

Transportation Funding Outlook

March 2023

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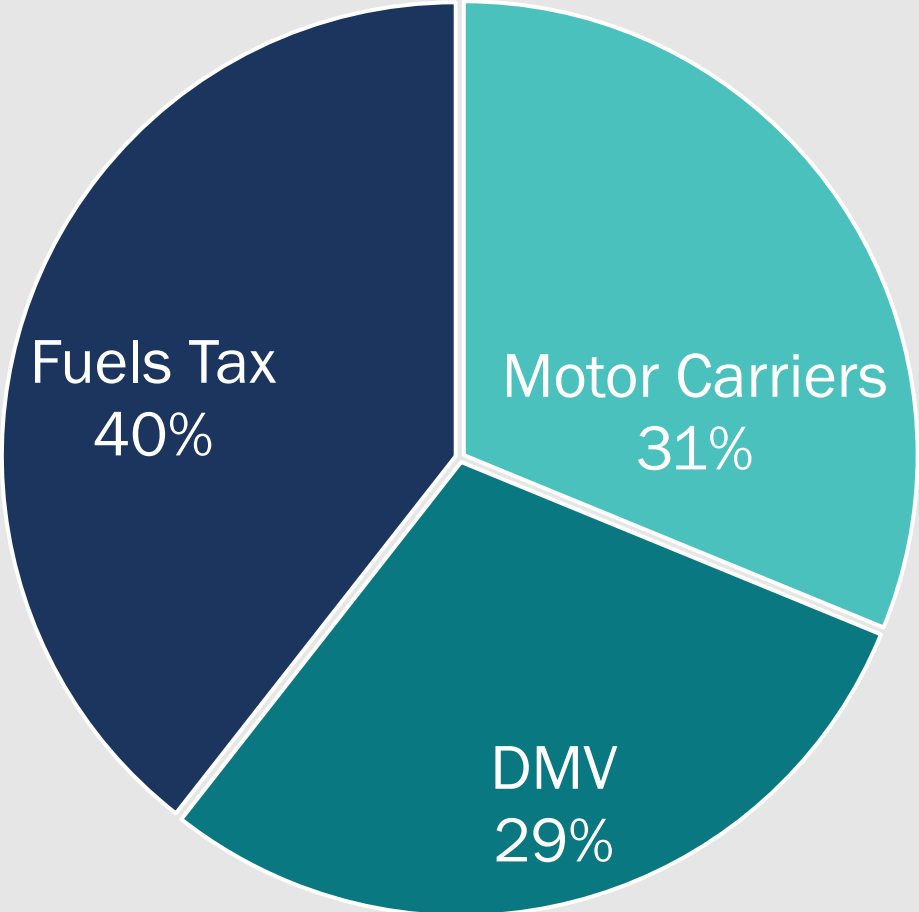
ODOT is a customer service agency.

A worker in a red safety suit and hard hat is positioned on a blue aerial lift bucket, working on a steel bridge structure. The background is a dense forest of evergreen trees. The entire image has a blue tint.

Background

State Highway Fund Sources

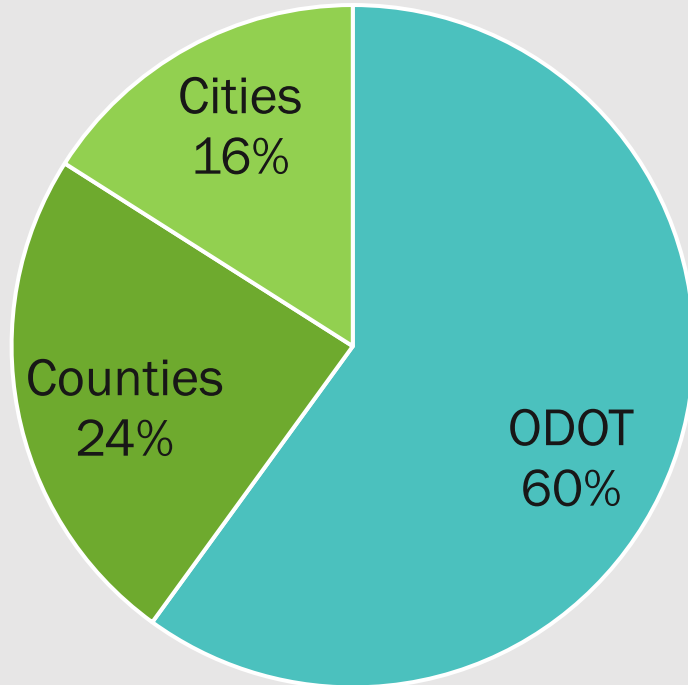
Gross revenues in FY 2022



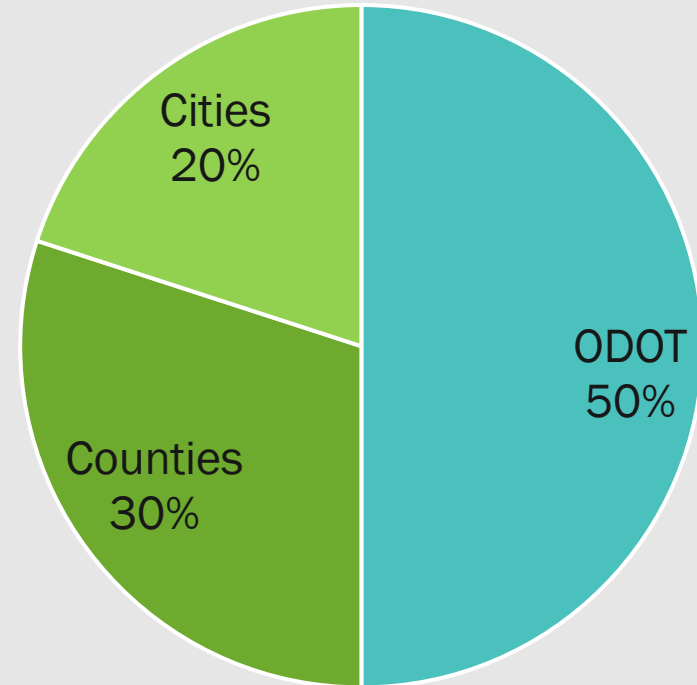
State Highway Fund Distribution

Net revenue after transfers and collection costs

Original Distribution

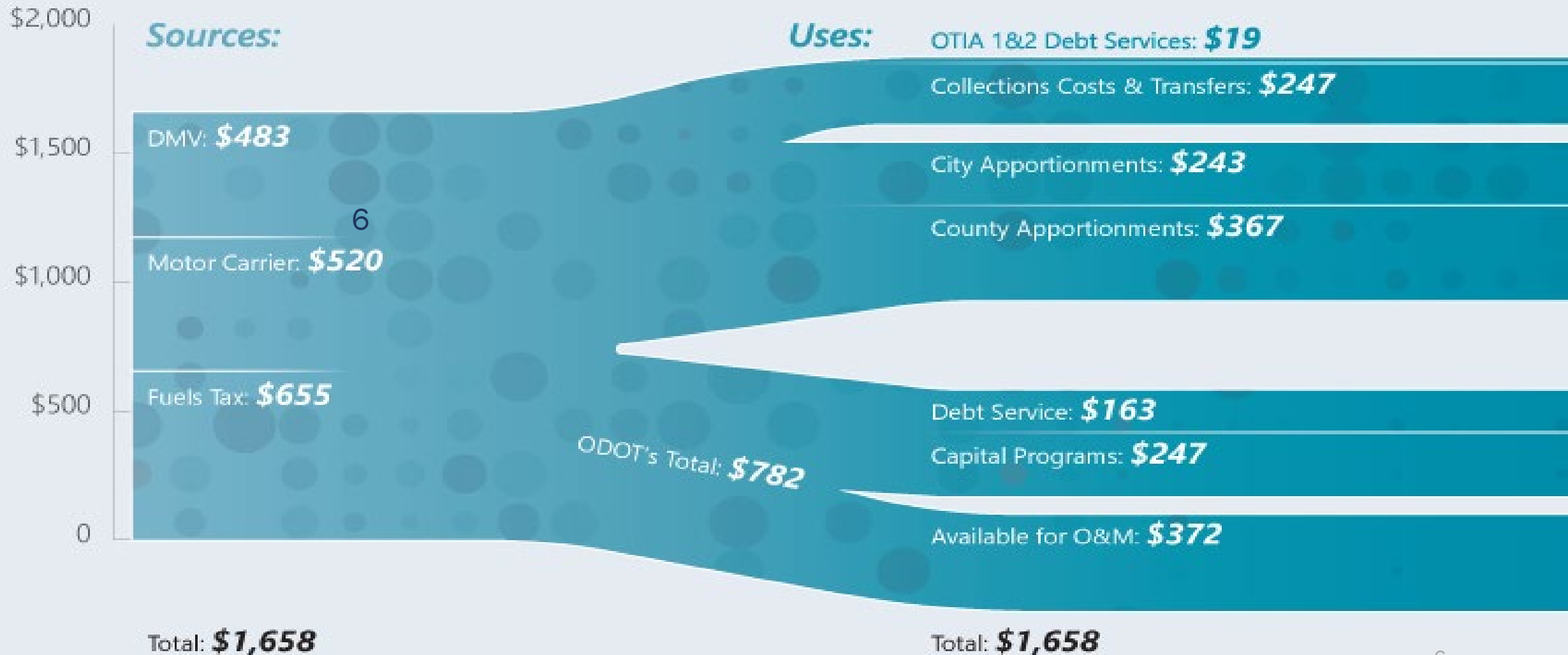


New Revenues Since 2009



State Highway Fund Sources and Uses

2021-2023 Annual Average in Millions



ODOT's Two Budgets



Transportation Projects & Programs

Dedicated federal & state funds for:

- Construction projects
- Grant programs



Maintenance & Agency Operations

State Highway Fund dollars available to run the agency:

- Road maintenance
- DMV & CCD
- Central services

A worker in a red safety suit and hard hat stands on a blue lift bucket, working on a steel bridge structure. The background is a dense forest of evergreen trees. The scene is dimly lit, suggesting dusk or dawn.

Challenging Realities

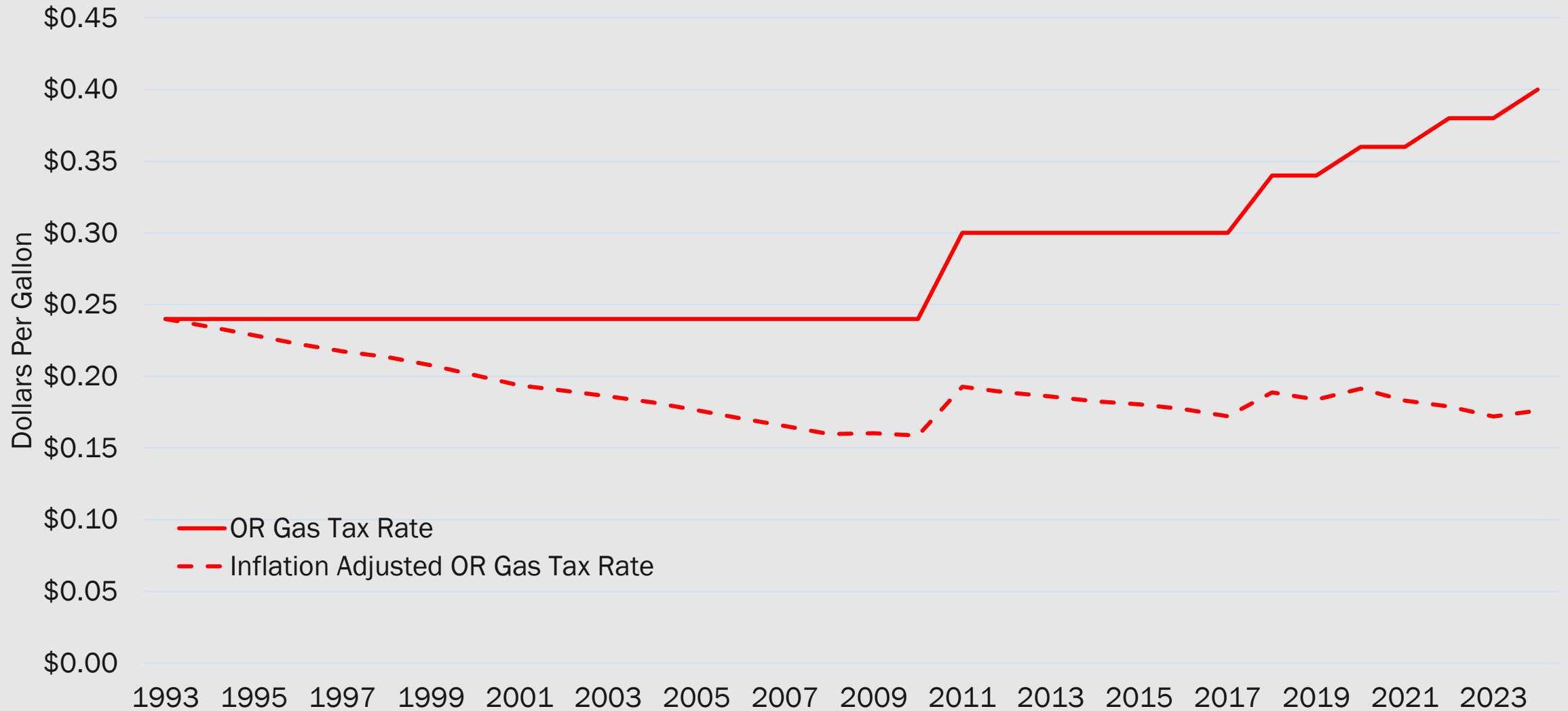
State Highway Fund Challenges

- Inflation erodes all State Highway Fund revenue streams
- As we decarbonize, growing fuel efficiency will render the fuels tax unsustainable
- ODOT faces a significant structural shortfall for operations and maintenance now and into the future



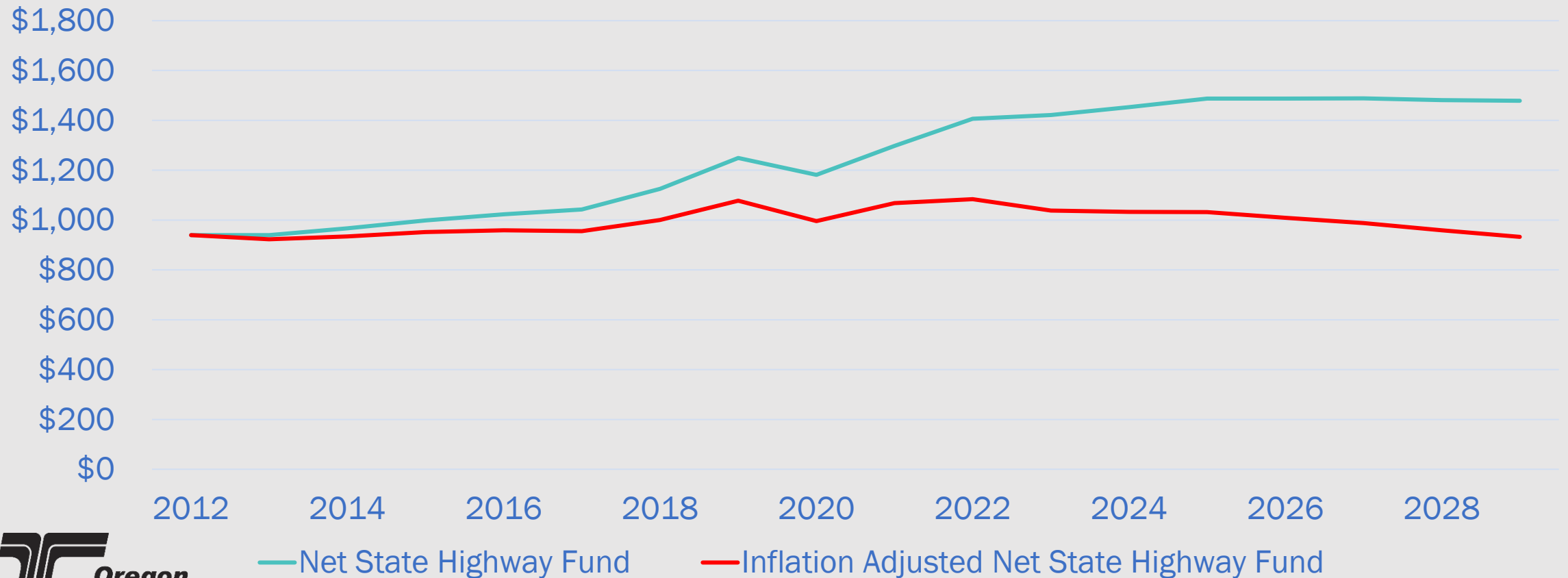
Oregon's Gas Tax

Nominal and Inflation Adjusted Since 1993

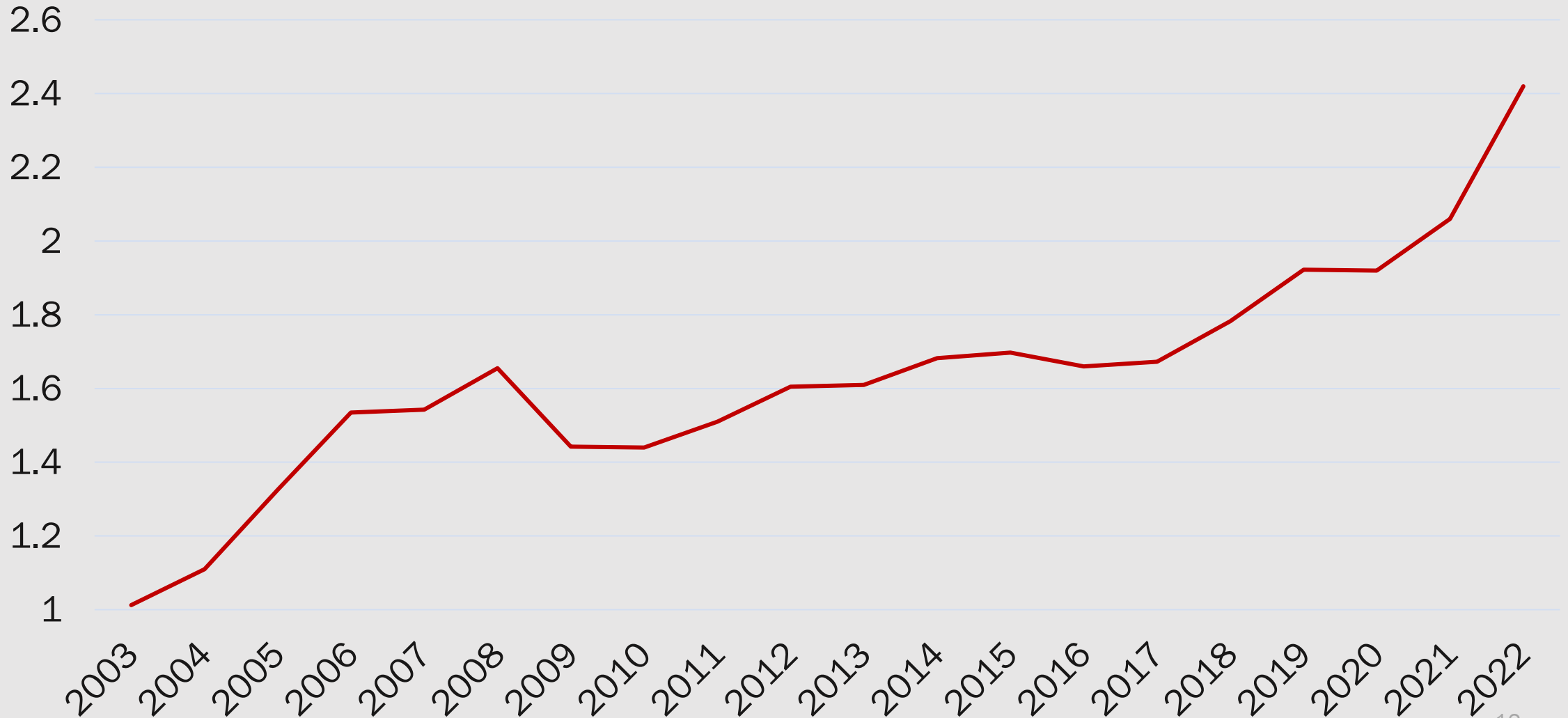


State Highway Fund

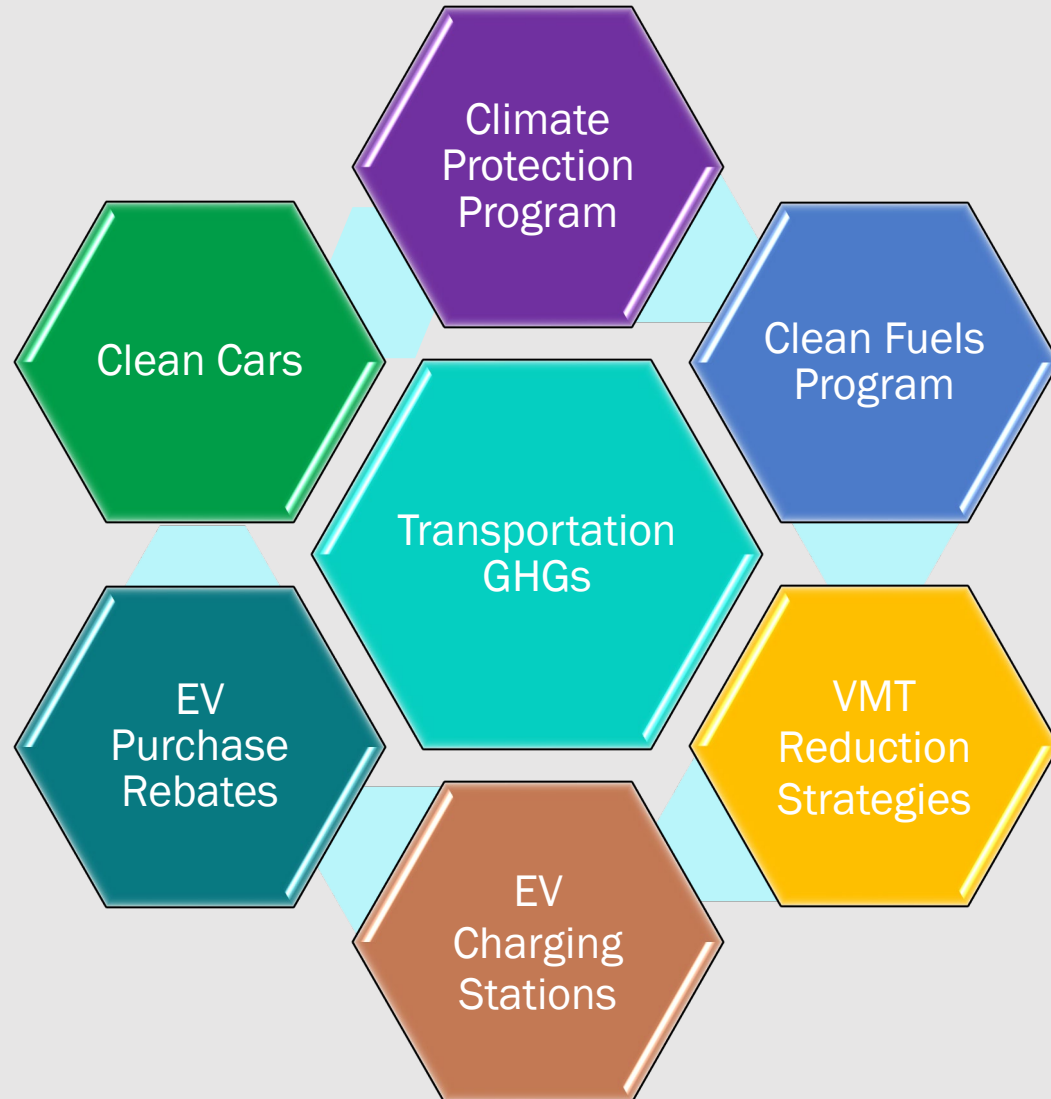
Net revenue after transfers and collections costs; in millions of nominal and CPI-adjusted dollars; April 2022 forecast



FHWA National Highway Construction Cost Index



Decarbonizing the Transportation Sector



Climate strategies will reduce fuel consumed by reducing miles driven and increasing fuel efficiency.

As we shift away from fossil fuels to power transportation, we need to shift transportation funding away from taxes on fossil fuels.

It's not just electric vehicles



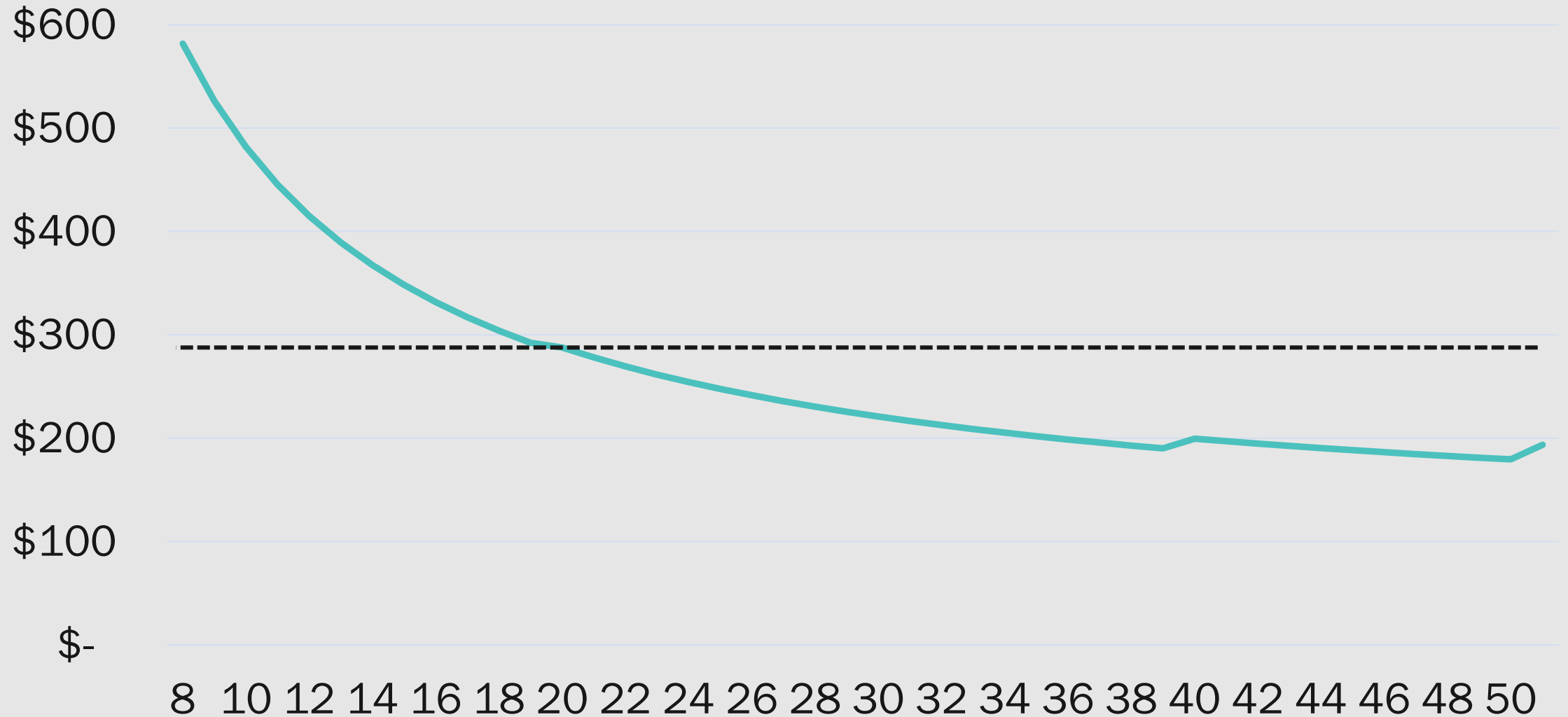
2004 Honda Accord
24 mpg combined



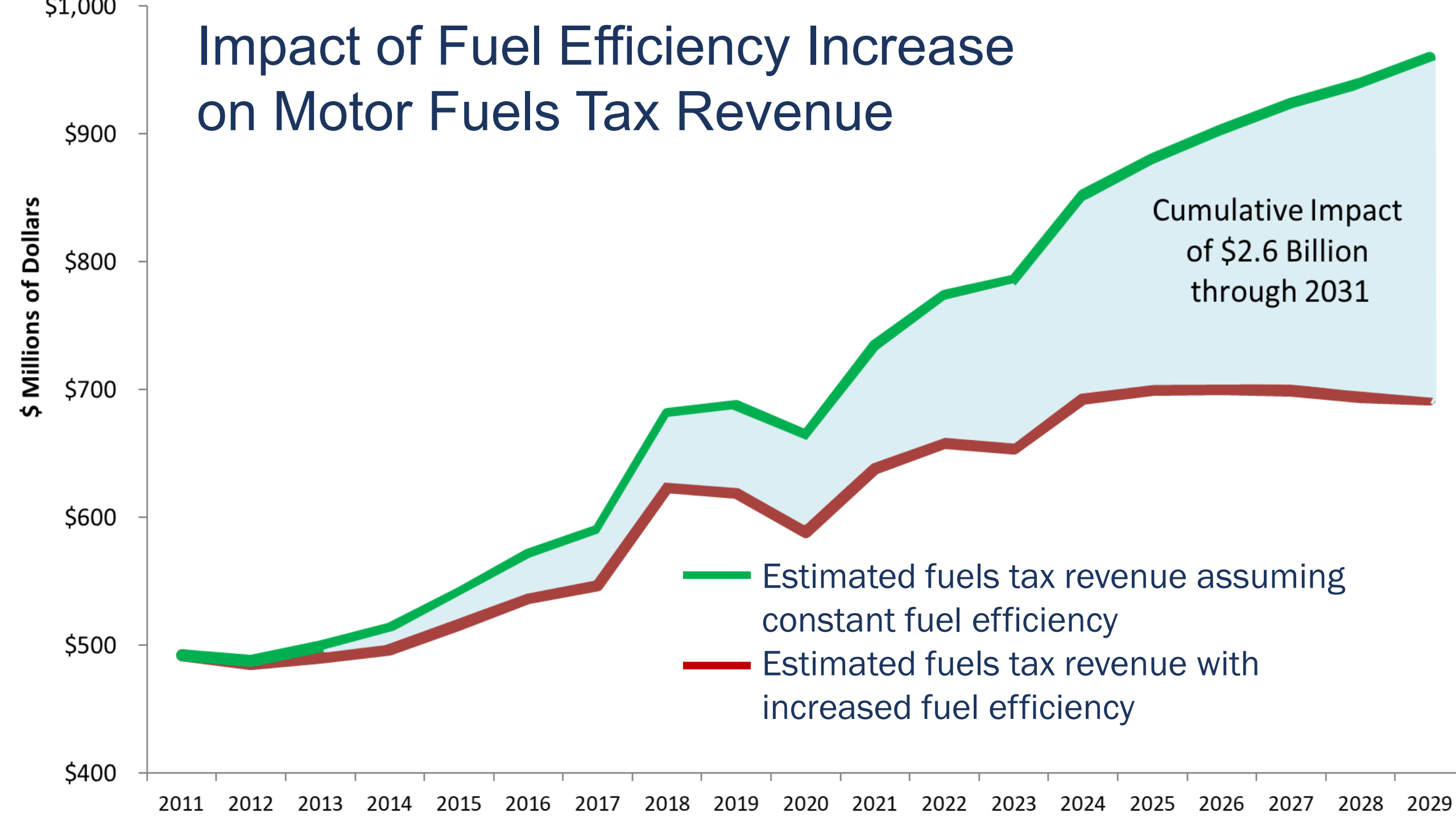
2023 Honda Accord
32 mpg combined

Annual State Highway Taxes and Fees by Vehicle MPG

Includes fuels tax, registration, and prorated title fees



Impact of Fuel Efficiency Increase on Motor Fuels Tax Revenue



Cumulative Impact of \$2.6 Billion through 2031

- Estimated fuels tax revenue assuming constant fuel efficiency
- Estimated fuels tax revenue with increased fuel efficiency

Paying By the Mile Through OReGO

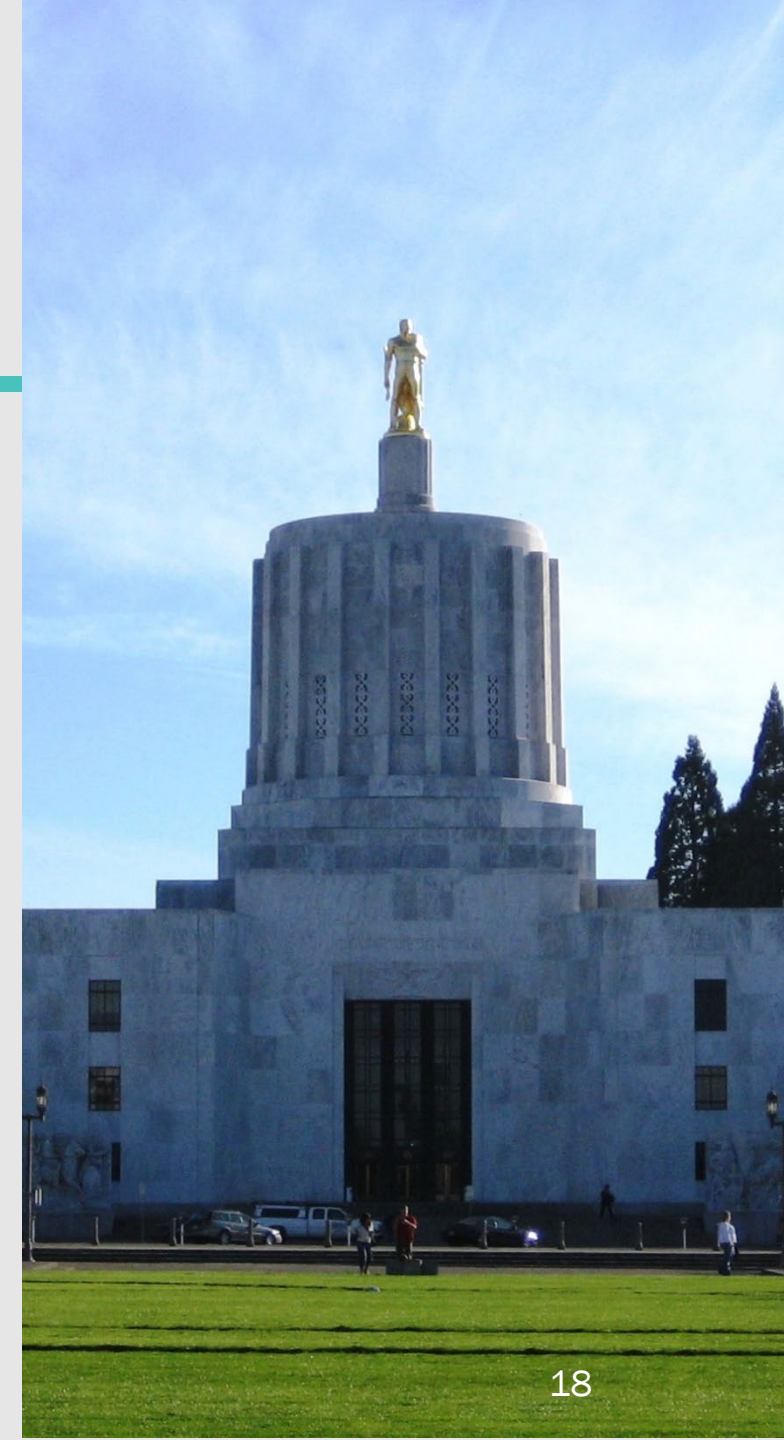
- First operational RUC program in the world when it went live in 2015
- Vehicles 20 mpg+ can voluntarily participate
- Volunteers pay 1.9 cents per mile, receive credit for fuel tax paid
- Vehicles over 40 MPG don't pay supplemental registration fees if they join
- Volunteers choose among account managers
- GPS not required, and privacy is protected



OReGO

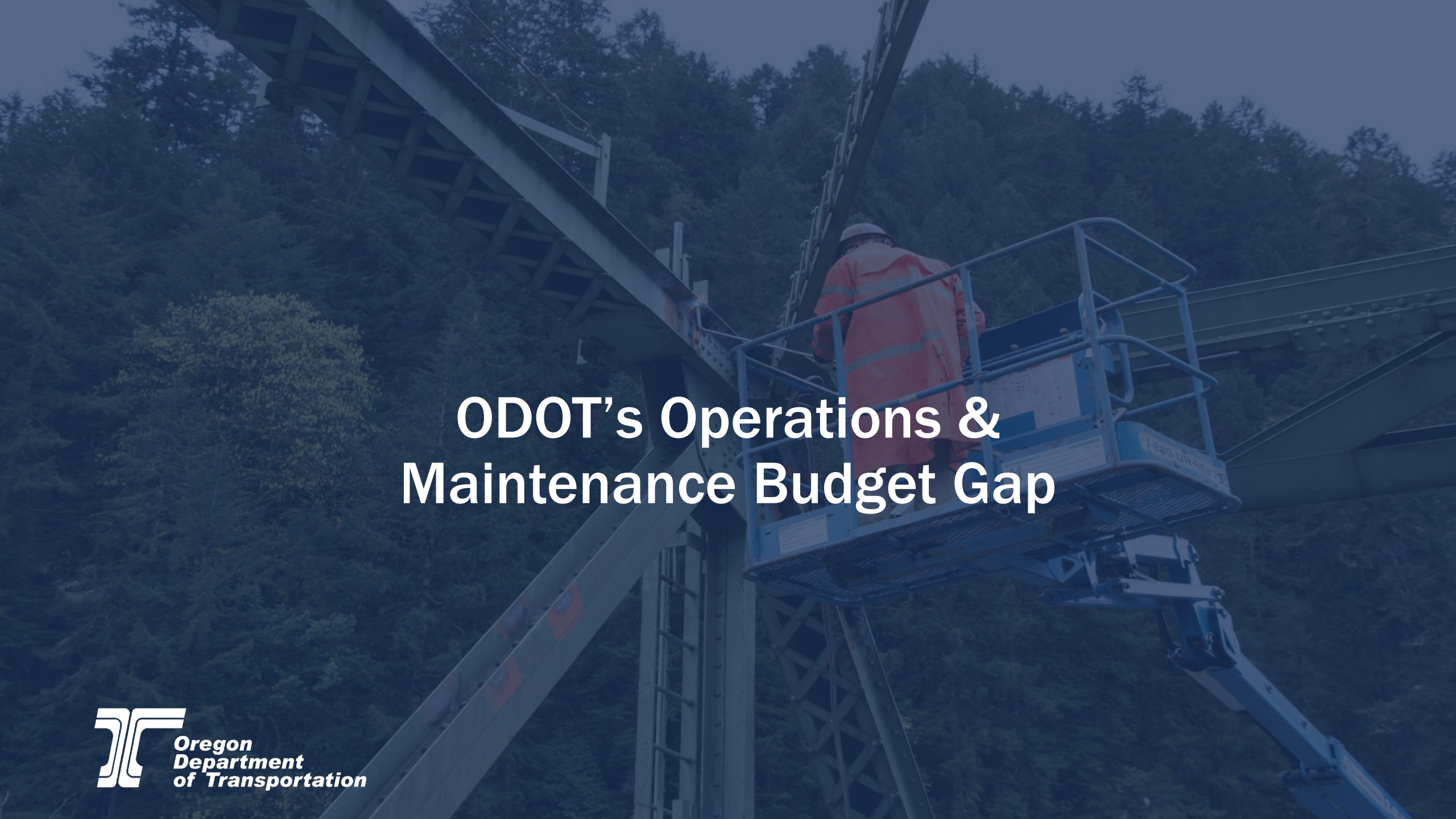
2023 RUC Bill (HB 3297)

- Requires vehicles rated at 30 mpg or greater to enroll in OReGO, starting July 1, 2027 with model year 2028
- People pay either RUC or fuels tax– not both
- Multiple options to report and pay– including manual reporting
- Allows people to opt-out by paying flat annual fee
- Replaces higher title fees on high-efficiency vehicles with revenue-neutral flat title fee on all vehicles
- RUC participants don't have to pay supplemental registration fee on high-efficiency vehicles
- Study development of mileage tax for medium-duty vehicles



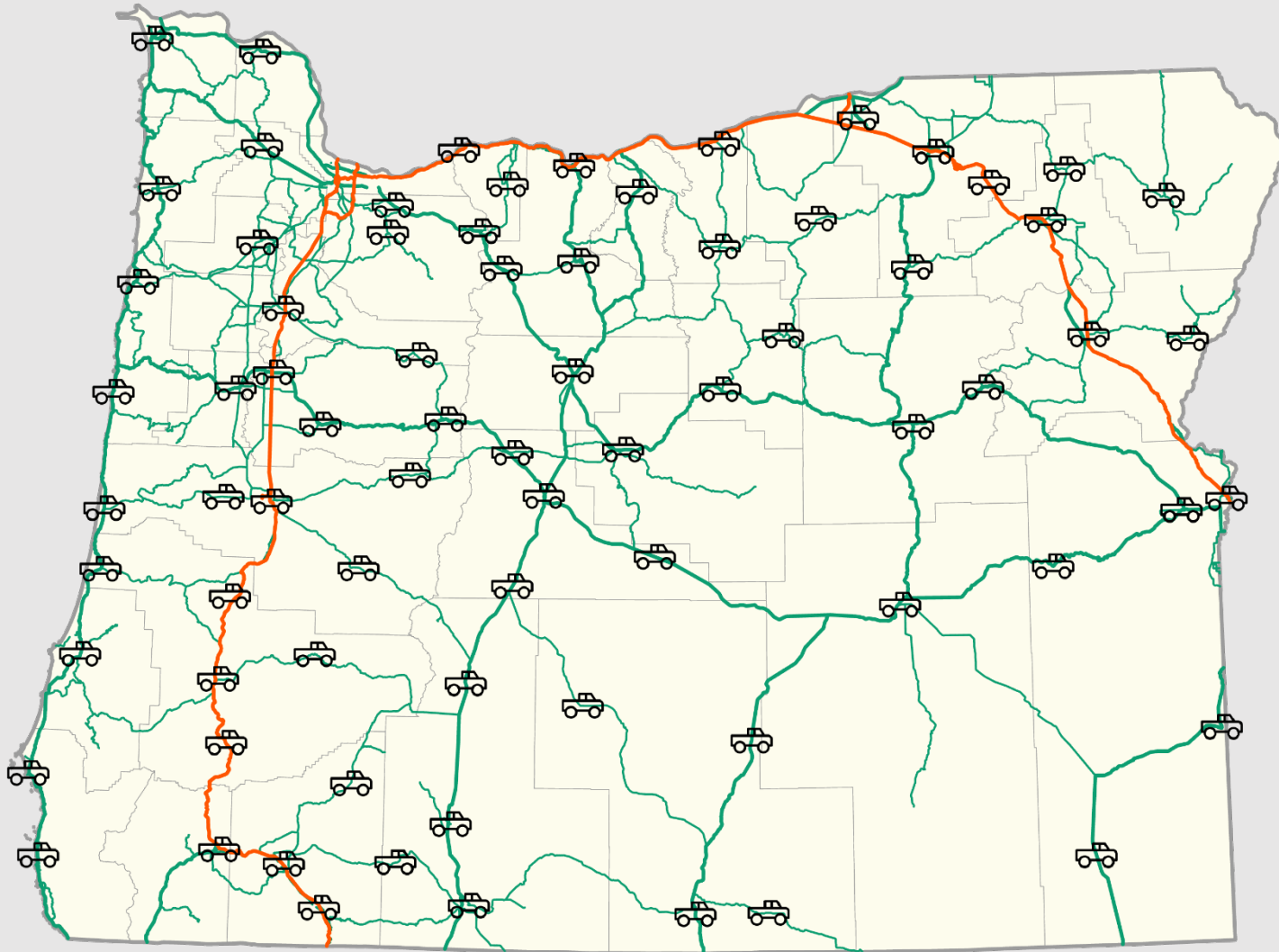
Diversifying Oregon's Road Funding Streams





ODOT's Operations & Maintenance Budget Gap

Maintenance: Current Level of Service



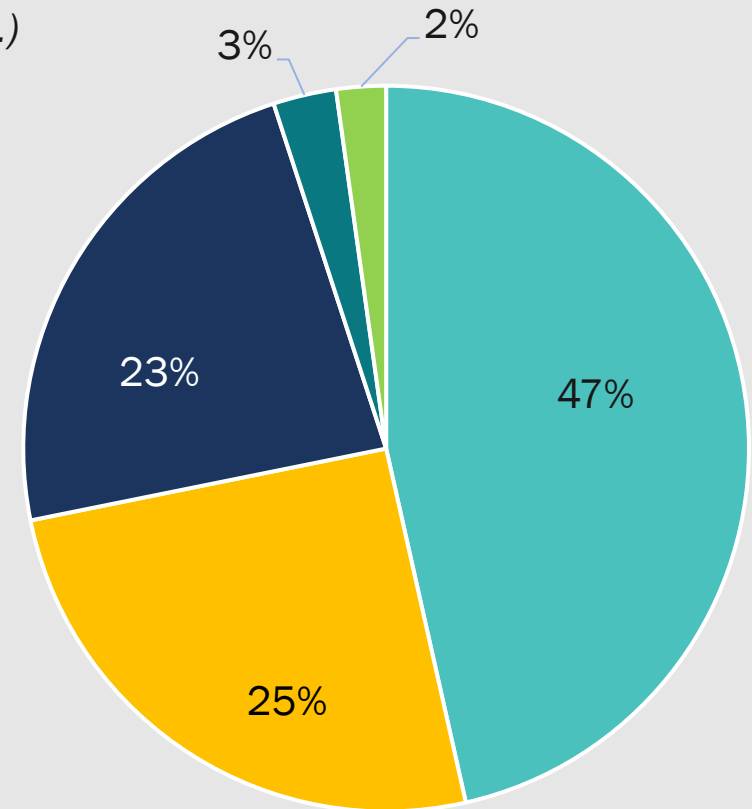
- Over **1,000 maintenance employees** provide boots-on-the-road service
- Our staff are locally based in **88 communities** across the state
- Maintain **8,000 miles** of road and **2,771 bridges** statewide

Maintenance and Operations: Spending Overview



Statewide Expenditures to Date – 2021-23 Biennium *Figures in millions, excludes 2020 wildfire clean-up*

Spent to-date: \$620M (approx.)



- ~ \$288M - Responding to Incidents (Crashes, Emergency & Weather Events)
- ~ \$157M - Road, Bridge & Traffic Services
- ~ \$144M - Fleet, Fuel, Materials & Supplies
- ~ \$17M - Camp & Graffiti Cleanup
- ~ \$14M - Other: Utilities, Permits, Roadside Cameras

Figures are approximate. Data through 02/15/23.

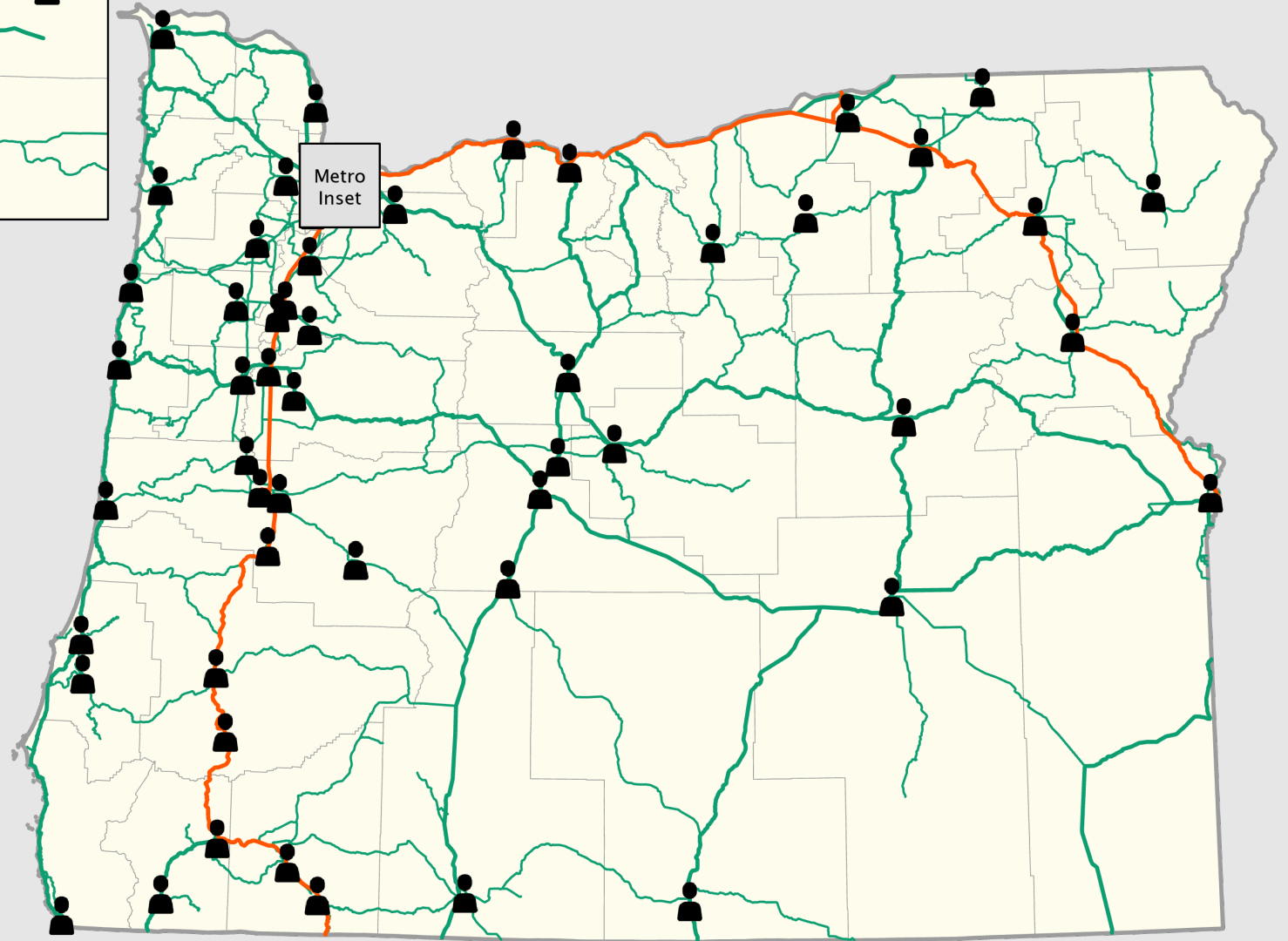
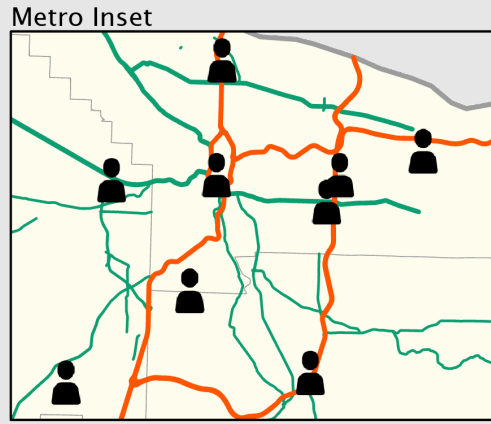
DMV Services to Oregonians

Each year:

- 2.2 million customers served in 60 field offices
- 1.7 million customer phone calls
- 550,000 new and renewed driver licenses
- 1 million vehicle titles issued
- 2 million new and renewed vehicle registrations
- 60 million law enforcement connections



DMV: Serving Oregonians Statewide



— Interstate — U.S. Route — Oregon Route 🧑 DMV Service Locations

A Tale of Two Budgets



Transportation Projects & Programs

Dedicated federal & state funds for:

- Construction projects
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Maintenance & Agency Operations

State Highway Fund dollars available to run the agency:

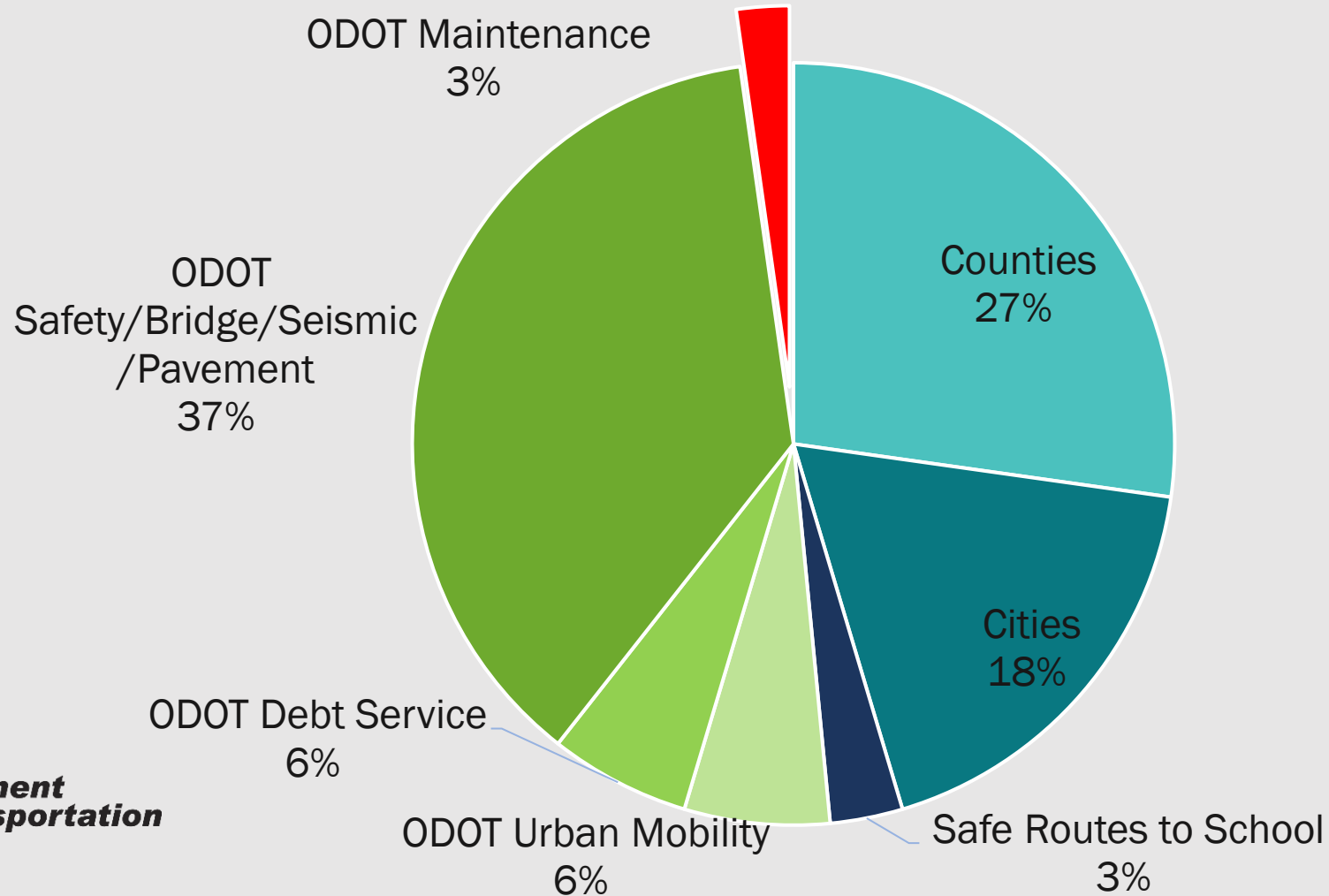
- Road maintenance
- DMV & CCD
- Central services



ODOT's O&M Problem

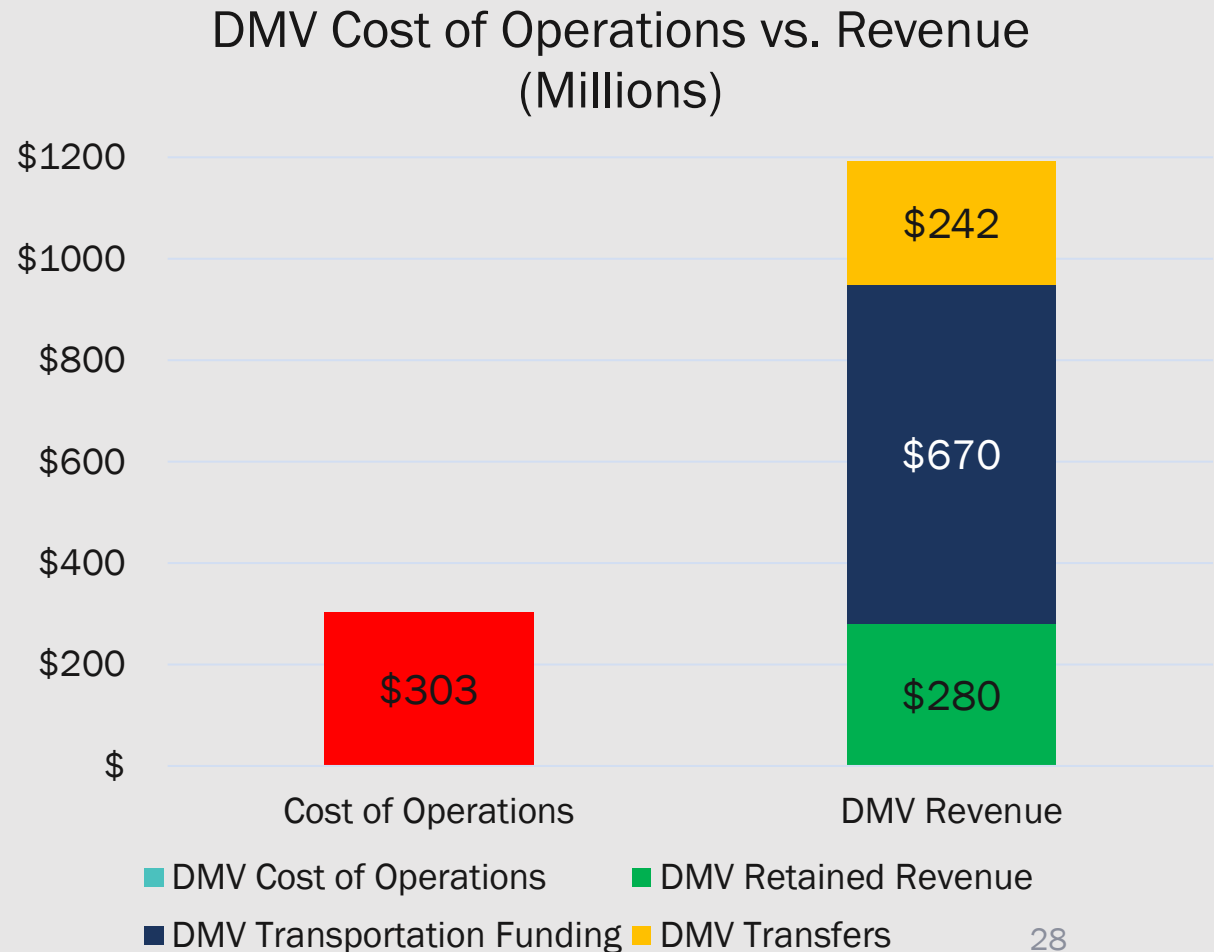
- Most new revenue in last two decades has gone into construction projects
- ODOT's revenues available for maintenance and agency operations (O&M) are flat
- O&M costs continue to increase

HB 2017 State Highway Fund Distribution



DMV's Challenge

- DMV will collect over \$1 billion this biennium.
- Two-thirds of DMV revenue has been directed by statute to state and local transportation investments.
- Fees retained by DMV no longer cover cost of operations.
- DMV has to be supplemented by other parts of State Highway Fund.
- Many individual services—particularly driver licenses—haven't been raised for years and lose money on each transaction.



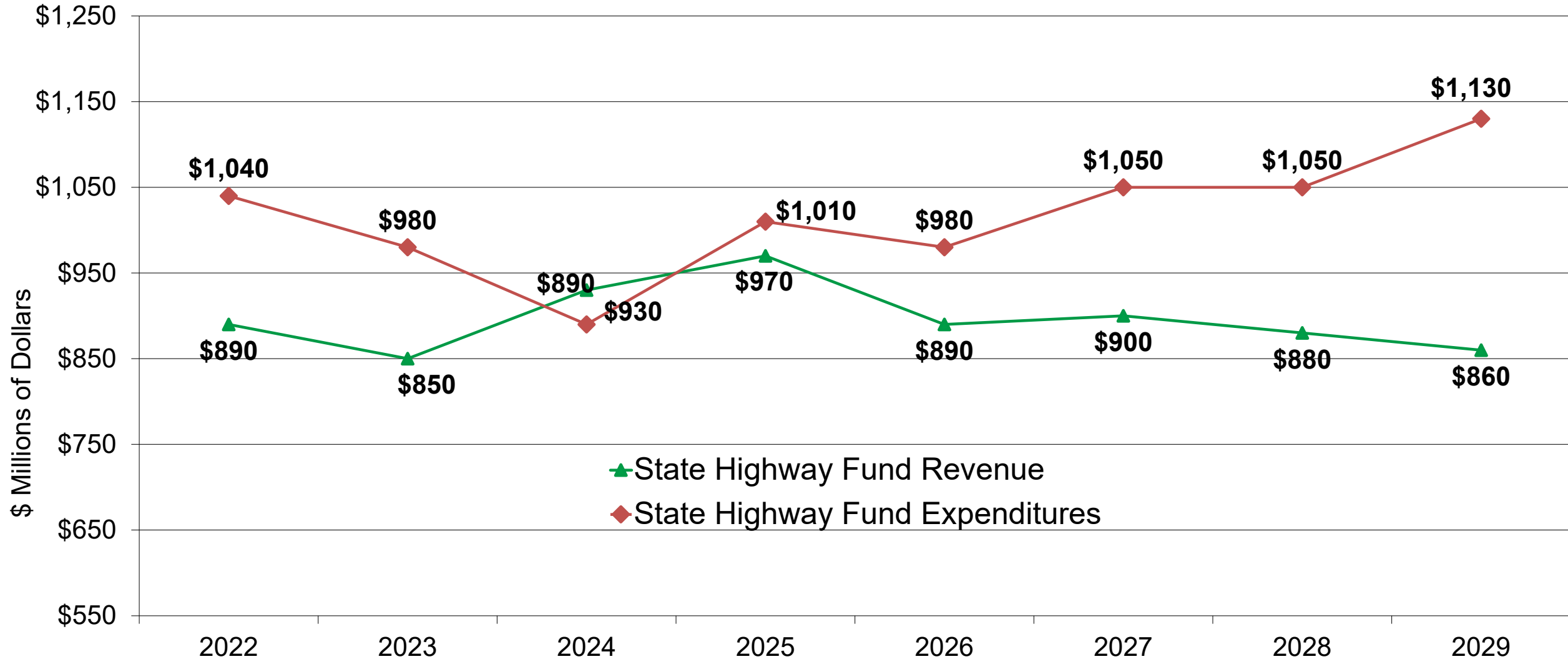
Strategies Implemented to Narrow the Gap

- Cut \$90 million (5%) from maintenance and agency operations in '23-'25 budget
- Shift costs to other dedicated sources, including federal funds & HB 2017 – which reduces funding for projects

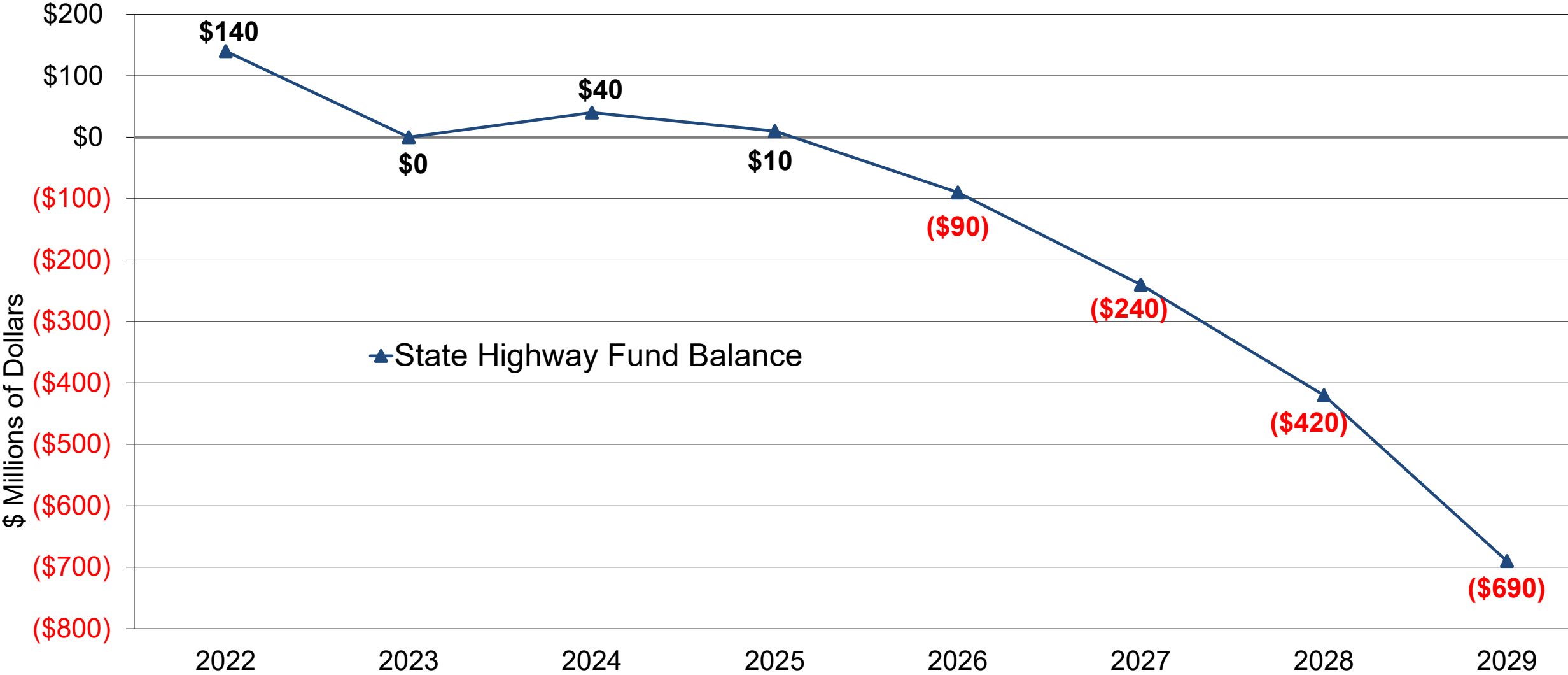
These steps have narrowed the gap and pushed out shortfalls but have not solved the problem



State Highway Fund Revenue and Expenditures



State Highway Fund Cash Balance



Proactive Efforts

- Continue shifting O&M costs to dedicated state and federal resources where we can
- Develop additional 10% reduction in O&M budget in FY '24-'27 (on top of 5% already cut from budget)
- Further modifications to local government fund exchange
- Explore new revenue sources and additional revenue





Future Service Levels

- Fewer maintenance workers to plow snow, respond to incidents, maintain roads
 - Extended closures following major events
 - Increased safety challenges
 - Pavement on Oregon's highways will deteriorate
- Reductions to DMV customer service
- Reduced service levels in Commerce & Compliance will impact trucking industry
- Reduced agency capabilities

Options for Legislative Consideration

- Raise additional revenue for O&M
- Index taxes and fees for inflation
- Implement road usage charge for new efficient vehicles
- Increase amount of HB 2017 funds going to maintenance
- Increase DMV fees to cover cost of service



QUESTIONS?

