



Oregon

Tina Kotek, Governor

Department of Transportation

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DATE: June 27, 2025

TO: House Committee on Rules

FROM: Kris Strickler, Director, Oregon Department of Transportation

SUBJECT: HB 3402 – Transportation Funding Package

INTRODUCTION

The Oregon Department of Transportation (ODOT) appreciates the Legislature's diligent work and thoughtful deliberation of a 2025 transportation funding package and is grateful for the continued commitment to make Oregon's state and local transportation system safe and accessible.

ODOT recognizes the legislature must adjourn sine die by June 29, leaving mere days for final action that addresses Oregon's structural revenue challenges or provides an interim step to maintain some level of ODOT's operations and maintenance functions for the 2025-27 biennium.

The (-3) amendment to House Bill 3402 represents that interim step. While not addressing the structural revenue challenges that face Oregon's transportation agencies who rely on state highway fund dollars to build, operate, and maintain Oregon's transportation system, the (-3) amendment increases two of three primary revenue sources that support the state highway fund. Specifically, HB 3402 (-3):

- Increases the gas tax by \$0.03 to a total of \$0.43
- Increases base registration fee for light passenger vehicles by \$21 to a total of \$64
- Increases base title fee for light passenger vehicles by \$91 to a total of \$168

Notably, HB 3402 (-3) does not include other revenue (e.g., weight-mile tax increases, indexing the fuels tax to inflation) and policy provisions (e.g., creating a Road Usage Charge program) reflected in House Bill 2025B, nor does HB 3402 (-3) direct revenues to specific investments. HB 3402 (-3) directs all new revenue toward maintenance and operations services provided by the Oregon Department of Transportation. The revenue raised through HB 3402 (-3) will enable ODOT to maintain current service levels for the entirety of the 2025-27 biennium. However, HB 3402 (-3) does not provide long term structural stability. In order to avoid future budget cuts and corresponding service reductions in the 2027-29 biennium, legislative action must occur to address this structural challenge.

STRUCTURAL REVENUE CHALLENGES

These structural challenges are due to three main causes:

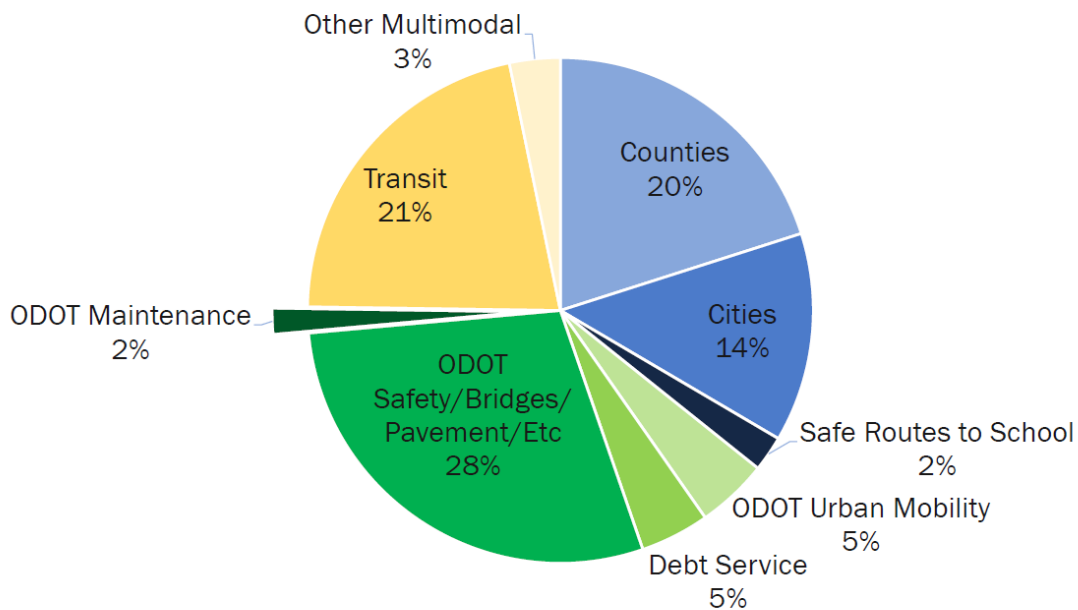
- **Declining gas tax revenue:** Oregonians are driving increasingly fuel-efficient vehicles and switching to electric vehicles at a high rate – this is good as it will drive carbon emissions from transportation down 60% over the next 25 years. But with increased fuel efficiency and more EVs, Oregon sees lower tax revenues and less money available to maintain the transportation system.

- **High inflation:** Inflation has made maintaining the transportation system more expensive. The materials and staffing necessary to provide the services Oregonians rely on have gone up dramatically in cost. Unlike many other states, Oregon's gas tax is static and isn't tied to inflation. Our vehicle and freight hauler fees are also not tied to inflation. With every year that passes, the same dollar purchases fewer materials and less service.
- **Restrictions on available funding:** Only a small share of the funding that comes into ODOT can be used to maintain the state's transportation system and run the agency. State law directs almost half of total state highway fund dollars to cities and counties and then dedicates over half of what's left to pay back bonds for past projects and invest in new projects, leaving only about 20 percent of every dollar available for state highway maintenance.

Notably, House Bill 2017 (2017) directed only 2% of the overall new revenue to state highway system maintenance and operations.

HB 2017 Funding Distribution

Forecast for FY 2025; \$658 million total projected revenue

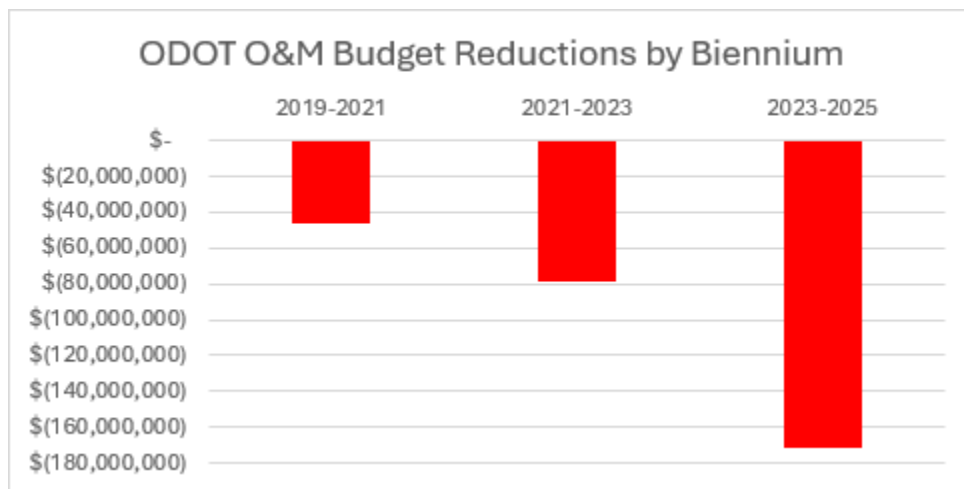


Federal highway funds are required, with limited exceptions, to be used for construction projects that we contract out. ODOT has already dedicated federal funding to operations and maintenance wherever we can—from covering the costs of employees who deliver federally-funded projects to covering some of our indirect costs to incident response and traffic operations centers. We have not identified any other opportunities to use federal funds to pay for operations and maintenance.

A significant portion of ODOT’s state funding is dedicated by state law to construction projects—either directly paying for projects or paying debt service on bonds directed by the Legislature to cover the cost of construction projects. ODOT has already shifted as much of this funding to operations and maintenance as we can. The Legislature could free up some additional funding for operations and maintenance by changing statute—particularly HB 1017—to eliminate the requirement to spend these funds on projects and allow us to spend the money on basic day to day maintenance if it chose.

REDUCTIONS ALREADY TAKEN

To avoid running out of cash to run the agency, over the last three biennia ODOT has made progressively larger voluntary reductions in the operations and maintenance portion of its budget: \$47M in 2019-2021, \$78M in 2021-2023, and \$171M in 2023-2025. The impacts of these budget reductions have become more apparent and impactful to Oregonians.



ODOT has taken many steps to increase efficiency across the agency and limit the impact of budget cuts on customers. Some of these steps and costs savings include:

- DMV has put many services online, including driver tests and license renewal and replacement. This has allowed the agency to serve a growing number of customers, and serve them better, with limited staff.
- DMV has improved vehicle title processing to reduce the number of employees needed to perform this activity.
- ODOT has held vacancies in maintenance and support services as positions have become vacant to lessen the burden on the overall budget. This has left crew sizes smaller for important work and will continue without additional budget.
- With smaller crew sizes, and less materials in our regional budgets, we have reduced the amount of work we can accomplish for needed roadway repairs (asphalt, rock, etc.)

- We have reduced our preservation work due to rising costs and budget constraints, so less routine paving and bridge repair work, leaving more system deterioration for our smaller maintenance crews to address.
- Commerce and Compliance Division (CCD) is implementing an online system for routing and permits for over-dimensional trucks in 2025. This system will allow trucking companies to obtain basic permits more quickly and allow staff to shift focus to complex permits, reducing processing time of all permit types.
- CCD revised Trucking Online to allow carriers to reset their own password, increasing ease of access for carriers while reducing the number of phone calls to the service center.
- CCD reviewed and optimized its call center staffing to reduce service hours with low call volumes, shifting staff to times of day when call volumes are at the peak. Call-wait times have been significantly reduced as a result.
- To reduce reliance on State Highway Funds, ODOT now has project delivery staff who perform design or review or otherwise contribute to the project charge their hours worked to the project budget. Previously, staff that did not actually produce the designs charged their time to State Highway Fund O&M dollars rather than project funds. This saved O&M funding with a minor increase in project costs.
- Remote work has enabled ODOT to consolidate offices and realize substantial cost savings – at least \$6 million per biennium.
- Process improvements and industry best practices such as standardized templates, workflows, and single points of contact have been implemented in shared services such as procurement and recruitment to ensure processing times are not substantially impacted due to reduced staffing.
- ODOT has significantly reduced costs related to data storage, telephony, and similar business expenses – at least \$700,000 per biennium.
- ODOT has cut back on non-essential spending such as light-duty fleet replacements, travel and conferences, computer hardware, employee training, and office expenses.

CONCLUSION

ODOT appreciates the legislature's ongoing commitment to funding critical maintenance and operations services and HB 3402 (-3) represents an interim step toward that future.