

# Transportation Funding Overview

## Oregon Transportation System.

- Definition and Identification.
- Who controls which segments?
- How is it financed and who pays?
- History and Latest Funding Packages.
- Special interest Topics (Constitutional and other)

# Transportation Funding Overview (2)

- Oregon Transportation System:
  - Highway system and road network
  - Public Transit system and network
  - Rail system for passengers and freight
  - Aviation and Airports
  - Marine transportation and maritime ports
- System Ownership / Operation:
  - Public and Private
  - State
  - Local (Cities and Counties)
  - Transportation Agencies
  - Local districts (Taxing and non)

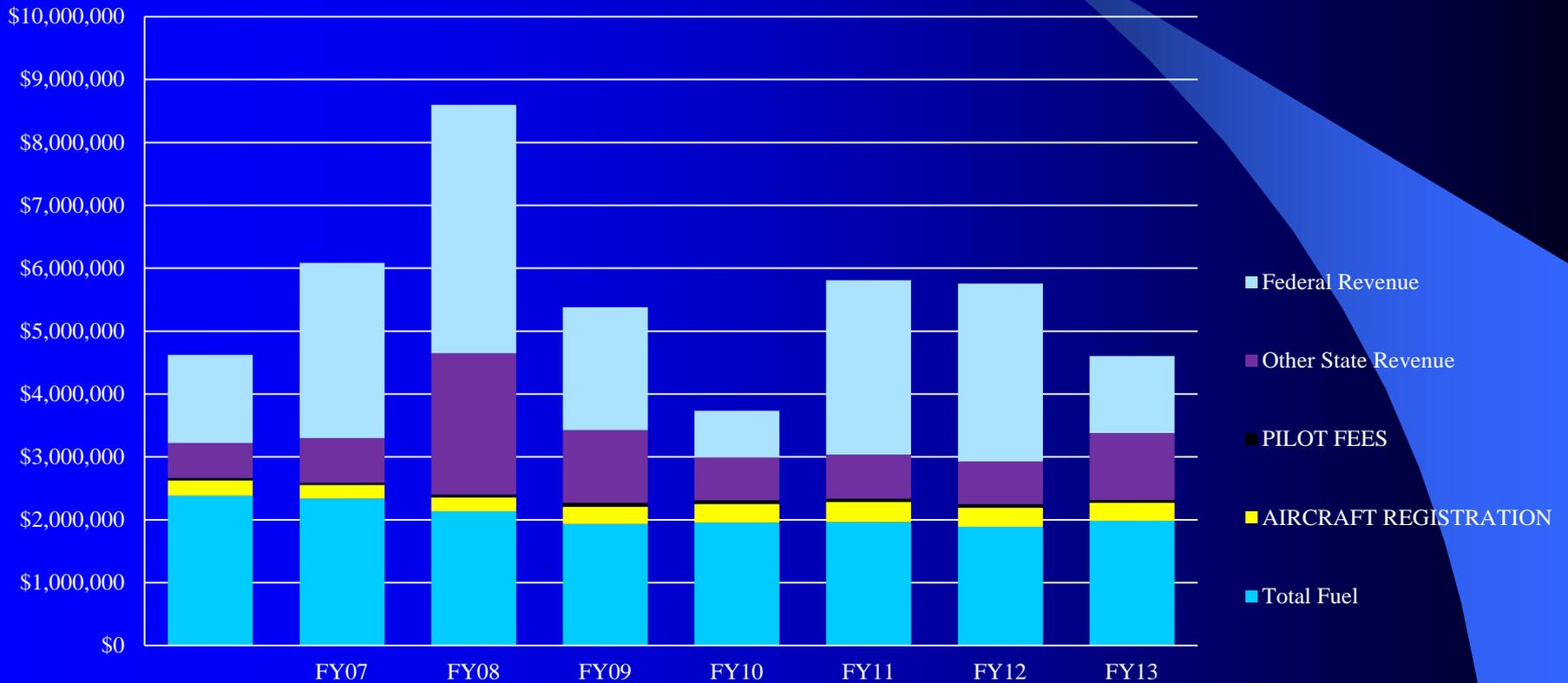
# Aviation

- Aviation revenues

- Fuel taxes    Propulsion of Aircraft Piston (9¢) Jet (1¢)
- Jet fuel (\$1.56M), Avgas(\$289K), and Mogas(\$126K)
- Other Aviation Revenues (pilot \$56, Reg \$282, other \$1M)
- Federal Funds (\$2.25 M)
- Other fees and taxes for PDX (15 M passengers).  
(port of Portland, Troutdale & Hillsboro)
- State airports (28), Other Airports local and private.

# Aviation Revenue

## DOA Revenue



# Public Transit Revenues

- Transit Revenue Mostly distributions
- State (ODOT): Cigarette tax (2c = \$7 M to districts), ID money (\$4M), Non highway fuel tax (\$6.6), GF, (HB 2001 long range plan), and federal distributions.
- STF to 33 counties, districts and 9 tribal govt.
- Transit Division Revenues of about \$90M/BN

Year	Total	Direct to Providers	ODOT
2005	93,860,159	88,032,024	5,828,135
2006	98,087,096	87,573,392	10,513,704
2007	191,628,186	178,000,000	13,628,186
2008	166,039,933	153,994,450	12,045,483
2009	206,771,495	193,941,668	12,829,827
2010	166,600,773	153,832,207	12,768,566
2011	91,630,329	78,829,785	12,800,544
2012	177,176,481	164,365,988	12,810,493
2013	188,955,546	173,424,539	15,531,007
2014	219,651,931	203,996,952	15,654,979

# Public Transit Revenues

- Local districts and Counties.(40 providers)
- 8 local transit districts, Rural Transit Districts, cities and counties and Tribal Govt.
  - ODOT, Payroll taxes, property taxes, fares and Federal (FTA and Flex funds)
  - Bonds /Lottery
  - Tri-met \$260 M payroll, 112 fares & \$300 M ST/FD, \$500 M op/ \$700 Total)
  - Lane Transit \$27 M payroll, \$7M fares & \$12 M ST/FD (\$46M total)

# Other Transportation Modes

- Rail and Commuter Rail

- Rail lines are mostly privately owned
- Public funding for crossing safety and other improvements.
- Fees State fund (\$1 M), mostly Federal (FRA & FHWA, ARRA) Avg \$10M/Y. Some GF.
- Short Commuter Rail (Lottery bonds)
- Connect Oregon
- <http://www.oregon.gov/ODOT/TD/TP/ConnectOregon%20Documents/Funded%20Project%20Lists/All%20CO%20Summary.pdf>

# Other Transportation Modes (2)

- Marine Ports (23 ports)
  - Fees, Leases, taxes and Federal
  - Lottery Bonds for deepening Columbia and Coos Bay Channels.
- Bike and Ped
  - 1% of highway fund and other state funds.
  - Local funds, Lottery and Federal
- Connect Oregon (I,II,II,IV) (7,9,11,13BN)
  - \$100M and last one \$40M Lottery Bonds.
  - Aviation, Rail, Marine, and Transit (Website)

# Highway Funding Overview

- How does Oregon Fund Highways.
- What is the Highway Fund (bank account or System)?
- Revenue sources, distributions and uses of Hwy Fund.
- Other constitutional requirements.
- The different bonding programs (OTIA, I, II, III).
- HB 2001 (2009 Session) Jobs and Transportation Act.

# How Should Roads Be Financed?

- Equity

- Principle: users should pay in proportion to the costs they impose.

- Users (different classes)

- Costs

- Planned expenditures for construction, ... , operation; or

- Damage to the system (marginal cost)

- Congestion costs. Pollution costs.

- Economic Neutrality (no winners and losers)

- Cost Efficient (efficient building, the right facilities)

- Economic Efficiency and Effectiveness

# Principles of Oregon Highway Finance (System)

- Those who use the roads should pay for them.
- Road user fees should be used for constructing, improving, and maintaining roads.
- Road users should pay in proportion to the road costs for which they are responsible.

# Brief History of Oregon Road User Taxes

- 1899 - Oregon First car arrives.
- 1905 - First statewide registration fee instituted (\$3 one time).
- 1912 - ¼ mill tax on assessed property.
- 1919 - First gas tax (in the nation) 1 cent.
- 1921- first increase in gas tax to 2 cents.
- 1925 - Ton-mile tax enacted.
- 1933- Annual \$5 registration fee.
- 1943 - Fuel tax extended to diesel and other fuels (5 cents/gallon).
- 1947 - Weight-mile tax first enacted.
- 1949 - Gas tax @ 6 cents.
- 1951 - Weight mile increased, but referred to voters.
- 1952 – Constitutional amendment rejected by 3 to 1.
- 1967 - Gas tax @ 7 cents with equivalent weight mile increase.
- 1969 - Sand and gravel flat fee option in lieu of weight-mile tax.

# Brief History of Oregon Road User Taxes

Continued

- 1983 – Woodchip haulers get flat fees.
- 1982-1993 gas tax increased 11 times to reach 24 cents.
- 1982-1992 Weight Mile taxes are increased 8 times to adjust. Table B introduced.
- 1990 - vehicle registration fees increased to \$30 for a biennium. Up from \$ 20 since 1973.
- 1996 -Weight Mile rate reduced. Sand/gravel FF increased.
- 2000 – Weight Mile rate reduced (12%).
- 2001 – (OTIA) Increase title fees to \$55 for light vehicles, and to \$90 for heavy vehicles and trailers. DMV increases many fees to achieve cost recovery. Dedicates \$71 million to bonds, and changes distribution percentages between state and local.
- 2003 – (Bridge program) Increases Vehicle registrations to \$54. increases other DMV fees. Increases Truck registration fees by 53%, and Weight Mile and Flat fees by 10%. Changes distribution percentages.

# HB 2001 (2009 session). Jobs and Transportation Act.

Increases will be fully implemented by January 1, 2011.

will raise \$300 million per year. The money will be distributed as follows:

- \$3 million per year to the Travel Information Council until 2020.
- \$24 million per year (\$2 million per month) to ODOT long range.
- The balance of the money, about \$273 million per year, is distributed as follows:
  - 20 percent (about \$54.6 million per year) to city street programs (on population)
  - 30 percent (about \$81.9 million per year) to county road programs on registration.
  - 50 percent (about \$136.5 million per year) to the state highway program.
  - State highway program money is allocated as follows:
    - 33 percent or about \$45 million to maintenance, preservation and safety.
    - 15.75 percent or about \$21.5 million to highway modernization program.
    - 51.25 percent or about \$70 million to bond repayment and the 2009 Transportation Projects Account for the 2009 Transportation Projects program.
    - No local gas tax till 2014. Counties can impose Registration Fees.
    - and studies including Efficient Fee.

# What is the Highway Fund?

- Constitutional dedication
- Legal definition
- Other uses of the term

What is the Highway Fund?

# Constitutional dedication

Except as provided in subsection (2) of this section, revenue from the following shall be used exclusively for the **construction, reconstruction, improvement, repair, maintenance, operation and use** of public highways, roads, streets and roadside rest areas in this state:

(a) Any tax levied on, with respect to, or measured by the storage, withdrawal, use, sale, distribution, importation or receipt of **motor vehicle fuel** or any other product used for the propulsion of motor vehicles; and

(b) Any tax or excise levied on the **ownership, operation or use** of motor vehicles.

(2) Revenues described in subsection (1) of this section:

(a) May also be used for the cost of **administration and any refunds** or credits authorized by law.

(b) May also be used for the **retirement of bonds** for which such revenues have been pledged.

(c) If from levies under paragraph (b) of subsection (1) of this section on **campers, motor homes, travel trailers, snowmobiles, or like vehicles**, may also be used for the acquisition, development, maintenance or care of **parks or recreation areas**.

(d) If from levies under paragraph (b) of subsection (1) of this section on vehicles used or held out for use for commercial purposes, may also be used for **enforcement of commercial vehicle weight, size, load, conformation and equipment regulation**.

# Oregon Road User Taxation

Oregon uses a four-tiered structure of road user fees

1. fuel tax
  - Gasoline 30 cents/Gallon as of 1/1/11
  - Use-fuel: Diesel, CNG and other (equivalent)
2. weight-mile tax
  - Table A and B
  - Flat fees
  - Road Use Assessment Fees
3. vehicle registration fee
  - Light
  - Heavy
4. Title fees
  - Other
  - Light
5. Operation ?? (Drivers)



# Legal Definition of the Highway Fund

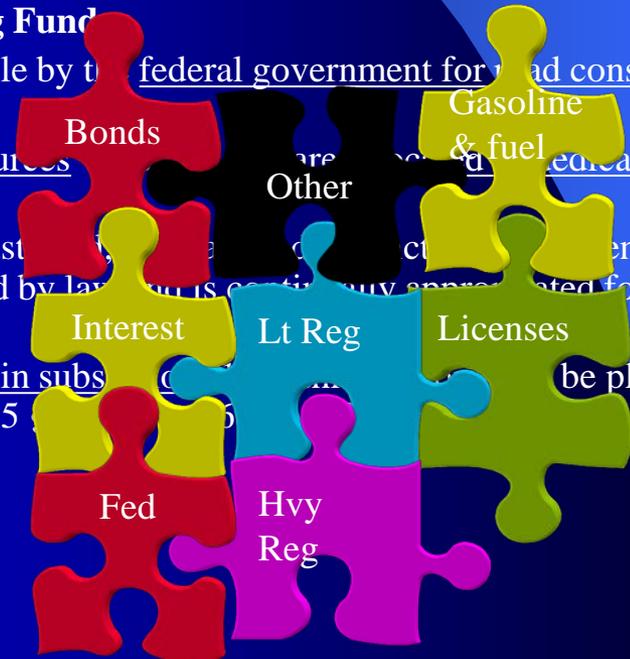
## Oregon Road User Taxation

### STATE HIGHWAY FUND

ORS 366.505                      Composition and use of highway fund

(1) The State Highway Fund shall consist of:

- (a) All moneys and revenues derived under and by virtue of the **sale of bonds**, the sale of which is authorized by law and the proceeds thereof to be **dedicated to highway purposes**.
  - (b) All moneys and revenues accruing from the licensing of motor vehicles, operators and chauffeurs.
  - (c) Moneys and revenues derived from any tax levied upon gasoline, distillate, liberty fuel or other volatile and inflammable liquid fuels, **except** moneys and revenues described in **ORS 184.642 (2)(a) that become part of the Department of Transportation Operating Fund**.
  - (d) Moneys and revenues derived from or made available by the federal government for road construction, maintenance or betterment purposes.
  - (e) All moneys and revenues received from all other sources that are dedicated for highway purposes.
- (2) The highway fund shall be deemed and held as a trust for the benefit of the general Fund, and may be used only for the purposes authorized by law. It is continuously appropriated for such purposes.
- (3) All interest earnings on any of the funds designated in subsection (1) shall be placed to the credit of the highway fund. [Amended by 1953 c.125]



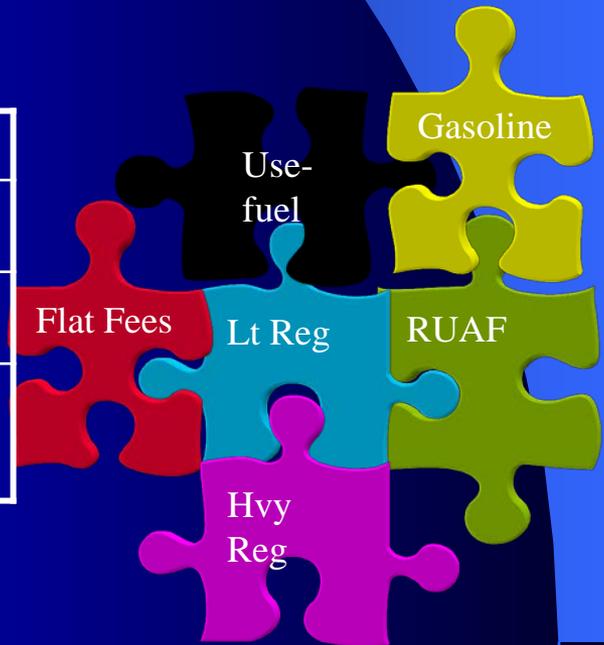
# Legal Definition of Funds to be Distributed

## 366.739 Allocation of moneys to counties and cities generally.

Except as otherwise provided in ORS 366.744, the taxes collected under ORS 319.020, 319.530, 803.090, 803.420, 818.225, 825.476 and 825.480, minus \$71.2 million per biennium, shall be allocated 24.38 % to counties under ORS 366.762 and 15.57 % to cities under ORS 366.800. Wedge money after bond payments be allocated 50 % to the Department of Transportation, 30 % to counties and 20 % to cities.

Plate fees, trip permits and driver tests.

Recipient	Base	OTIA	Bridge	Misc.	HB 2001
States	60.05%	50%	57.53%	0%	50%
Counties	24.38%	30%	25.48%	60%	30%
Cities	15.57%	20%	16.99%	40%	20%



# Oregon Road User Taxation (Fixed)

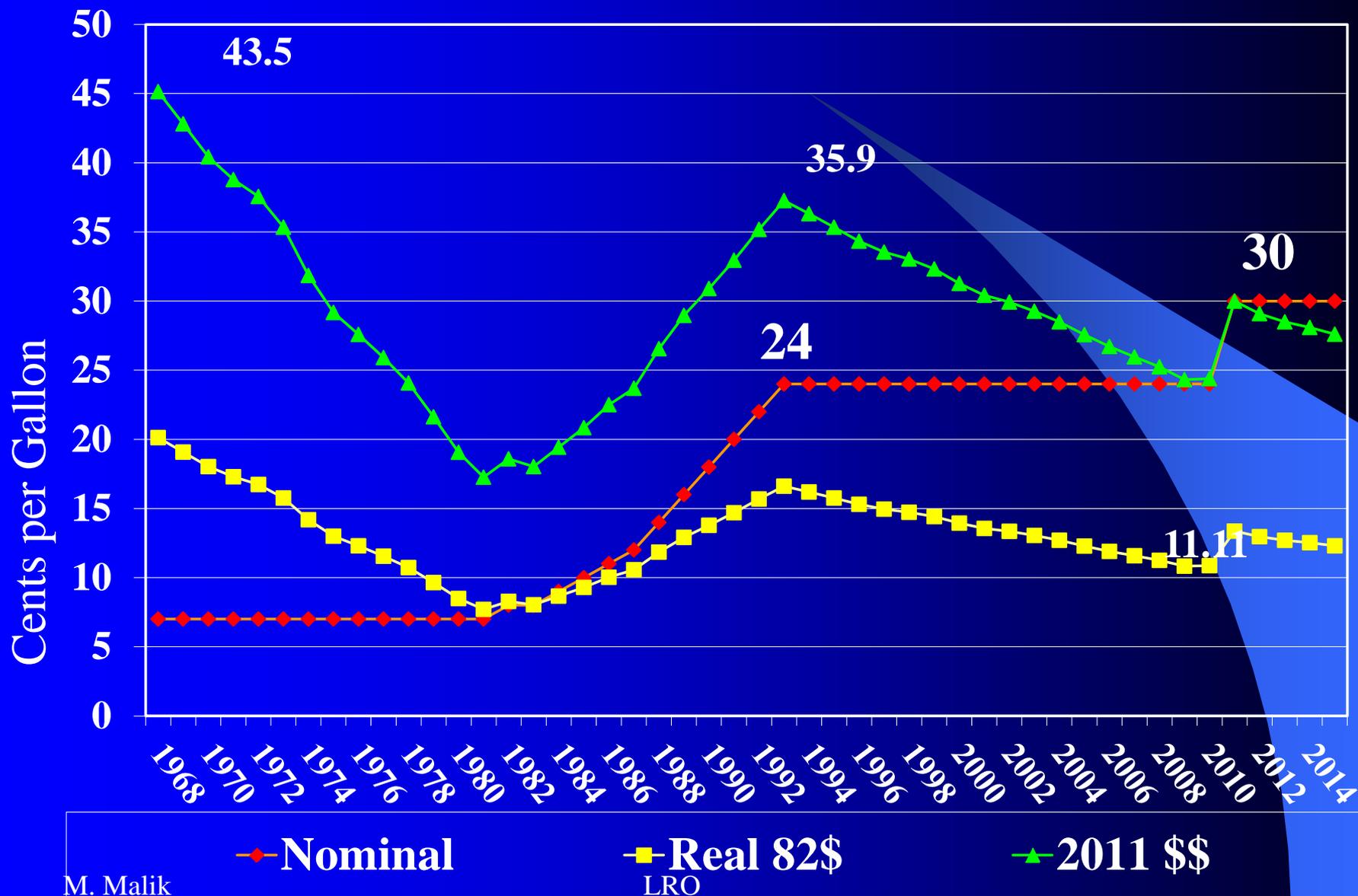
- vehicle registration fee
  - pays for fixed and non use-related costs
  - Fees for cars and other light vehicles weighing 8,000 pounds or less is \$30 biennially (before 2003), \$54 after (OTIA III), and \$86 with HB2001.
  - Continues to be relatively low compared to other states.
  - Fees for heavy vehicles (above 8,000 lb) based on Gross weight (2000 lb increments) from \$169 to \$636. (\$344 to \$1295 after HB2001)
  - New County Reg. Fee \$19/Y (\$38/BN) (Multnomah)
- Title Fees: the new fixed cost component.
  - \$55 light, \$90 Heavy (2001 OTIA I)
  - \$77 light, \$27 salvage and duplicate Titles for light (HB2001)

# Oregon Road User Taxation (Variable)

## Fuel Taxes

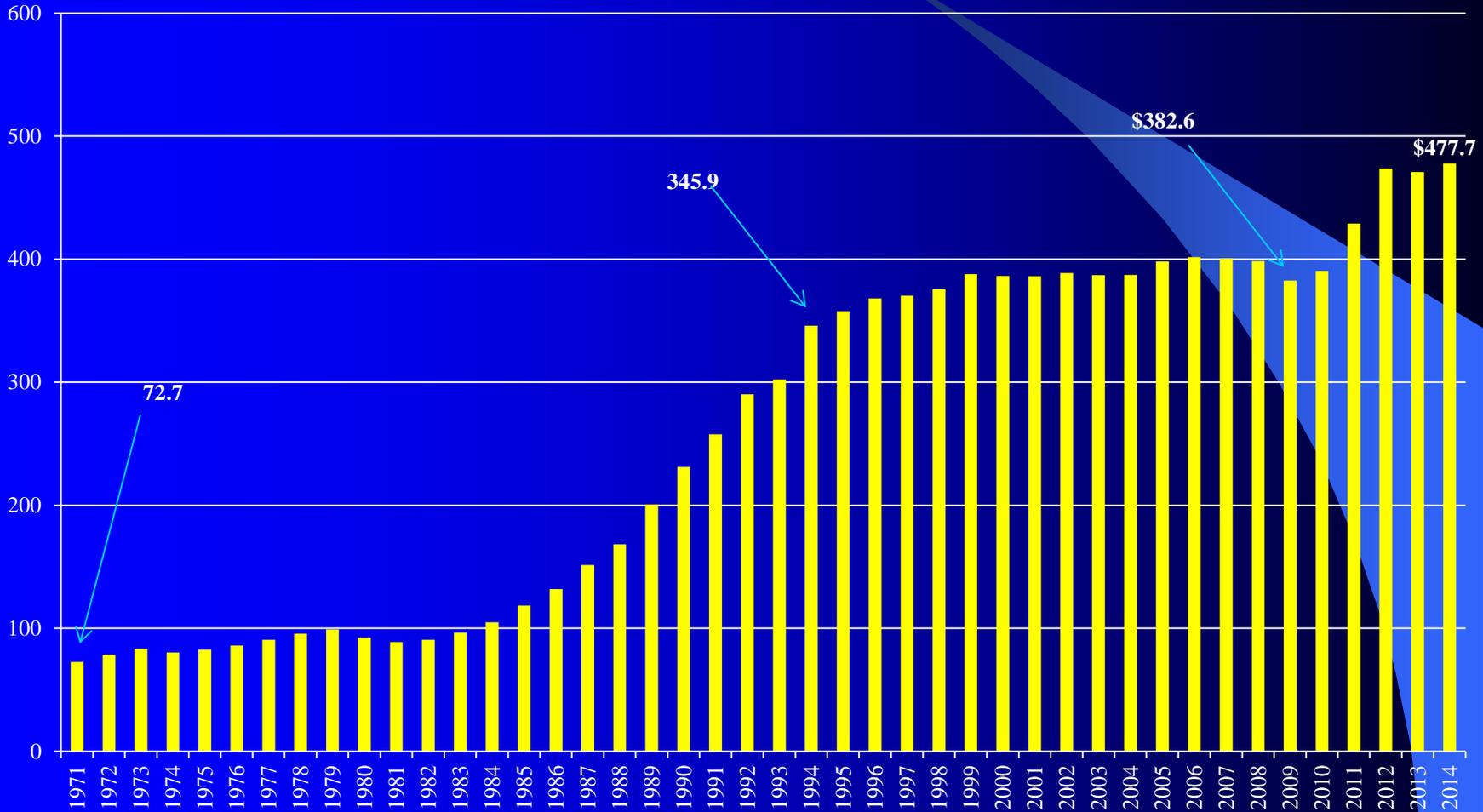
- Gasoline (any fuel the chief use of which is for)
  - Propulsion of Motor Vehicle (24¢) (30¢ after 1/1/2011)
  - Local Gas Taxes
    - Counties (Mult, Wash)
    - Cities (23)
- Diesel, CNG, & etc ( Use fuel) . Used to
  - Propel a Motor Vehicle (24¢) (30¢ after 1/1/2011)
- Fuel not used to propel. Refund or other funds.
  - Aviation, ATV, Snowmobile, or operating (lawnmower) fund.

# Motor Vehicle Fuel Tax Rates



# Fuel Tax Revenue

Millions of Dollars



# Oregon Road User Taxation (Variable)

## Weight-Mile Taxes

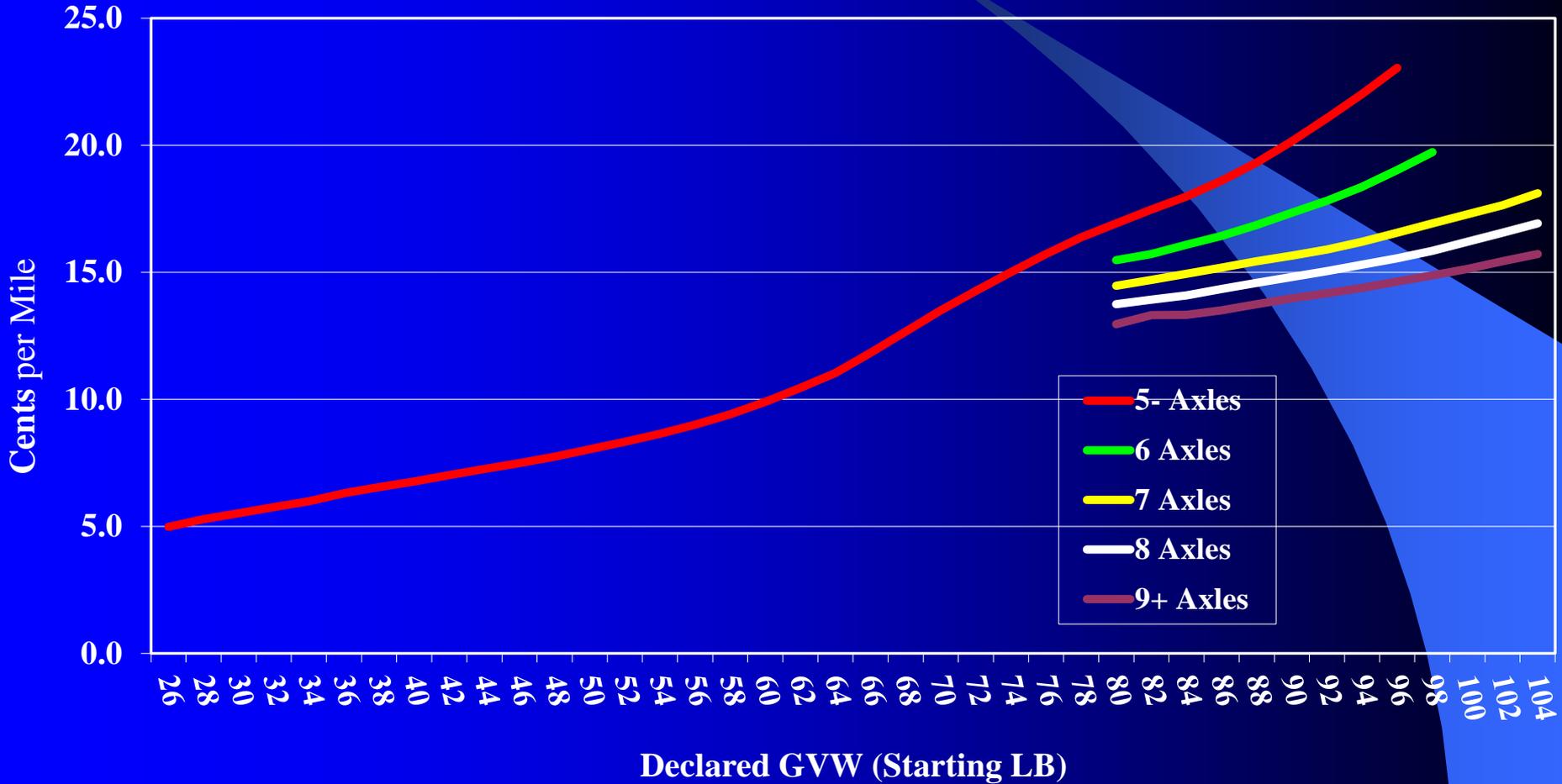
- Table A: 26,000 to 80,000 Pounds
  - Graduated Based on Weight
    - 4.98¢ per Mile @ 26,000 Pounds
    - 16.38¢ per Mile @ 80,000 Pounds
- Table B: 80,000 to 105,500 Pounds
  - Graduated based on Weight and Axles
- In Lieu (Flat Fees)
  - Log, Sand & Gravel, and Chip Trucks
- Road Use Assessment Fee

# Why a Weight-Mile Tax “Tool” for Heavy Vehicles?

- Fuel consumption increases with vehicle size and weight, but it does not increase proportionately with cost responsibility
  - Example: per-mile cost responsibility of a 80,000 lbs truck is more than double than for a 50,000 lbs truck. The 80,000 lbs truck uses only 15-20 percent more fuel for same miles traveled

# Weight-Mile Tax Rates

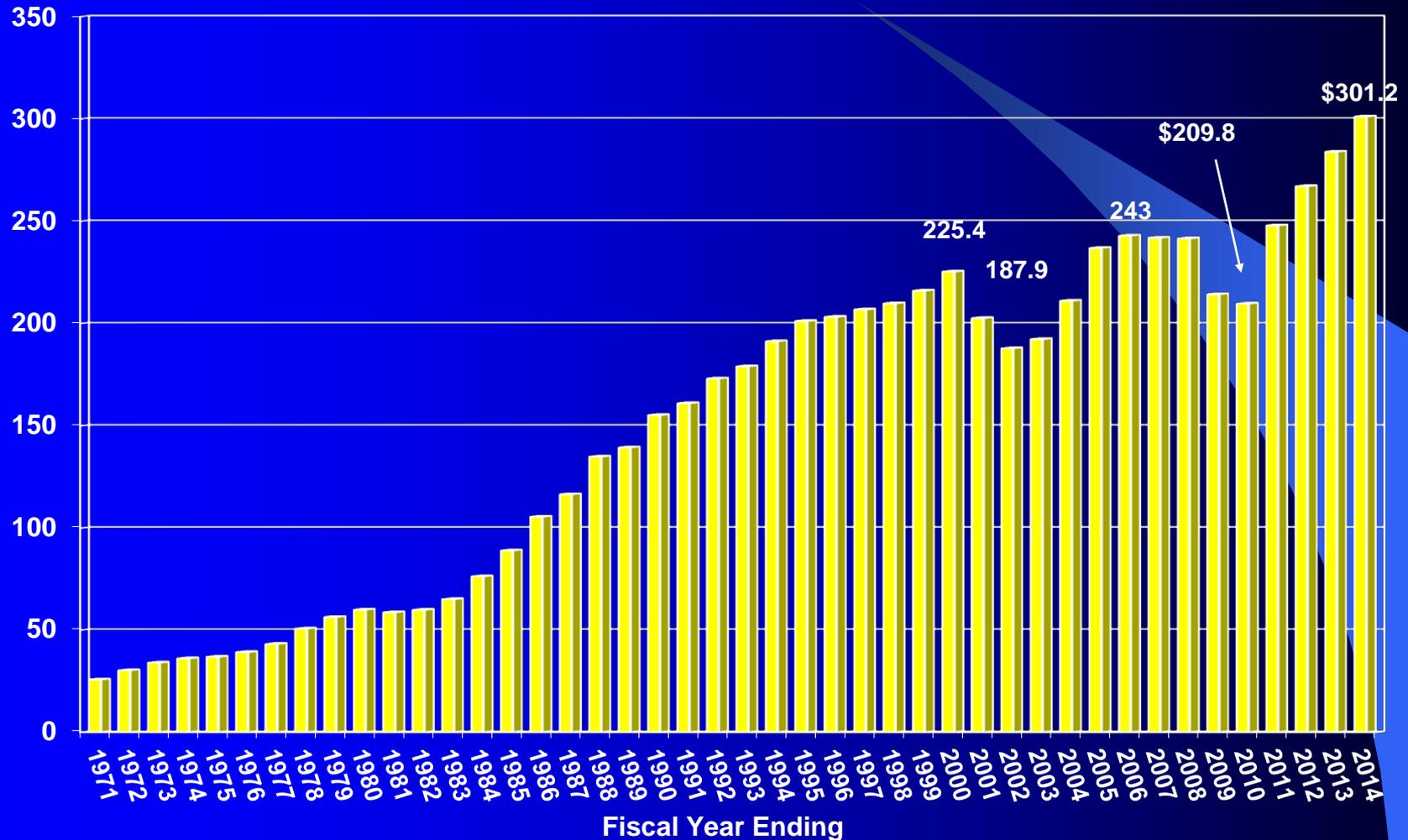
Adjusted for Current Law changes (HB 2001)



# Weight-Mile Tax Revenue

(including FF & RUA)

Millions of Dollars



# In Lieu Taxes (Less Variable)

Reflecting HB 2001 rates

- Flat Fees

- Log Trucks \$7.59 per Hundred pounds of declared weight
- Farm Trucks \$6.23 per Hundred pounds of declared weight
- Dump Trucks \$7.53 per Hundred pounds of declared weight
- Chip Trucks \$30.65 per Hundred pounds of declared weight

- Road Use Assessment Fee

- 7.1¢ per ESAL\* Mile

equivalent single-axle load” means the relationship between actual or requested weight and an 18,000 pound single-axle load as determined by the American Association of State Highway and Transportation Officials Road Tests reported at the Proceedings Conference of 1962. (ORS 818.225)

# Oregon Constitution (Connection)

- (Tools) Revenue dedicated to construction, ..., operation of road systems
  - Any tax levied on motor vehicle fuel,
  - Any charge for ownership or operation of motor vehicles.
- (System) State Imposed User Fee Structure
  - Vehicle classes pay in proportion to costs incurred on their behalf.

# Oregon Constitution

## Constitutional Article IX, Section 3A

*“(3) Revenues described in subsection (1) of this section that are generated taxes or excise imposed by the state shall be generated in a manner that ensures that the share of revenues paid for the use of light vehicles, including cars, and the share of revenues paid for the use of heavy vehicles, including trucks, is fair and proportional to the costs incurred for the highway system because of each class of vehicle. The Legislative Assembly shall provide for a biennial review and, if necessary, adjustment, of revenue sources to ensure fairness and proportionality.”*

# Highway cost allocation study (HCAS)

- **366.506 Highway cost allocation study; purposes; design; report; use of report by Legislative Assembly.** (1) Once every two years, the Oregon Department of Administrative Services shall conduct either a full highway cost allocation study or an examination of data collected since the previous study. The purposes of the study or examination of data are to determine:
  - (a) The proportionate share that the users of each class of vehicle should pay for the costs of maintenance, operation and improvement of the highways, roads and streets in the state; and
  - (b) Whether the users of each class are paying that share.
- (2) The department may use any study design it determines will best accomplish the purposes stated in subsection (1) of this section. In designing the study the department may make decisions that include, but are not limited to, the methodology to be used for the study, what constitutes a class of vehicle for purposes of collection of data under subsections (1) to (4) of this section and the nature and scope of costs that will be included in the study.
- (3) The department may appoint a study review team to participate in the study or examination of data required by subsection (1) of this section. The team may perform any functions assigned by the department, including but not limited to consulting on the design of the study.
- (4) A report on the results of the study or examination of data shall be submitted to the **legislative revenue committees and the legislative committees with primary responsibility for transportation by January 31 of each odd-numbered year.**
- (5) The Legislative Assembly shall use the report described in subsections (1) to (4) of this section to determine whether adjustments to revenue sources described in section 3a (3), Article IX of the Oregon Constitution, are needed in order to carry out the purposes of section 3a (3), Article IX of the Oregon Constitution. If such adjustments are needed, the Legislative Assembly shall enact whatever measures are necessary to make the adjustments. [2003 c.755 §§1,2]

# HCAS

- Highway Cost Allocation Study
  - Cost responsibility study to determine a fair share that each class of road users should pay for the maintenance, operation, and improvement of the state's highway system
  - The HCAS establishes “fair share”. It does not establish the tax system or tools to accomplish this goal.
  - Recent studies have been asked to recommend rate changes

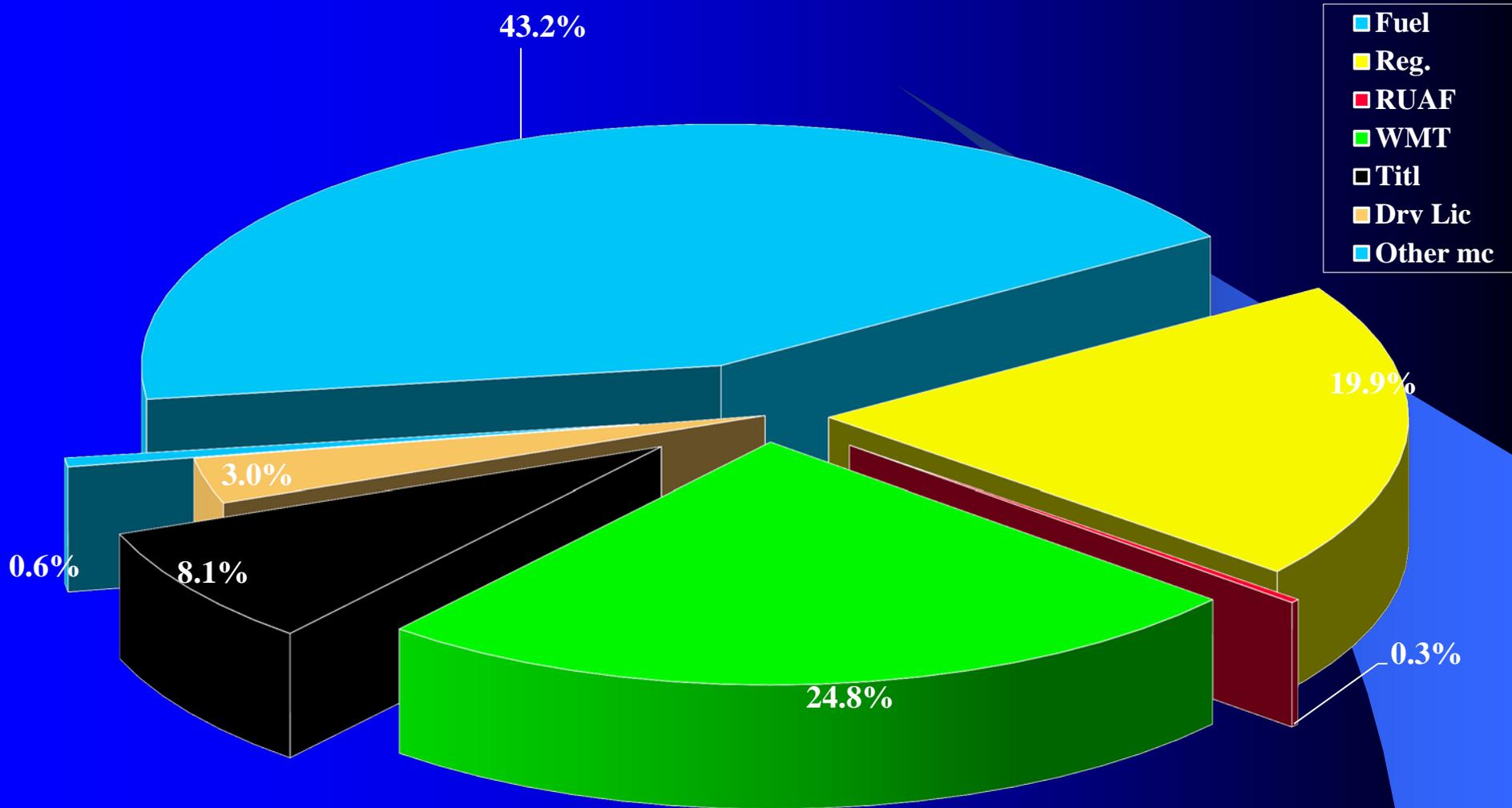
# HCAS

- Oregon has conducted studies in 1937, 1947, 1963, 1974, 1980, 1986, 1990, 1992, 1994, 1999, 2001, 2003, 2005, 2007, 2009, 2011, 2013 and now 2015.
- All studies prior to 1999 were conducted by ODOT
- In early 1998, the study was transferred to the Department of Administrative Services (DAS), Office of Economic Analysis (State Economist) . Done by consultants

# Basic Approach of Study

- Allocate projected expenditures (responsibilities) to vehicle classes.
- Attribute projected revenues (tax payments) to vehicle classes.
- Calculate equity ratio (= revenues/expenditures allocated) for each class or group of vehicles:
  - Ratio  $<1$ : Underpayment
  - Ratio  $=1$ : Class pays its “fair share”
  - Ratio  $>1$ : Overpayment

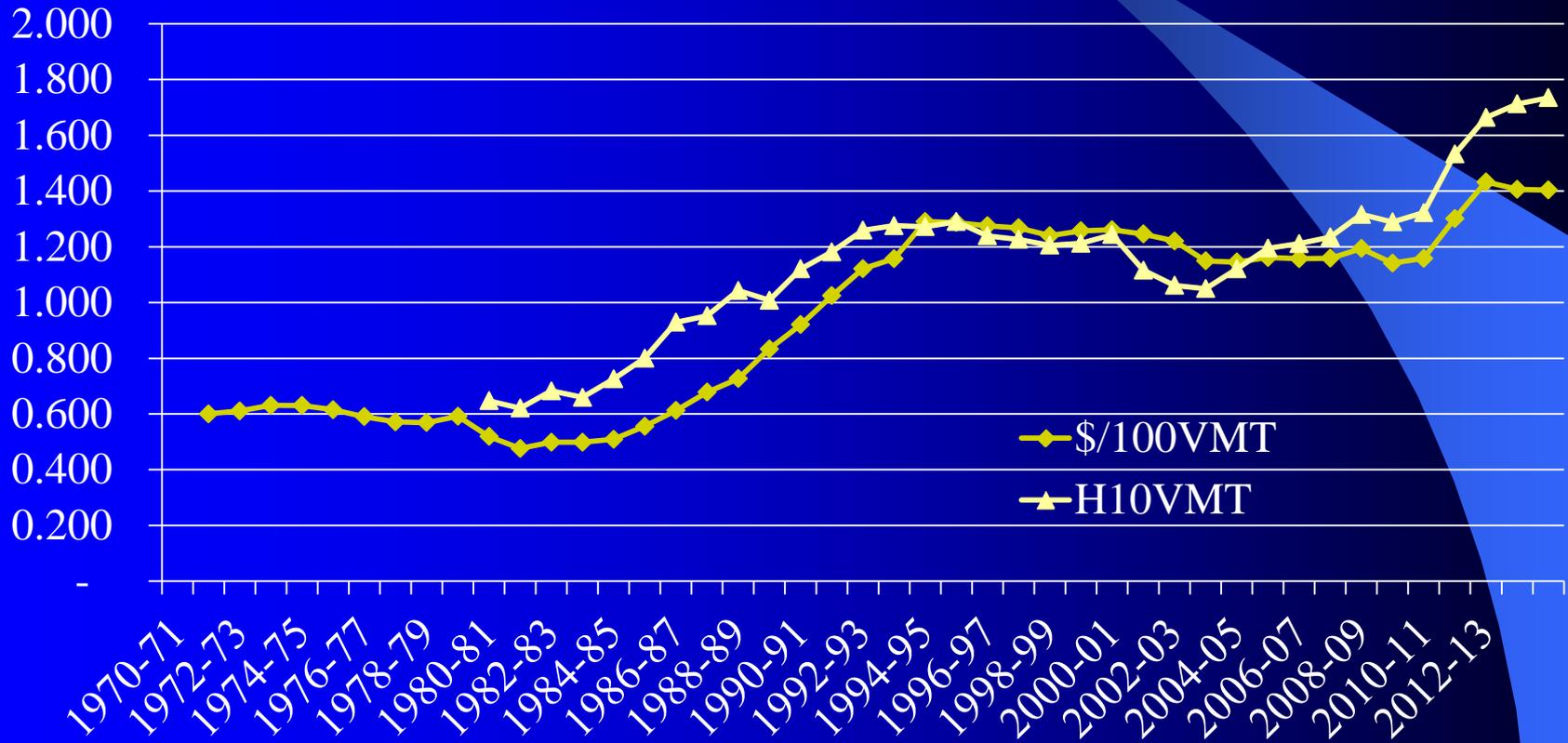
# State Imposed User Fees (13-15)



Avg annual: \$1,095.8 million  
LRO

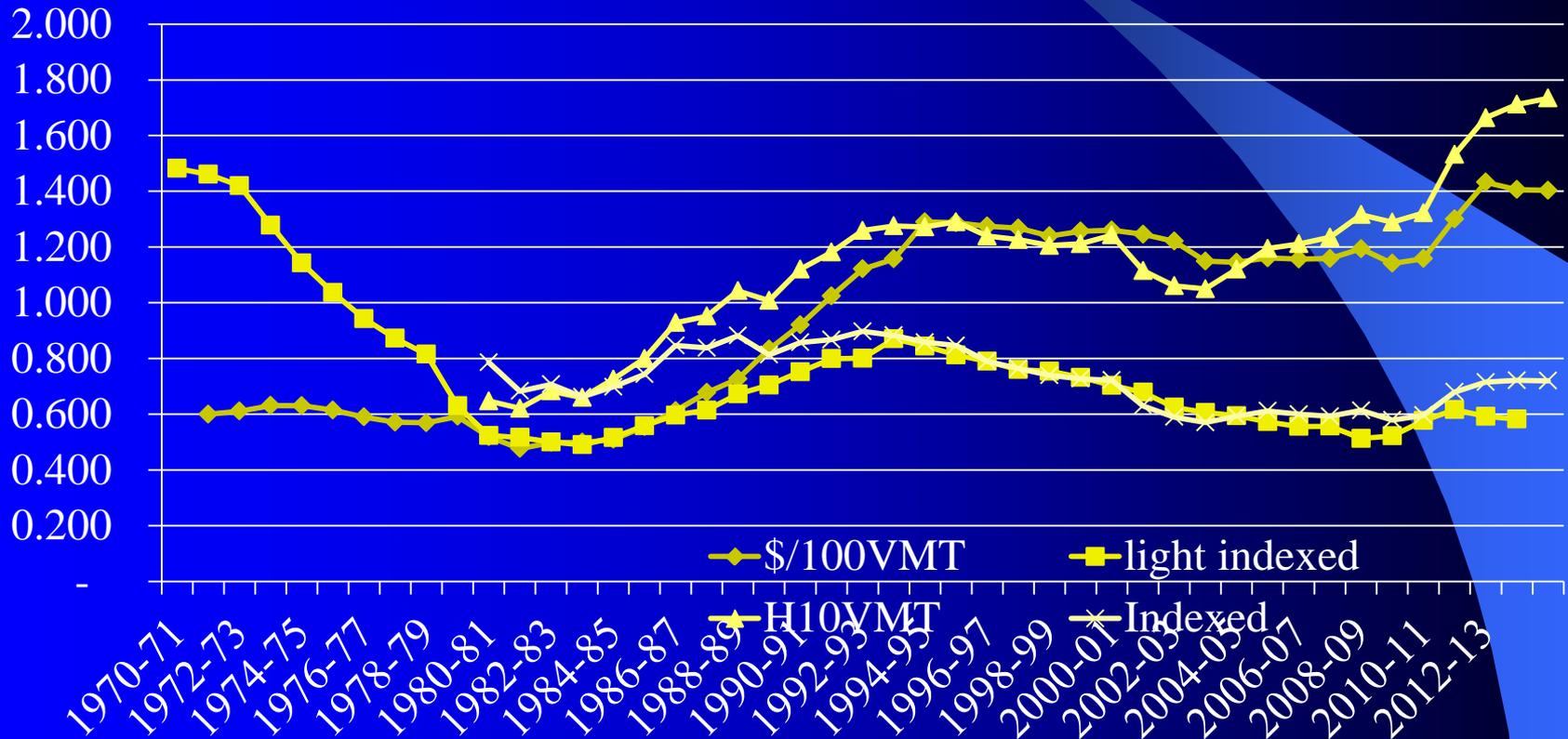
# How effective is the pricing system?

## Cost of 100 VMT light vs. 10 VMT Heavy



# The pricing system in constant \$\$

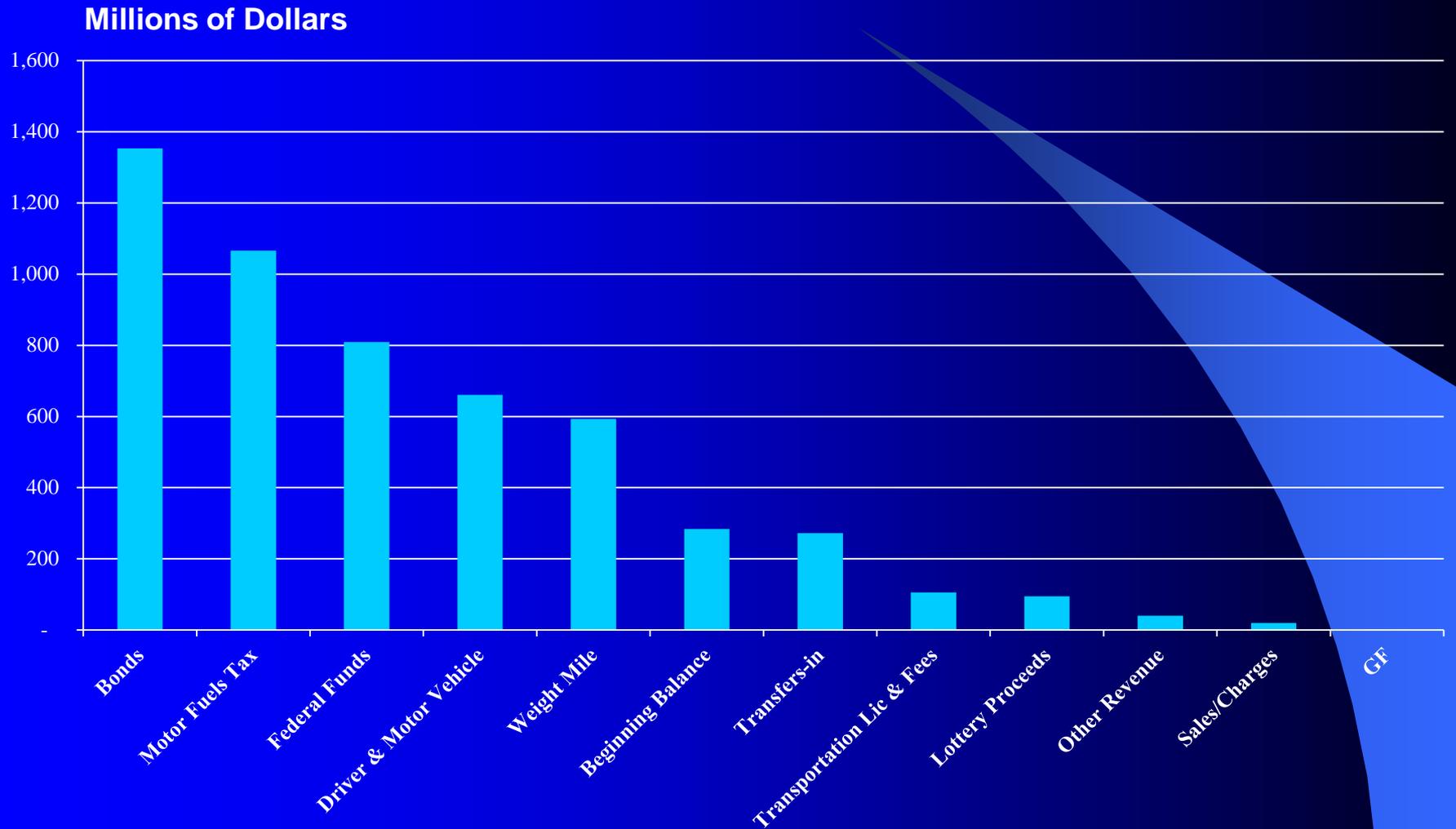
## Cost of 100 VMT light vs. 10 VMT Heavy



# Summary of Highway system

- Highway fund definitions
- Highway Financing system
- Tax tools to finance with equity.
- New opportunities
  - (RUFTF) HB 3946 (2001), SB 810(2013) pilot 5000.
  - Innovative Finance
  - Efficient Fee Study.

# ODOT Budget LAB All Sources of Funds For the 2013-15 Biennium. (\$5.3 Billion)



# Federal Revenues

\$458 million in FY 2014

- **Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA)**
  - Established and authorized transportation programs and funding for the period 1992-1997.
  - Represented a major change to transportation policy by adopting an overall intermodal approach to highway and transit funding with collaborative planning requirements and assigning significant responsibilities to metropolitan planning organizations (MPOs).
  - Provided an annual average of \$26 billion per year for Highway and Transit Programs
- **Transportation Efficiency Act for the 21<sup>st</sup> Century, 1998 (TEA-21)**
  - Established and authorized transportation programs and funding for the period 1998-2003.
  - Continued and expanded intermodal policy changes established under ISTEA.
  - Provided an annual average of \$34 billion per year for Highway and Transit Programs.
  - Modified TEA-21 provisions and funding continued for FY 2004.
- **Safe, Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users, 2005 (SAFETEA-LU)**
  - Established and authorized transportation programs and funding for the period 2005-2009.
  - Continued and expanded policy changes established under TEA-21.
  - Provided an annual average of \$49 billion per year for Highway and Transit Programs.
  - Modified SAFETEA-LU provisions and funding continued for federal fiscal years 2010, 2011 and 2012.
- **Moving Ahead for Progress in the 21<sup>st</sup> Century Act, 2012 (MAP-21)**
  - Established and authorized transportation programs and funding for the period 2013-2014
  - Continued focus of the development of an overall intermodal transportation system through an increased emphasis on performance and flexibility in use of transportation funds.
  - Consolidated formula programs and eliminated previously established discretionary programs.
  - Provided an annual average of \$53 billion per year for Highway and Transit Programs.
  - MAP-21 provisions and funding at the FY 2014 funding level have been authorized through May 31, 2015.

# Federal Revenues

# Continued

## FY 2014 Highway Apportionment Programs

	State	Local	Special Purpose	Total
National Highway Performance Program	257,007,691			257,007,691
Penalty transfer for safety projects			10,136,605	10,136,605
Surface Transportation Program (STP)	23,187,365			23,187,365
Portland TMA		23,880,059		23,880,059
Eugene TMA		3,964,493		3,964,493
Salem TMA		3,791,619		3,791,619
STP to Cities & Counties		27,290,140		27,290,140
Transfer to Transit		11,000,000		11,000,000
Local Bridge Program		25,659,003		25,659,003
Transportation Growth Management		4,000,000		4,000,000
Congestion Mitigation Air Quality Improvement Program		17,673,459		17,673,459
Transportation Alternatives Program		5,268,474		5,268,474
Recreational Trails			1,527,713	1,527,713
Portland TMA		1,380,473		1,380,473
Eugene TMA		229,182		229,182
Salem TMA		219,188		219,188
Highway Safety Improvement Program	25,438,440			25,438,440
Rail-Grade Crossings		1,500,000		1,500,000
High Risk Rural Roads		1,299,691		1,299,691
Safe Routes to School		1,200,000		1,200,000
Metropolitan Planning		3,835,861		3,835,861
State Planning and Research Program	<u>9,033,076</u>			<u>9,033,076</u>
<u>M. Malik</u>	<u>314,666,572</u>	<u>132,191,642</u>	<u>11,664,318</u>	<u>458,522,532</u>

LRO Total

# Federal Revenues

## Continued

	Apportionments			Obligation	Obligation
	Formula Programs	High Priority Projects	Total	Limitation	Limitation Rate
2005	355,298,573	61,393,440	416,692,013	355,366,858	84.67%
2006	354,891,267	60,779,506	415,670,773	359,516,959	86.18%
2007	395,468,060	62,460,162	457,928,222	413,355,570	89.97%
2008	400,308,850	61,393,440	461,702,290	425,579,922	91.85%
2009	415,671,651	61,393,440	477,065,091	441,203,818	93.30%
2010	474,219,039		474,219,039	443,021,395	93.22%
2011	518,684,306		518,684,306	479,921,369	92.28%
2012	484,226,759		484,226,759	458,332,073	94.48%
2013	482,022,426		482,022,426	462,480,057	95.87%
2014	482,423,497		482,423,497	458,128,589	94.88%

NOTE: Federal Highway Program is a reimbursement program.

# Federal Revenues

Continued

		Forest Highways/					
	Allocations	Federal Lands	Discretionary/	Transportation	Motor Carrier		
	Limitation	Access Program	Earmarks	Safety	Safety Assistance	TIGER	ARRA
2005	17,835,000	19,500,000	20,911,034	11,626,397	2,293,984		
2006	35,670,000	19,500,000	14,971,087	13,038,398	2,981,634		
2007	64,990,496	20,000,000	17,421,411	15,295,016	3,223,072		
2008	47,662,500	22,141,278	9,977,674	12,842,304	3,161,103		
2009	81,140,000	20,505,000	12,586,890	13,749,090	3,079,223		346,306,997
2010	88,101,568	21,000,000	14,796,210	14,122,124	3,157,171	37,777,121	
2011		21,000,000	16,687,726	14,832,069	4,120,225	17,700,000	
2012		21,500,000	15,349,122	14,403,674	3,820,463	7,089,192	
2013		22,078,490	1,200,000	6,601,045	2,602,799	1,474,761	
2014		21,717,190	816,820	6,627,944	2,593,256	10,125,000	

NOTE: Federal Highway Program is a reimbursement program.