

The table and narrative below provide an overview of the preliminary fiscal impact and the budgetary estimates for LC 2. The fiscal impact outlines the costs to state agencies to implement the provisions of LC 2, while the budgetary estimates analysis provides a summary of the interrelation between the Oregon Department of Transportation's adopted budget and additional State Highway Fund revenues generated under LC 2.

Summary of Fiscal Impact

2025-27 Biennium	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Oregon Department of Transportation	\$ -	\$ -	\$ 204,370,725	\$ -	\$ 204,370,725	20	12.50
Secretary of State	\$ -	\$ -	\$ 479,446	\$ -	\$ 479,446	2	1.50
Department of Administrative Services	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000	-	-
Legislative Policy and Research Office	\$ 300,000	\$ -	\$ -	\$ -	\$ 300,000	-	-
Total Fiscal Impact	\$ 800,000	\$ -	\$ 204,850,171	\$ -	\$ 205,650,171	22	14.00

2027-29 Biennium	General Fund	Lottery Funds	Other Funds	Federal Funds	Total Funds	Positions	FTE
Oregon Department of Transportation	\$ -	\$ -	\$ 356,137,314	\$ -	\$ 356,137,314	33	26.63
Secretary of State	\$ -	\$ -	\$ 639,263	\$ -	\$ 639,263	2	2.00
Department of Administrative Services	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
Legislative Policy and Research Office	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
Total Fiscal Impact	\$ -	\$ -	\$ 356,776,577	\$ -	\$ 356,776,577	35	28.63

- There is an additional indeterminate impact for school districts, local governments, and state agencies that have fleets, which will have additional costs due to the changes in vehicle fees, fuel taxes, and the road usage charge under this measure.
- The total fiscal impact for the Oregon Department of Transportation includes both operational costs to implement the measure as well as Other Funds expenditure limitation necessary to expend additional payroll tax revenues deposited in the Statewide Transportation Improvement Fund.

Fiscal Analysis

The fiscal impact to implement this measure is \$10.2 million total funds, which includes \$800,000 General Fund, \$9.4 million Other Funds, and 22 positions (14.00 FTE) in the 2025-27 biennium. The estimated impact in the 2027-29 biennium is \$17.9 million Other Funds and 35 positions (28.63 FTE). An Other Funds expenditure limitation increase of approximately \$195.4 million in the 2025-27 biennium and \$338.9 million in the 2027-29 biennium will also be necessary to permit ODOT to expend additional payroll tax revenues deposited in the Statewide Transportation Improvement Fund (STIF).

Oregon Department of Transportation

The estimated fiscal impact for ODOT to implement the measure is \$8.9 million Other Funds in the 2025-27 biennium and \$17.3 million Other Funds in the 2027-29 biennium. In the 2025-27 biennium, this includes \$3.3 million in personal services, \$264,518 in position-related services and supplies, \$5.4 million in other services and supplies costs, and 20 positions (12.50 FTE). In the 2027-29 biennium, costs include \$6.7 million in personal services, \$535,001 in position-related services and supplies, \$10.1 million in other services and supplies costs, and 33 positions (26.63 FTE). An increase of Other Funds expenditure limitation totaling approximately \$195.4 million in the 2025-27 biennium and \$338.9 million in the 2027-29 biennium will also be necessary to permit ODOT to expend additional payroll tax revenues deposited in the STIF. These amounts only include what is required for implementation of this measure's provisions and do not include existing positions and expenditures within ODOT's budget that will be funded by additional projected revenues generated under this measure. Additional information on ODOT's 2025-27 adopted budget is included in the budget analysis section.

Other Funds are primarily sourced from the State Highway Fund, though positions associated with administering funding from the payroll tax are also paid for with these funds. Positions administering the RUC will be paid for from State Highway Funds until sufficient RUC funding becomes available.

ODOT's estimated costs are broken down by category below. All positions are permanent and full-time unless noted otherwise.

General Operations

General Operations costs include two positions (1.50 FTE in the 2025-27 biennium and 1.00 FTE in the 2027-29 biennium) with \$411,680 for personal services and \$32,934 for position-related services and supplies in the 2025-27 biennium and \$312,007 for personal services and \$24,961 for position-related services and supplies in the 2027-29 biennium. Positions include:

- One Operations and Policy Analyst 4 to staff the Continuous Improvement Advisory Committee and support reporting to the JCT on major projects.
- One limited duration Program Analyst 2 to establish a process for local governments to request to expand the scope of a highway improvement project.

Statewide Transportation Improvement Fund

An increase of \$195.4 million Other Funds expenditure limitation in the 2025-27 biennium, and \$338.9 million in the 2027-29 biennium, is needed for the distribution of increased STIF funding to qualified entities including mass transit districts, transportation districts, tribes, and counties without mass transit or transportation districts.

Additionally, six positions (4.50 FTE in the 2025-27 biennium and 6.00 FTE in the 2027-29 biennium) and \$1.1 million for personal services and \$85,594 for position-related services and supplies in the 2025-27 biennium and \$1.4 million for personal services and \$114,126 for position-related services and supplies in the 2027-29 biennium are included for STIF administration. Positions include:

- Two Program Analyst 3 positions, one to manage the Discretionary and Intercommunity grants program, and one to serve as a statewide coordinator for STIF work with qualified entities and public transit service providers.
- Two Program Analyst 2 positions, one to ensure compliance with STIF regulations, and one to support reporting, fund management, and process improvement work.
- One Program Analyst 1 to provide STIF program and administrative support.
- One Fiscal Analyst 2 to provide financial management and administer grant contracts related to the increase in STIF revenues.

Road Usage Charge

Road Usage Charge implementation costs include 10 positions (5.00 FTE) in the 2025-27 biennium and 17 positions (15.88 FTE) in the 2027-29 biennium with \$1.4 million for personal services and \$109,610 for position-related services and supplies in the 2025-27 biennium and \$3.9 million for personal services and \$315,403 for position-related services and supplies in the 2027-29 biennium. Costs also include \$1.1 million for information technology (IT) costs each biennium, primarily for system development to accommodate program enrollment, as well as \$1 million each biennium for public outreach related to the RUC.

Positions include:

- Two Information Systems Specialist 7 positions to work on IT projects related to the RUC.
- One Business Operations Manager 2 to oversee the road user fee program.
- One Project Manager 3 to manage RUC business programs and projects.
- One Public Affairs Specialist 3 to direct public outreach and communications activities.
- Two Operations and Policy Analyst 3 positions to develop the program and account manager processes, identify and coordinate process improvements, and to coordinate RUC administrative, policy, program, and management operations.
- Two Operations and Policy Analyst 2 positions, one to certify RUC account managers, and one to audit account managers and manage data and reporting for the RUC.
- One Compliance Specialist 2 and one Compliance Specialist 3 to support revenue collection and compliance processes for the RUC.
- Two Program Analyst 1 positions to provide customer service support for the RUC.
- One Accounting Technician 2 and one Accountant 2 to administer RUC funds.
- One Fiscal Analyst 2 to provide financial reporting and analysis.
- One Executive Support Specialist 2 to provide program administrative support.

Diesel Tax

Diesel Tax administration costs include two positions (1.50 FTE) in the 2025-27 biennium and 14 positions (8.00 FTE) in the 2027-29 biennium with \$454,751 for personal services and \$36,380 for position-related services and supplies in the 2025-27 biennium and \$1.7 million for personal services and \$136,223 for position-related services and supplies in the 2027-29 biennium. There are also estimated costs of \$2.9 million in the 2025-27 biennium and \$7.9 million in the 2027-29 biennium to replace the current Carrier Information Computer System and develop a new Commercial Vehicle Information Exchange Window for reporting related to the IFTA; current systems are unable to connect to IFTA systems as required for participation in the IFTA.

Positions include:

- One Business Operations Manager 3 to manage IT updates related to the diesel tax.
- One Operations and Policy Analyst 3 to assist with IT updates related to the diesel tax.
- Four limited duration Transportation Service Representative 2 positions, one permanent Transportation Service Representative 2, and one limited duration Transportation Service Representative 1 position to support increased development, testing, and implementation of the diesel tax system, and to provide ongoing customer service support.
- Six Motor Carrier Enforcement Officer 1 positions to conduct roadside compliance checks for fuel tax evasion.

Weight-Mile Tax

Weight-Mile Tax simplification includes both IT costs, as well as savings with a projected reduction in positions:

- \$400,000 in the 2025-27 biennium and \$95,000 in the 2027-29 biennium for contract costs to reprogram the agency's weight-mile tax system.
- A reduction of five positions (4.25 FTE) in the 2027-29 biennium, which is estimated to reduce costs by a total of \$752,099, due to the measure's simplification of the weight-mile tax system and corresponding anticipated reduction in customer service calls, allowing for elimination of three Transportation Service Representative 1 positions, and two Office Specialist 2 positions.

A total of \$639,263 is estimated in the 2027-29 biennium to pay for the SOS performance audit, which is included in the SOS section of this fiscal impact statement.

Additionally, ODOT vehicles and equipment would be subject to the fuel tax increases under this measure. There could be additional costs for ODOT due to these increased prices, though the amount is indeterminate at this time. There is also the potential for increased contract costs, though it is not possible to estimate the degree of this impact.

While the measure directs an audit of ODOT's progress in implementing recommendations from a recent management review, the measure does not explicitly direct ODOT to implement these

recommendations. Any associated costs with implementation of those recommendations are not included in this fiscal analysis.

The scope and magnitude of the IT components of the measure may require ODOT to comply with the state's IT investment oversight policies, procedures, and process. The estimated fiscal impact of this component is therefore preliminary and subject to change when the agency begins this process, which requires the following steps: (1) analysis of business requirements; (2) business case development; (3) establishing a project management team or other professional staff resources; and (4) developing foundational project management plans and updated cost estimates. Depending on various cost or risk factors, including but not limited to the scope and complexity of the IT work or contract(s) that may be required, ODOT may also be required to contract for additional independent quality management services in compliance with ORS 276A.223.

Secretary of State

SOS costs are estimated at \$479,446 Other Funds in the 2025-27 biennium, and \$639,263 Other Funds in the 2027-29 biennium. The agency would hire two full-time, permanent positions (each 0.75 FTE in the 2025-27 biennium and 1.00 FTE in the 2027-29 biennium), a State Senior Auditor and a State Principal Auditor. These positions would complete the biennial ODOT performance audit directed under this measure with assistance from other auditors.

Other Funds in the 2025-27 biennium will be sourced from statewide government service charges that are paid by all state agencies, as well as some direct charges to ODOT. SOS is limited in the amount that can be directly charged to ODOT in the 2025-27 biennium since that amount is capped biennially. In subsequent biennia, SOS will likely directly charge ODOT for the full costs of the required audits.

Department of Administrative Services

Costs for the DAS review of the methodology for the highway cost allocation study are estimated at \$500,000 General Fund in the 2025-27 biennium based on DAS' past experience with contracting for this type of work. DAS is to submit a report to JCT by June 30, 2026. Given the scope of work required, it may be difficult for DAS to contract for and complete this study within the required time frame.

There may be additional costs related to the increase in fuel taxes and vehicle fees under this measure, which are discussed in more detail below.

Legislative Policy and Research Office

LPRO costs to contract for a performance audit of ODOT operations and management are estimated at \$300,000 General Fund in the 2025-27 biennium. This amount assumes that LPRO will be reporting to the Legislature on the performance audit in December 2026, as the measure does not specify when or how LPRO is to communicate the results of the performance audit. This amount could vary based on the vendor proposals received, or if LPRO is expected to report on the outcomes of the performance audit earlier in 2026.

Other Entities

There is an indeterminate fiscal impact for school districts. The State School Fund (SSF) is one of the state's largest General Fund expenses. The SSF Transportation Grant reimburses school districts 70% of eligible transportation costs. As of the 2024 school year, there were 15,942 buses statewide, with 10,158 running on diesel, 3,965 on gas, and 1,699 on propane. The remaining 120 buses were either electric or hybrid electric. School districts will have increased costs due to the increased fuel taxes, as the majority of school buses statewide are diesel-fueled. Most costs would occur in the 2029-31 biennium when fuel taxes for diesel take effect, which is beyond the two biennia scope of this fiscal impact statement. Any increase in school district's transportation costs related to bus routes or academic travel would directly impact the State School Fund, and consequently the General Fund. Increased fuel expenses related to travel for sporting events and non-academic fieldtrips will directly impact school district budgets. There is an additional indeterminate impact due to the increases in some fees under this measure.

Other state agencies and local government entities with substantial fuel use or large fleets may be impacted by the increase in fuel taxes and title fees, as well as the new RUC. Government-owned vehicles are exempt from the registration fee increases. While costs for these agencies are anticipated to be absorbable at present, they may be reflected in future budgetary adjustments. These agencies include DAS, which provides vehicles for most state agencies and anticipates purchasing 600 vehicles next biennium that would be subject to increased title fees, any additional costs due to the increase in fuel taxes, and the new RUC for certain fleet vehicles. The Oregon Department of Forestry (ODF) has a large number of vehicles and other fuel-powered equipment and is likely to be impacted by increased fuel costs, though the exact impact is indeterminate at this time and will partially be driven by variable fire season costs. Other agencies with substantial fuel use, such as Oregon State Police (OSP), could also have budgetary impacts due to the increase in fuel taxes. Numerous other agencies have their own fleets and could be impacted by the taxes and fees under this measure. However, these fleets are generally on a smaller scale than DAS, and with relatively less fuel usage than agencies such as ODF and OSP. These include the Oregon Department of Fish and Wildlife, Oregon Department of Agriculture, Oregon Department of Education, Department of Corrections, Oregon Military Department, Department of the State Fire Marshal, Oregon State Lottery, Oregon Parks and Recreation Department (OPRD), and other agencies that may use DAS services only in part for their fleet needs.

There is an indeterminate impact for the Oregon Liquor and Cannabis Commission (OLCC). OLCC contracts with private companies that deliver distilled spirits. Increased weight-mile and fuel costs may impact contract costs for delivery.

There is an indeterminate revenue impact for the Oregon State Marine Board and OPRD. Both agencies receive a portion of fuel tax revenues based on the amount of fuel used for recreational boating and the number of all-terrain vehicle permit holders.

There is an indeterminate, but anticipated to be minimal, impact for the Oregon Judicial Department (OJD), district attorneys, and the Public Defense Commission. There will be one-time costs for updates to OJD's case management system. There will also be additional cases filed in circuit courts due to new and expanded infractions under this measure, as well as the potential for additional liens on vehicles

that violate fuel tax requirements. Increases in licensing and vehicle fees may result in more traffic violations in circuit courts. A minimal number of additional tax court appeals, and Court of Appeals case filings may also occur.

There is minimal fiscal impact for the Department of Revenue and Department of Justice.

There is no fiscal impact for the Department of Aviation and Oregon Employment Department.

Budget Analysis

For the 2025-27 biennium, ODOT projected a State Highway Fund (SHF) revenue shortfall of \$354.3 million to continue operations and maintenance activities at the current service level. During the 2025 session, the Legislature partially addressed the shortfall through reductions totaling \$46 million and the elimination of 121 positions in operations and maintenance programs. However, the legislatively adopted budget also assumed passage of a transportation funding bill that generated sufficient SHF revenue to restore the remaining \$308.3 million shortfall and 884 positions across the agency's operations and maintenance divisions.

LC 2 is estimated to generate new State Highway Fund revenues totaling \$587.3 million in the 2025-27 biennium with \$289.7 million allocated to ODOT. Based on ODOT's forecasted operations expenditures for the 2025-27 biennium, this is anticipated to provide sufficient revenue to cover expenditures and positions included in ODOT's adopted budget, resulting in a projected operating ending balance in the SHF of approximately \$87 million. This balance will support compensation plan adjustments for the current biennium and continue to fluctuate based on actual revenues and expenditures during the biennium.