

# Highway Cost Allocation Study 2019-2021 Biennium Results

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# Highway Cost Allocation in Oregon

For over 70 years, Oregon has based the financing of its highways on the principle of cost responsibility:

- Cost responsibility is the idea that users of public roads should pay in proportion to the road costs for which they are responsible
- This is Oregon's 21st study; the first was in 1937 by Conde McCullough
- Since 1999, Oregon's constitution requires a study biennially, and adjustment of rates if necessary (IX section 3a, ORS 366.506)
- The 2017-19 HCAS study was prepared by ECONorthwest, under the guidance of a Study Review Team comprised of stakeholders and academics.

Consists of eight members who review methods, data, and results:

- Mark McMullen, Office of Economic Analysis (chair)
- Jerri Bohard, Oregon Department of Transportation
- Jana Jarvis, Oregon Trucking Association
- Mazen Malik, Legislative Revenue Office
- Mike Eliason, Association of Oregon Counties
- Tim Morgan, AAA Oregon/Idaho
- Don Negri, Willamette University
- Gerik Kransky, The Street Trust

The purpose of the biennial Oregon Highway Cost Allocation Study (HCAS) is to:

- Determine the share that each class of road user should pay based on their respective share of costs for Oregon's highways, roads, and streets
- Recommend adjustments (if needed) to tax rates and fees to ensure equity between payments and responsibilities for each vehicle class
- Explore topics related to highway cost allocation through issue papers

## Cap-and-Invest

- ECONorthwest explored the potential interaction between the proposed C&I legislation and highway cost allocation
- Majority of carbon allowance revenue will derive from light vehicles, but the impact on equity ratios will depend on the expenditure allocation.

## Pavement Cost Allocation in Oregon

- Roger Mingo summarized the procedures and data inputs that affect pavement cost assignment results.
- Distribution of vehicle-miles traveled has the largest impact on overall pavement cost assignments; typically needs to be revised throughout the study.

To answer the question, we calculate **equity ratios** for each weight class -- each vehicle class's share of attributed revenues divided by its share of allocated expenditures

- Ratio = 1.0 means perfect equity
- Ratio > 1.0 means paying more than fair share
- Ratio < 1.0 means paying less than fair share

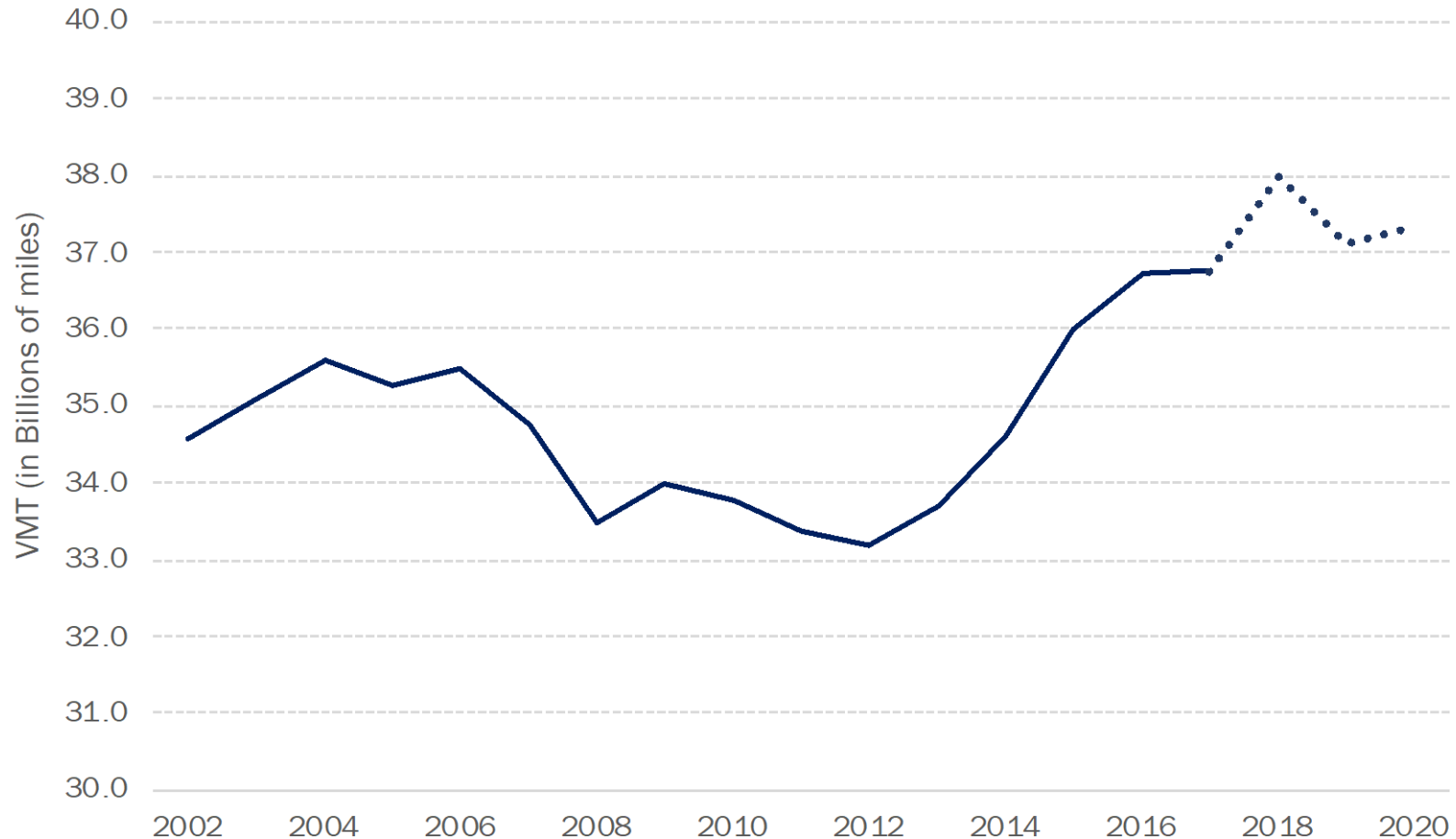
# Oregon's approach to cost allocation

Oregon's HCAS is prospective, with equity ratios predicted for upcoming biennium based on:

- Vehicle miles traveled (VMT) are forecasted by ODOT as part of their revenue forecasting process

# Oregon VMT trend and forecast

For 2020, ODOT's VMT forecast predicts 37.3 billion miles per year for all vehicles in Oregon





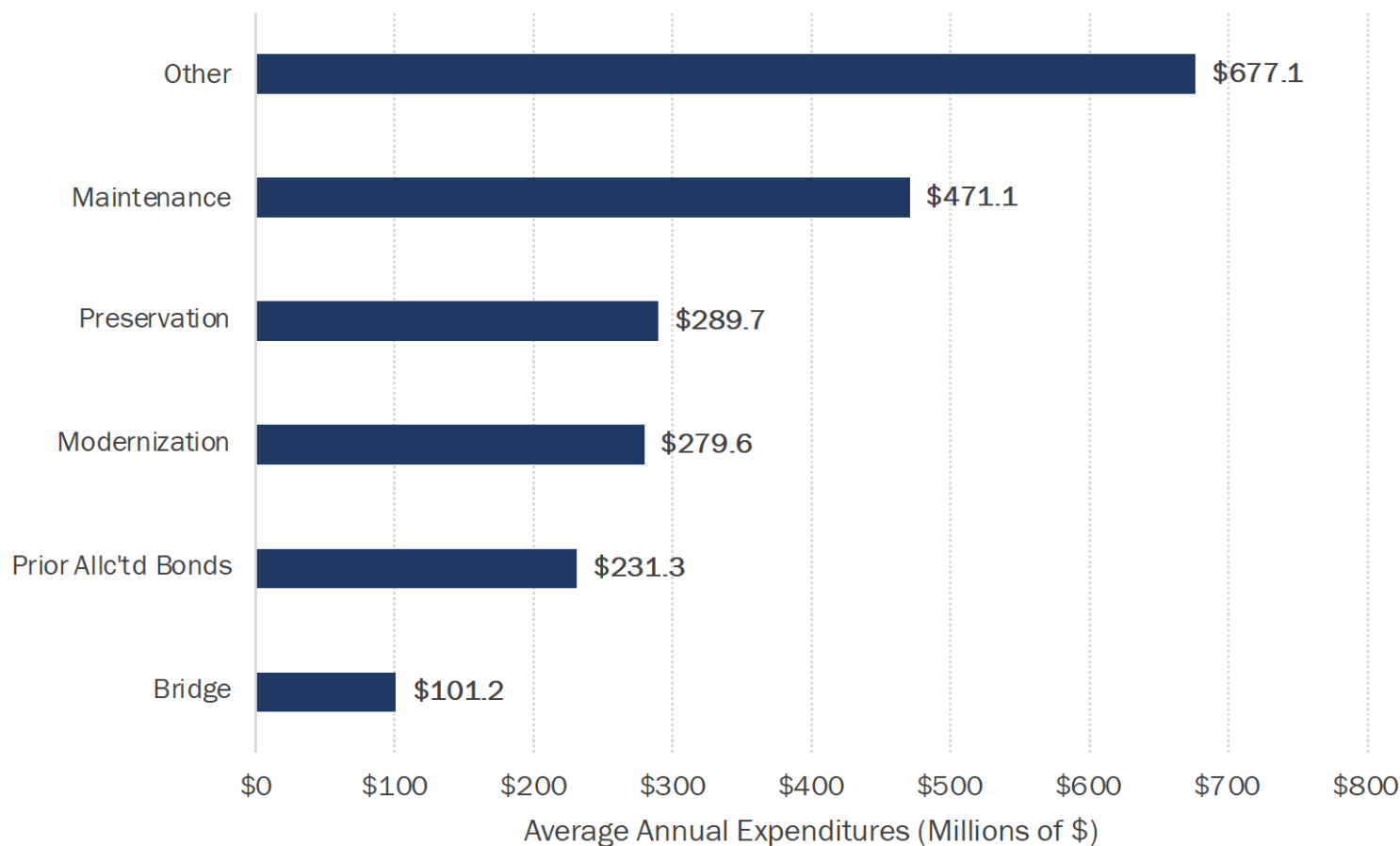
# Oregon's approach to cost allocation

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- Vehicle miles traveled (VMT) are forecasted by ODOT as part of their revenue forecasting process
- Expenditures as forecasted by agency budget requests

# Composition of highway expenditures

Projected average annual expenditures total \$2.1 billion, up 6.2 percent (nominally) compared to expenditures in the 2017 study



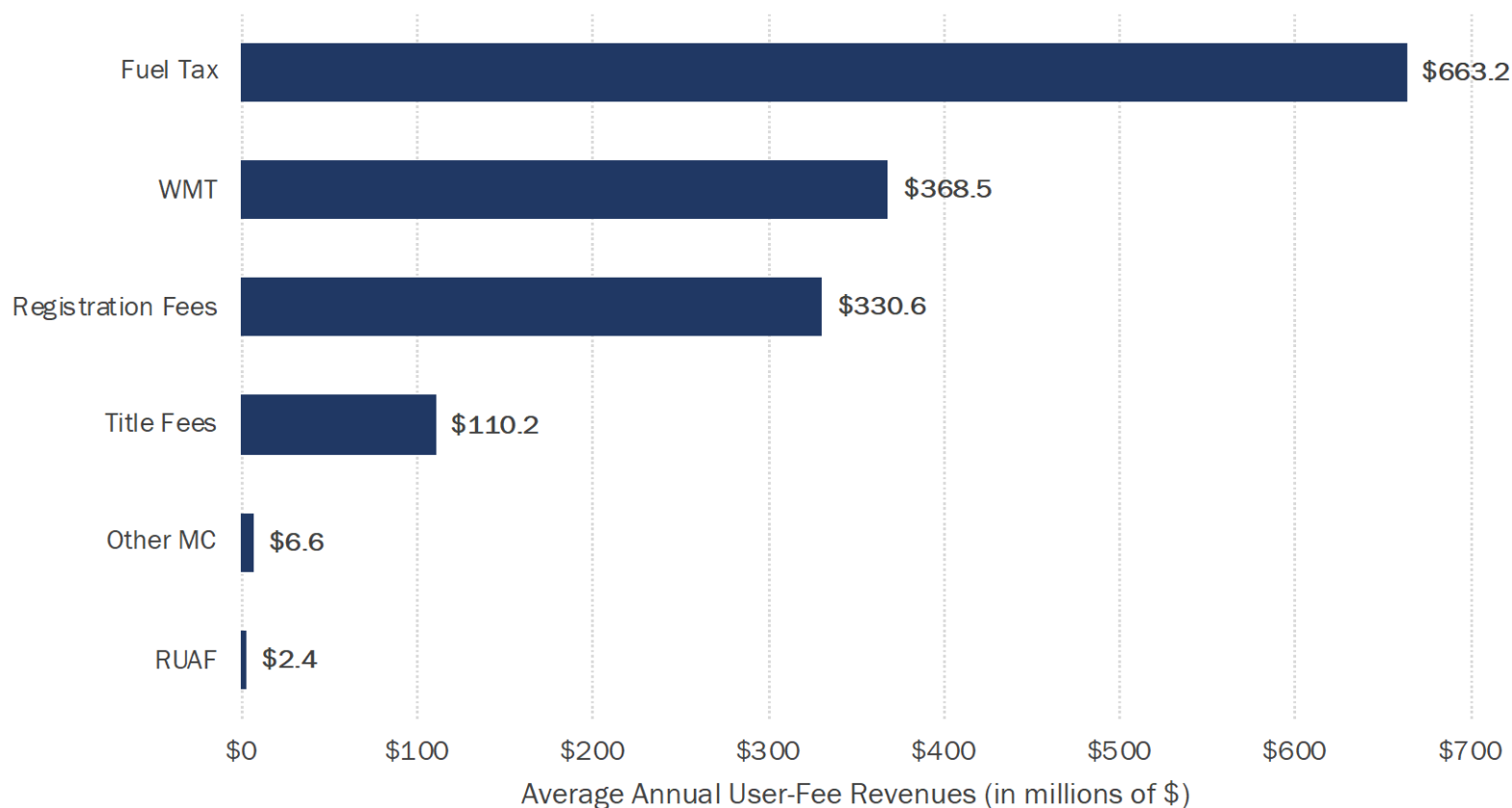
# Oregon's approach to cost allocation

Oregon's HCAS is prospective, with equity ratios predicted for upcoming biennium based on:

- Vehicle miles traveled (VMT) are forecasted by ODOT as part of their revenue forecasting process
- Expenditures as forecasted by agency budget requests
- Revenue forecast, which assumes current-law instruments and rates

# Composition of highway revenues

Projected average annual revenues for the biennium are \$1.5 billion, with WMT and registrations accounting for a larger share of revenues compared to 2017 study

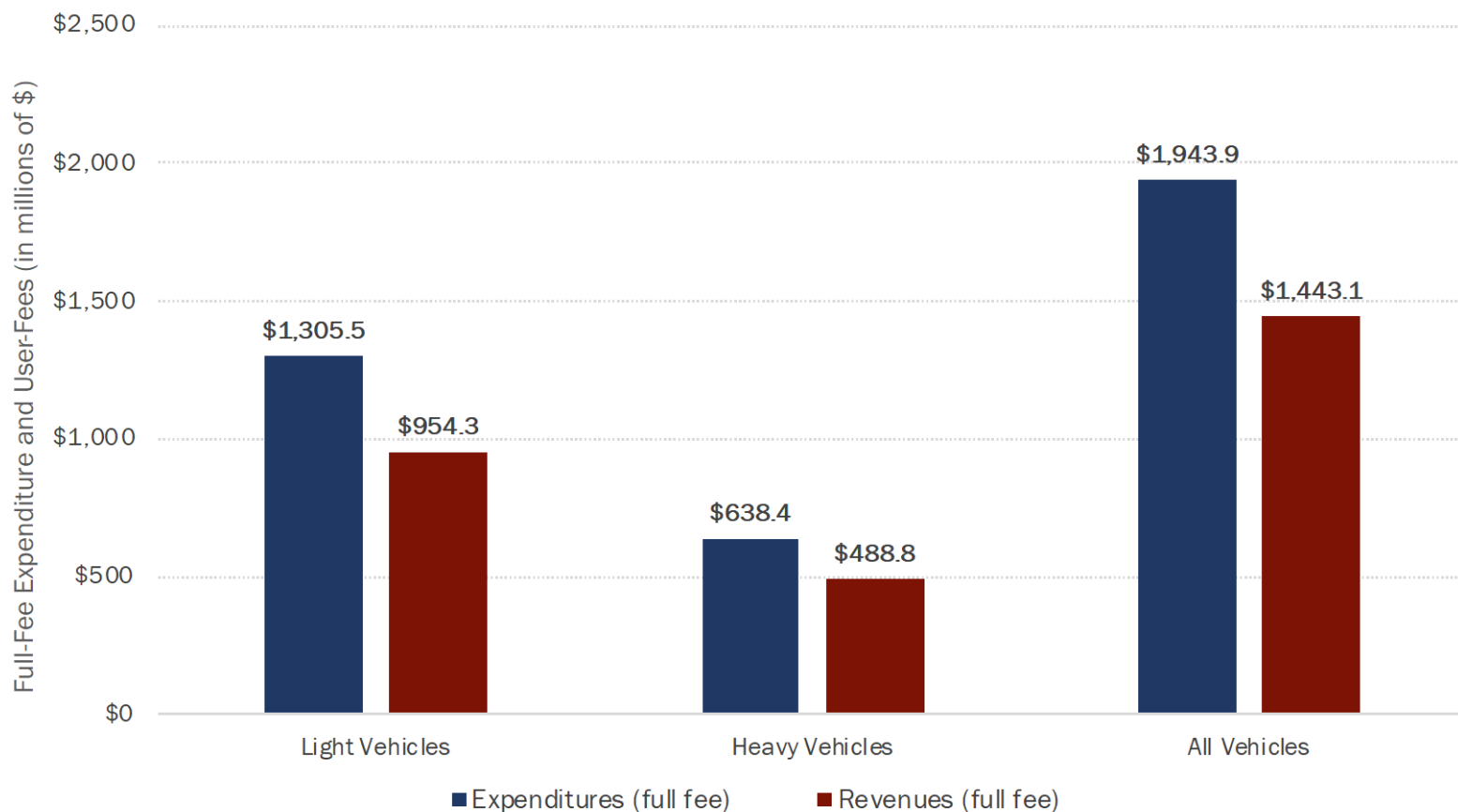


Under Oregon's existing highway taxation structure, some vehicles are exempt from fees or qualify to pay according to alternative-fee schedules

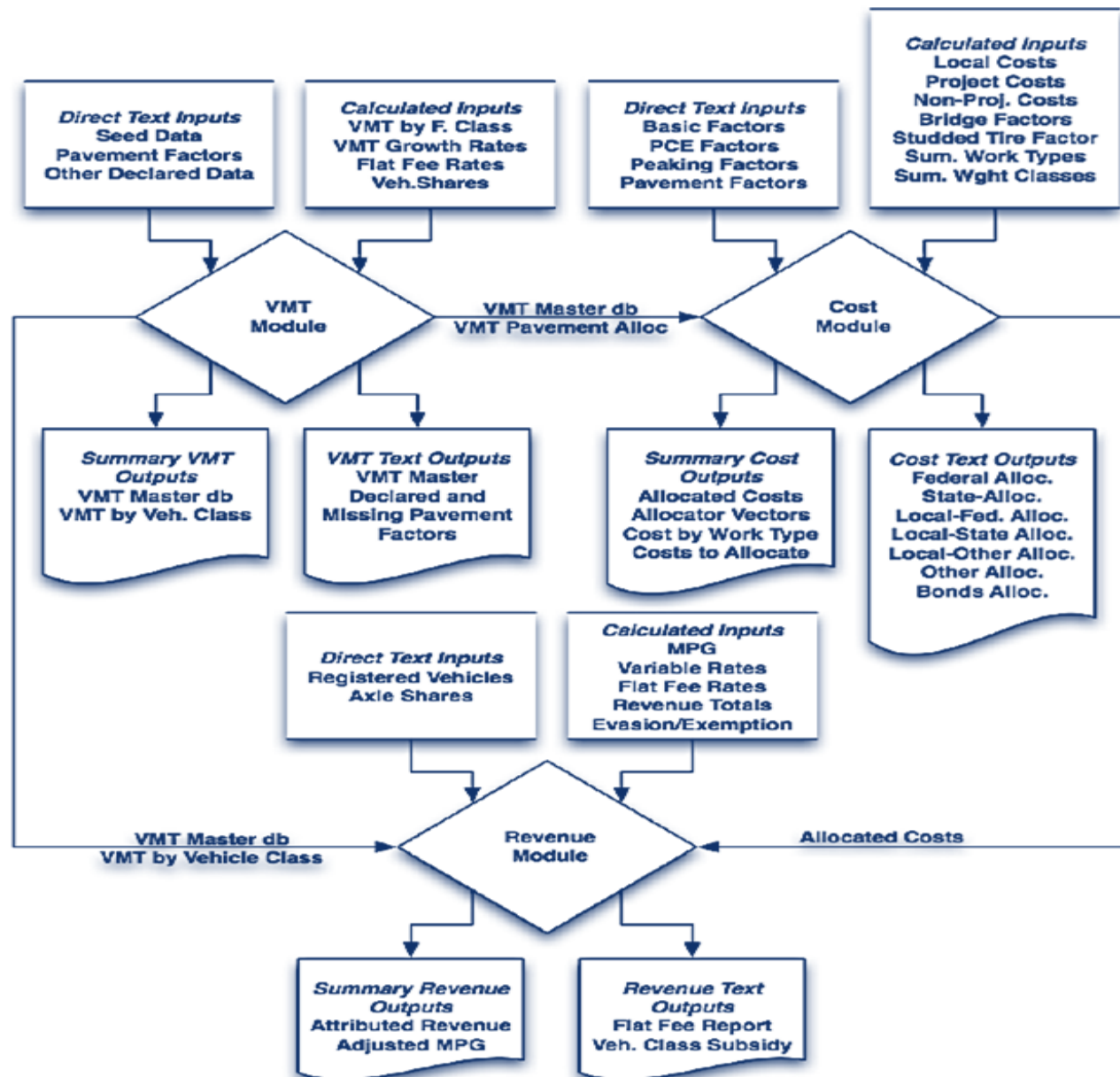
- Primarily publicly owned vehicles and farm trucks
- Since the 2013 HCAS, final results are calculated for full-fee paying vehicles (but alternative-fee totals are reported)

# Comparison of full-fee revenues and expenditures

Average annual “full-fee” expenditures are projected to be \$1.9 billion and full-fee revenues \$1.4 billion - these are the totals allocated for equity ratios



# Oregon's HCAS model



The table below displays the average annual full-fee VMT, revenues, and expenditures (in millions) allocated to vehicle weight classes.

Declared Weight	VMT	Cost Responsibility	User Fees	Equity Ratio
1 to 10,000	33,478	\$1,306	\$954	0.985
10,001 to 26,000	706	\$75	\$60	1.082
26,001 to 78,000	336	\$69	\$43	0.834
78,001 to 80,000	1,184	\$278	\$275	1.329
80,001 to 104,000	219	\$84	\$49	0.790
104,001 to 105,000	264	\$110	\$60	0.728
105,001 and up	3	\$22	\$3	0.154
Total	36,191	\$1,944	\$1,443	1.000



For the 2019 – 2021 biennium:

- Light vehicles are projected to **underpay** by 1.54 percent, while heavy vehicles are projected to **overpay** by 3.14 percent
- User fees don't need to be adjusted for equity in the upcoming biennium

## Light Vehicles



Equity ratio: 0.9846  
Revenues: 66.1 percent  
Costs: 67.2 percent

## Heavy Vehicles:



Equity ratio: 1.0314  
Revenues: 33.9 percent  
Costs: 32.8 percent