost of highway. OTA proposal is not revenue neutral.

**TAPE 157 SIDE B**

033 C. Same level of revenue could be generated with 4.8 cent increase in gasoline tax if cost  
Campbell responsibility were maintained and OTA amendments were rejected.

Concerning evasion and diesel fuel tax. AAA believes 25 % evasion rate is similar to evasion rate in other states. Moving from pump to rack does not eliminate evasion. Only two forms of evasion are eliminated by this: Company declaring bankruptcy; daisy chain (company creates dummy corporation that disappears before paying tax).

036 C. Things that will not be corrected: Improper filing of tax rebates, mis-reporting miles  
Campbell traveled. Improper use of exempt (farm) fuel. In Oregon, can put diesel station on tribal land and state cannot collect it.

Provided committee with list of professional evaders (EXHIBIT H) "Diesel Fuel Tax Evasion Cases". Most are members of Italian and Russian Mafias.

075 Chair Asked, does AAA have a position on HB 3163 as written?  
Brian

078 C. As written, no position.  
Campbell

114 Rich Testified in opposition to OTA proposal for amendments to HB 3163, as presented to  
Angstrom House Transportation Committee. Oregon Concrete & Aggregate Producers Association (OCAPA) supports HB 3163, and has spent two years working with Transportation Committee to come up with HB 3163.

123 Angstrom OCAPA's biggest concern is the truckers' proposal. Truckers are not all united in their opposition. Proposal is to shift from interstate trucks onto intrastate trucks and automobiles. OCAPA believes maintaining cost responsibility is only way trucking industry can be preserved.

Cost responsibility is a three-part process:

- 1) Between cars and trucks
- 2) Between weight classes and trucks
- 3) Within a weight class

OTA proposal violates all three of these issues. OCAPA believes OTA proposal will result in half a billion dollar shortfall over six years out of trust fund. Biggest concern, it will take 4.2 cents of gas tax to subsidize interstate truckers.

Refer to "Presentation by OCAPA... Analysis of Weight/Mile Diesel Fuel Tax" (EXHIBIT K)

Rep.

153 Edwards Asked, what is OCAPA's position relative to modernization distribution.  
156 Angstrom Most of loss to highway fund will result from that shift in responsibility. It is based on passenger car equivalents.  
188 Chair Brian Adjourned meeting at 10:15 a.m.

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

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**EXHIBIT SUMMARY:**

A. HB 3163, Crunican, Oregon Department of Transportation, 11 pp.

B. HB 3163, Meredith, Testimony on HB 3163 Presented before the House Revenue Committee by Michael A. Meredith, President/CEO Oregon Trucking Associations, 3 pp.

C. HB 3163, Booze, Eastern Oregon Fast Freight brochure, 6 pp.

D. HB 3163, L. Campbell, Testimony Before the House Revenue Committee on HB 3163, Presented by Larry Campbell, AAA Oregon/Idaho, 2 pp.

I. HB 3163, L. Campbell, Davis & Hibbits Inc. Market and Public Opinion Research, 9 pp.

K. HB 3163, C. Campbell, Testimony Before the House Revenue Committee on HB 3163 Presented by Craig Campbell, AAA Oregon/Idaho, 6 pp.

M. HB 3163, C. Campbell, AAA Analysis of the Oregon Trucking Associations (OTA) Proposal to Repeal Oregon's Weight-Mile Tax, 10 pp.

H. HB 3163, C. Campbell, Diesel Fuel Tax Evasion Cases, 5 pp.

I. HB 3163, C. Campbell, Fiscal Impact of New Cost Responsibility Formula (in Millions), 1 p.

J. HB 3163, C. Campbell, Annual Impact of OTA Proposal and Cost Responsibility Formula on State Highway Fund (HB 3163) (1998-2003), 1 p.



K. HB 3163, Angstrom, Presentation by OCAPA to the House Committee on Revenue: Analysis of Weight Mile/Diesel Fuel Tax, 27 pp.

L. HB 3163, Donheffner, Oregon State Marine Board: Testimony on HB 3163-A, Paul Donheffner, Director, State Marine Board, 5 pp.

M. HB 3163, Yates, FAX, Lane County Parks Division, 3 pp.

N. HB 3163, Yates, Tax Rate and Fee Increases in HB 3163, 8 pp.

AC. HB 3163, Yates, Oregon Public Ports Association, 3 pp.

P. HB 3710, McRobert, City of Gresham Office of the Mayor & City Council, 1 p.