

April 1, 2019

Honorable Senator Lee Beyer, Co-Chair
Honorable Representative Caddy McKeown, Co-Chair
Joint Committee on Transportation
900 Court Street SE
Salem, OR 97301

Dear Co-Chairs Beyer and McKeown and Members of the Committee:

My name is John Rakowitz and I am the Director of Public and Strategic Affairs for the Oregon-Columbia Chapter of the Associated General Contractors (AGC), the industry association for the commercial construction sector.

AGC has long been deeply involved in transportation policy, most recently working in 2017 to secure passage of House Bill 2017. As such, AGC members would like to share the following observations specific to a cap and invest program's potential long-term impacts on the transportation sector:

- **Future Transportation Investment:** First, we are deeply concerned regarding the impact a cap and trade program will have on the state's capacity to secure future transportation investment. Given projections suggest an increase of 16 cents per gallon at the pump in the early phase of the program, we would urge this committee to consider how those costs will make securing future transportation investment more difficult. Further, we would encourage a thorough evaluation of how the increased costs of cap and trade through the economy will increase the cost of future transportation projects.
- **Highway Trust Fund (HTF) Subaccount:** Second, HB 2020 and the -31 amendments create a subaccount within the HTF, where revenues derived from the cap and trade program will be dedicated to adaptation and mitigation projects. AGC has two observations concerning this account. First, we believe that the Oregon Transportation Commission (OTC) is in the best position and has the requisite expertise to make decisions concerning appropriations from the subaccount. Second, as the cap and trade revenues grow over the years it is anticipated that, at some point, all of the mitigation and adaptation projects will be completed. At that point, we would suggest consideration of a trigger allowing the OTC flexibility to utilize the revenue for traditional HTF projects beyond the restrictions of the subaccount. This will help ensure the necessary funding to meet Oregon's future transportation needs.

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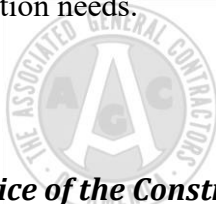
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- **Procurement/Public Contracting Mandates:** Third, AGC has long carefully monitored and helped craft legislation related to public contracting mandates. Such proposals often result in limiting the number of available contractors from which a public owner can select, creating competitive imbalances among different types of contractors, typically increasing costs and, as a general rule, causing substantial project delay.

I flag this topic for you because House Bill 2020 and the -31 amendments to the bill contain a host of public contracting mandates (apprenticeship, project labor agreements, Buy America, etc.) that AGC cannot support as currently drafted.

I would also note that, over the years, we've worked constructively with all stakeholders on public contracting matters and will continue to do so prospectively. *However, we see no nexus between public contracting mandates and carbon emissions.*

- **Highway Trust Fund:** Forth, it is no secret that AGC is an ardent defender of the Article 9, Section 3a of the Oregon Constitution, the Highway Trust Fund. Our focus on the trust has two components: ensuring that revenues derived from Article 9, Section 3a sources are appropriately allocated to the Trust; and, second, ensuring that ALL funds in the Trust are utilized for the purposes articulated by Article 9, Section 3 ("exclusively for the construction, reconstruction, improvement, repair, maintenance and operation and use of public highways, roads, streets and roadside rest areas in this state.")

As the cap and invest debate evolves, AGC will oppose any efforts to navigate around or otherwise circumvent the provisions of Article 9, Section 3a.

Thank you for the opportunity to comment and for allowing AGC to participate in this important public policy conversation.

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