House Bill 2017: -10 amendment
Summary

Oregon last enacted a transportation funding package in 2009 with the passage of House Bill 2001, the Jobs and Transportation Act. Since that time, Oregon, like many other states, has experienced the effects of a growing gap between the cost of maintaining and improving the state's transportation infrastructure and the revenue streams that are used to fund maintenance and improvements. Lack of federal leadership on transportation funding has placed increased pressure on states to independently address the issue. Oregon continues to struggle with identifying ways to provide stable, reliable funding for non-roadway infrastructure, multimodal transportation infrastructure, and public transportation operations.

At the end of the 2016 Session, the Legislative Assembly created the Joint Committee on Transportation Preservation and Modernization (JTPM) to develop a transportation policy and funding package for introduction during the 2017 session. The JTPM committee spent five months holding hearings across the state to take testimony from the public and local elected officials and to tour transportation facilities in preparation for assembling the legislation. Once the 2017 session began, the committee created five work groups to develop recommendations for highway preservation, traffic congestion, public transit, public safety, multimodal transportation, and accountability. Those concepts have been assembled into the -10 amendment to House Bill 2017.

Accountability

House Bill 2017-10 restructures the Oregon Transportation Commission (OTC, the commission) to strengthen oversight of the Oregon Department of Transportation (ODOT) and to improve accountability and transparency.

The director of ODOT is appointed by the commission, in cooperation with the Governor, and serves at the pleasure of the commission. The commission may appoint subordinate officers and employees that it needs to carry out its duties.

The OTC is responsible for developing and maintaining state transportation policies related to the management, construction, and maintenance of highways, aviation, ports, rail, and other transportation systems. In accordance with these policies, the commission will also develop and maintain a comprehensive 20-year long-range plan of projects that can be accomplished using resources reasonably expected to be available.

The commission shall review and approve proposed transportation projects described in the Statewide Transportation Improvement Program (STIP). The commission's web site will include all STIP projects with their descriptions, benefits, costs, estimated completion dates, and periodic updates on project status. The web site will also have project close-out information, such as whether a project was under or over the proposed budget and completed on its estimated completion date.

The OTC will coordinate with cities and counties to develop standards to consistently describe and report the condition of the transportation infrastructure across Oregon. The commission shall study the transportation needs of the state.

The department must perform cost benefit analyses on highway modernization or capacity-building projects that exceed $15 million. Each analysis must state the scope of the project, period of analysis, discount rate used, estimated costs, future costs to preserve and maintain the projects, and other social economic, or environmental benefits of the project.

In order to maximize the efficiency of the department and develop key performance measures, the commission shall appoint a Continuous Improvement Advisory Committee.

The measure gives the commission a direct role with the department's Internal Auditor who conducts financial, performance, and external audits. The Internal Auditor reports directly to both the commission and the director.

In addition, the measure strengthens legislative oversight on transportation matters by creating a Joint Committee on Transportation (JCT) staffed by the Legislative Policy and Research Office. The committee is responsible for general oversight of the department, reviews transportation-related policy and spending, and makes budget recommendations to the Legislative Fiscal Office related to transportation. The JCT must study the adequacy of funding to meet the transportation infrastructure requirements of the state and deliver the study results to the Legislative Assembly by adjournment of the 82nd Legislative Assembly.

The JCT will also receive reports from the commission on the cost to complete the I-205 Abernathy Bridge and I-205 lane widening project (February 1, 2018) and on the cost to complete the I-5 Rose Quarter project (February 1, 2020).

Highway Maintenance, Preservation, and Seismic Funding

The maintenance, preservation, and seismic upgrades program will be financed through a gradual increase in the motor fuels tax and motor vehicles registration and titling fees. Registration fees will be increased $13 in 2018; title fees, $16 in 2018. Registration and title fees will be tiered, starting in 2020, to acknowledge that vehicles with different mile-per-gallon (MPG) ratings pay differing levels of motor fuels tax. The tiers in the registration fees are 0-19 MPG ($18), 20-39 MPG ($23), 40+ MPG ($33), and electric vehicles ($110). Owners of electric vehicles will have the option of joining the OReGO program in lieu of paying the higher registration fee. Likewise, this methodology will apply to titling fees.

The motor fuels tax will be increased as follows:

- January 2018 – four cents per gallon
- January 2020 – two cents per gallon

- January 2022 – two cents per gallon
- January 2024 – two cents per gallon

The increases 2020, 2022 and 2024 are conditional. They will go into effect only if the OTC certifies in a report to the JCT that the commission and the department have met certain milestones that justify the increase. The commission must also report the status of various projects under construction and anticipated construction in the near future

The weight/mile tax and other heavy vehicle fees are increased separately based on the cost responsibility model to ensure that those vehicles are paying a proportionate share of highway costs.

The measure first uses the money that will be raised from increases road-related taxes and fees to increase funding for Safe Routes to Schools (SRTS) program ($10 per year and $15 million after 2022), to finance construction of the I-5 Rose Quarter project ($30 million per year after 2021 for bond debt service). The balance will be distributed as follows: 50% to ODOT, 30% to counties, and 20% to cities. (-10)

Money distributed for the state highway system will be used for highway safety ($10 million), for specific projects, for bridges, seismic improvements related to highways and bridges, to replace and maintain highway pavement and culverts, and for state highway maintenance, preservation, and safety improvements. The measure lists priority projects that ODOT must complete.

(Safe Routes to Schools)

Safe Routes to Schools match-grants are for projects located within one mile of a school that serves students in pre-kindergarten, kindergarten through eighth grade, or a school serving kindergarten through grade 12. The grants may be used to improve sidewalks, crosswalks, bike lane and traffic signals. Communities must provide cash match of at least 40 percent except that the match requirement is reduced to 20 percent for schools that are located in a city with a population of less than 5,000 or within a safety corridor or that are Title schools.

(Small Cities and Small Counties)

A portion of money going to ODOT and to cities will be used to increase the resources available to small cities (population less than 5,000) to $5.0 million per year. In addition, $5 million of county money distributed to counties with fewer than 200,000 registered vehicles based on a ratio of registered vehicles to road miles maintained by each county.

Multimodal Transportation

Connect Oregon and Rebates for Zero-Emission Vehicles

The measure establishes a privilege tax on the business of selling motor vehicles. The privilege tax on motor vehicles is 0.5% on new vehicles with a gross vehicle weight rating of 26,000 pounds or less. It also establishes a corresponding use tax of 0.5% that applies to new vehicles purchased out-of-state for use within the state.

- $12 million of privilege tax revenue will go into the Zero-Emission Incentive Fund to provide rebates to purchasers of new motor vehicles that are light-duty zero-emission vehicles or plug-in hybrid electric vehicles.
- The balance of the money will be deposited in the Connect Oregon Fund.

All proceeds from the use tax will be deposited in the State Highway Fund for state highways, roads and streets.

The measure also imposes a $15 excise tax on new adult bicycles (over 26 inch wheel diameter and $200 retail price). The revenue raised by the bike excise tax will go to the Connect Oregon Fund for commuter bicycle and pedestrian paths.

<u>(Connect Oregon)</u>

Connect Oregon has been modified and divided into Connect Oregon Part One and Connect Oregon Part Two. Connect Oregon Part One consists of transportation projects that involve, air, marine, rail, and bicycle and pedestrian projects. Connect Oregon Part Two consists of projects of statewide significance that enhance or maintain air, marine, Class I, Class II or Class III railroads. For the purposes of Connect Oregon, public bodies and private entities, except for Class I railroads, will be required to provide a 30% match; Class I railroads will be required to provide a 50% match for funds provided by the program.

How the Connect Oregon Program is implemented depends on how much is available during each biennium. If there is more than $75.0 million available, both Connect Oregon Part One and Part Two will be implemented. The Connect Oregon Part One program will use 47% of the funds for aviation, marine, or rail projects. Seven percent will be dedicated to bicycle and pedestrian transportation projects, provided that the projects that expand or improve commuter routes for nonmotorized vehicles and pedestrians. Forty-five percent of the available funds will be used for Connect Oregon Part Two. One percent will be appropriated to ODOT for administrative costs in support of the program. If there is less than $75.0 million available, only Connect Oregon Part One will be implemented. 92 percent will be allocated to the Part One program, seven percent for bicycle and pedestrian projects and one percent to ODOT for administrative costs.

ODOT may request up to $2.0 million per year from State Parks and Recreation Department for bicycle and pedestrian projects in addition to the 7% of the Connect Oregon Part One program dedicated for this purpose. This amount will be further supplemented by the revenue raised by the $15 excise tax on bicycles.

(Dredging)

The measure funds operation of the state-owned portable dredge by setting aside the revenue from 2¢ per gallon on fuel used in power boats that would normally be transferred to the Oregon State Marine Board. The money will be transferred to the Marine Navigation Improvement Fund within the Oregon Business Development Department to fund the cost of maintenance dredging projects in publicly-owned ports and marinas. The amount transferred to the Marine Navigation Improvement Fund is anticipated to be approximately $275,000 per year.

Traffic Congestion Relief Program

The commission will establish a congestion relief program to implement value pricing and tolling on the following locations:

- I-205 beginning at the Washington state line and extending to the intersection with I-5; and
- I-5 beginning at the Washington state line and extending to the intersection with I-205.

The commission may authorize pre-construction tolling, if required to receive federal matching funds, for the widening of I-205 from Stafford Road to Oregon City and for the replacement of the Abernathy Bridge.

(Task Force on Mega Transportation Projects)

The Mega Projects Task Force will study how the State of Oregon selects and approves projects over $360 million in estimated cost.

Public Transportation

The measure provides statewide funding for public transportation service. It establishes a payroll tax of one-tenth of one percent on wages paid to employees. Proceeds from the payroll tax will be deposited in the Statewide Transportation Improvement Fund. Ninety percent the Fund will be distributed to counties without a mass transit district or transportation district, mass transit districts, transportation districts, and federally recognized tribes. Five percent will support a competitive grant program established by the commission, four percent to improve public transportation services between two or more communities, and one percent to support a technical resource center at ODOT for rural areas. To be eligible to receive distributions under this program, entities must submit a public transportation improvement plan to the commission. Distributions from the fund are to be used to: increase the frequency of bus service to communities with a high percentage of low-income households, purchase buses powered by natural gas or electricity, reduce fares in communities with a high percentage of low-income households, and expand bus routes and services to reach communities with a high percentage of low-income households. The funds may not be used for light rail.

Transportation Generally

(Roadside Rest Areas)

The measure transfers responsibilities for roadside rest areas from ODOT and from State Parks to the Oregon Travel Information Council:

- Suncrest, I-5, near MP 22;
- Deadman Pass, I-84, near MP 229;
- The Maples, State Highway 22, near MP 35;
- Sunset, US Highway 26, near MP 29;
- Cow Canyon, US Highway 97, near MP 69;
- Beaver Marsh, US Highway 97, near MP 207;
- Midland, US Highway 97, near MP 282.
- Van Duzer Corridor State Park, State Highway 18, near MP 10;
- Ellmaker Wayside State Park, US Highway 20, near MP 32;
- Peter Skene Ogden State Park, US Highway 97, near MP 113.

The Council will plan the transition and provide a report to the Joint Committee on Transportation. The measure also allocates $19.4 million to the Council for capital improvements over an eight-year period starting in 2018.

Jurisdiction Transfers

The measure transfers Outer SE Powell Boulevard after it is improved from ODOT to the City of Portland, parts of OR 99 in Eugene from ODOT to the City of Eugene, Pioneer Parkway from ODOT to the City of Springfield, Territorial Highway and part of the Springfield-Creswell Highway from ODOT to Lane County, Delta Highway from Lane County to ODOT, and Cornelius Pass Road from Multnomah and Washington County to ODOT.

The measure directs the OTC to develop a winter maintenance strategy that includes the use of road salt.

Zero-Emission and Electric Vehicles Rebates

The measure provides $12 million per year to fund rebates for the purchase of electric and other zero-emission vehicles. The Zero-Emission Incentive and Charge Ahead Oregon programs will be managed by the Department of Environmental Quality or a third-party nonprofit contractor. Rebates are limited as follows:

- up to $2,500 for new light-duty zero-emission vehicles and plug-in hybrids with electrochemical energy storage capacity of 10 kilowatt hours or more;

- up to $1,500 for new light-duty zero-emissions vehicles and plug-in hybrids with electrochemical energy storage capacity of less than 10 kilowatt hours;
- up to $750 for new neighborhood electric vehicles and zero-emission motorcycles (after 2018).

To remain eligible for the rebate, a vehicle must be registered for use in Oregon for at least 24 months.

Charge Ahead Oregon Program Charge Ahead Oregon rebates are available to low and moderate income households that are scraping high-emission vehicles and replacing them with new or used zero-emission vehicles. The rebate thresholds are lower.

Both the Zero-Emission Incentive and the Charge Ahead Oregon programs sunset January 2, 2024.

2017 Clean Fuels Program Changes

This amendment further institutionalizes the program, providing consumer and cost containment protections. Below is a description of key elements found in the bill:

- ***Annual forecast and forecast deferral*** – The DAS Office of Economic Analysis in coordination with DEQ will conduct an annual forecast of fuel availability. The forecast will consider the volumes and carbon intensities of lower carbon fuels that are likely to be available in the next year in Oregon that are needed to meet the program's standards. The forecast provides assurance that the program will remain feasible as its carbon intensity reduction requirements intensify. If a fuel or credit shortage is identified, actions are provided in the bill to address the situation.

- ***Monitoring for Abnormal Market Behavior*** – The bill protects against excessive credit price swings or other abnormal market behavior by requiring that the DEQ analyze the reason for such volatility and then recommend or implement actions to stabilize the market.

- ***Emergency deferral*** – The bill requires that the DEQ issue an emergency deferral if there is a shortage of fuel. Shortage is defined. If such a situation occurs, DEQ is required to select and implement one or more of the remedies in the bill appropriate to the situation created by the shortage.

- ***Credit Clearance Market/price cap*** - The bill provides that when necessary, the DEQ will hold an end-of-the year Credit Clearance Market which requires regulated parties holding deficits to buy pro-rata shares of credits pledged to the market if needed to comply with the standards. The maximum price for credits available through the Credit Clearance Market is set at $200 per credit in 2018 and will be adjusted for inflation in future years. The $200 operates to protect the consumer by capping the cost of compliance.

- ***Program and market transparency*** – Every month, DEQ will post the average price of clean fuel credits sold the previous month. On an annual basis, DEQ will post the average cost, and cost savings, per gallon of gasoline and per gallon of diesel, resulting from the program, and the corresponding amount of greenhouse gases reduced. By February 2022, DEQ will conduct a program review that compiles on the results of the program to date and determines what, if any, changes are needed to achieve the overall goals of the program.