

**HB 3402 A    STAFF MEASURE SUMMARY****Carrier:** Rep. McLain**House Committee On Rules****Action Date:** 06/27/25**Action:** Do pass with amendments. (Printed A-Eng.)**Vote:** 4-3-0-0**Yeas:** 4 - Bowman, Kropf, Pham H, Valderrama**Nays:** 3 - Boshart Davis, Drazan, Elmer**Fiscal:** Fiscal impact issued**Revenue:** Revenue impact issued**Prepared By:** Melissa Leoni, LPRO Analyst**Meeting Dates:** 6/27**WHAT THE MEASURE DOES:**

The measure increases several transportation taxes and fees and imposes requirements for audits of the Oregon Department of Transportation.

Detailed Summary:

Section 1: Directs the Secretary of State to conduct biennial performance audits on the responsible use of State Highway Fund moneys, as well as on Oregon Department of Transportation (ODOT) capital projects. Specifies that audit results are to be presented to appropriate legislative committees.

Sections 2-4: Specifies that the Director of ODOT is appointed by, and serves at the pleasure of, the Governor, with Senate confirmation. Stipulates that current Director continues to be governed by ORS 184.620 as in effect immediately before the effective date of this measure.

Section 5: Revises provisions and membership of ODOT's Continuous Improvement Advisory Committee (CIAC) to include members of the Oregon Transportation Commission (OTC), the ODOT Director, and ODOT chief engineer, as well as individuals with expertise in major projects and at least one member with demonstrated knowledge of/experience with the application of the National Environmental Policy Act (NEPA). Requires monthly meetings of CIAC and quarterly reports to the OTC and the Joint Committee on Transportation (JCT).

Sections 6-7: Adds to statutory responsibilities of the Joint Committee on Transportation (JCT) the review of scope, schedule changes, and budget updates of major projects (those exceeding \$250 million) on a quarterly basis, as well as of city or county projects of less than \$25 million with a requested cost increase of at least 10 percent and projects exceeding \$25 million where the requested increase is at least five percent. Stipulates that JCT is to make appropriate funding recommendations to the Joint Committee on Ways and Means and Emergency Board, as appropriate. Adds requirement that JCT provide general legislative oversight of Department of Aviation.

Sections 8-9: Directs LPRO to contract for a performance audit of ODOT operations, including departmental management and whether and how it addresses recommendations from the outside study conducted pursuant to section 203, Enrolled Senate Bill 5550 (2025). Sunsets requirement on January 2, 2027.

Sections 10-11: Increases motor fuel taxes from 40 cents per gallon to 43 cents per gallon and makes commensurate increases on use fuels.

Section 12: Increases annual fee for registration of passenger vehicles from \$43 to \$64.

Section 13: Increases vehicle title fee from \$77 to \$168.

Section 14: Allocates to ODOT all amounts attributable to increases in tax rates and fees in sections 10-13.

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Section 15: Sets effective date at 91st day following adjournment sine die.

### **ISSUES DISCUSSED:**

- Impacts to Oregon Department of Transportation without additional funding
- Impacts on transit and local government

### **EFFECT OF AMENDMENT:**

Replaces the measure.

### **BACKGROUND:**

Oregon was the first state in the United States to adopt a motor vehicle fuel tax (one cent per gallon, adopted in 1919). Since that time, the fuel tax has been increased a number of times, the two most recent examples being major transportation funding packages: House Bill 2001 (2009) increased the tax from 24 cents per gallon to 30 cents per gallon; House Bill 2017 (2017) increased it in four steps over four biennia to 40 cents per gallon, with the most recent step taking effect on January 1, 2027. In both cases, a large portion of the new revenues was used for the construction of numerous small local improvement projects, as well as a number of projects of statewide significance. Some of the latter group of projects (including the Interstate 5 Rose Quarter Project, the Abernethy Bridge, the Interstate 205 widening and seismic project, later phases of the Newberg-Dundee Bypass, and the Center Street Salem Bridge) remain unfunded or underfunded.

The Oregon Department of Transportation (ODOT) reported to the Joint Committee on Transportation shortly before the 2024 session that the agency would soon be facing a critical shortfall that would degrade the Department's ability to carry out its mission and duties. For more than two decades it has been known that the state's reliance on the motor fuel tax (combined with the weight-mile tax for heavy trucks) was a source of declining efficacy, as steadily improving vehicle mileage ratings, combined with a growing percentage of electric and hybrid vehicles within the state, were reducing the amount of revenue taken in per vehicle mile traveled, during a time when inflation was also increasing the cost of both labor and materials for construction and maintenance activities. This factor, combined with past bonding of certain transportation revenues for project delivery, lack of action to increase funding at the federal level, and some miscalculation, resulted in an estimated shortfall of roughly \$1 billion per year.

House Bill 3402A increases fuel taxes and vehicle title and registration fees to help the Oregon Department of Transportation maintain its workforce and continue its core missions. The measure also includes a number of accountability provisions, including more frequent performance audits and reinstating appointment of the ODOT Director with the Governor (with Senate approval).