



Legislative Fiscal Office
83rd Oregon Legislative Assembly
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Bill Title: Relating to transportation; declaring an emergency.

Government Unit(s) Affected: Bonding, Department of Transportation, State Treasurer, Department of Administrative Services

Summary of Fiscal Impact: Costs related to the measure are anticipated to be minimal - see explanatory analysis.

Measure Description

The measure requires the Oregon Transportation Commission (OTC), in consultation with the Oregon State Treasury (OST), to develop a debt financing management policy for all forms of debt financing issued to finance highway projects, including but not limited to, bonds, federal advanced construction funds, and other forms of financing based on debt or future repayment. The policy is to be used by OTC and OST as a guide to decision-making related to debt financing. The debt financing management policy must address limits on cumulative amounts of debt for the highway system from all state and federal sources, eligibility of highway projects for proceeds from debt financing, allocation and use of proceeds, terms of debt service and methods of repayment, management of the State Highway Fund, and mitigation of risk from different forms of debt financing. The policy must limit annual debt service for highway projects to a set percentage of estimated annual state transportation resources to the State Highway Fund, and the limit must be set to protect the Oregon Department of Transportation (ODOT) in a future budget period from being required to make debt service payments of a size that other portions of the department's budget during that period must be reduced.

ODOT must submit bonding requests to OTC to review prior to requesting OST to issue bonds, and OTC must provide an opportunity for public comment before deciding to approve, modify, or deny the request in accordance with the debt management policy. ODOT must create reports on proposed debt if there will be at least \$10 million in net proceeds from a request for bond issuance, which is to be submitted to OTC with the request for review, as well as the committees or interim committees of the Legislative Assembly related to transportation. The report must include a full debt repayment schedule, an accounting of the total cost of the debt, a description of how bond proceeds will be used and how the debt is to be secured, a description of the specific revenues that will be used to pay debt service to include an estimate of the total annual amounts of those revenues and the share of those revenues currently dedicated to debt service, and an analysis of opportunity costs, including next-best uses of moneys and projected impacts of the proposed bonds on future funding for other projects, for at least two biennia after the current biennium.

Fiscal Analysis

The fiscal impact is indeterminate but anticipated to be minimal.

Oregon Department of Transportation

The debt financing management policy that must be developed by the OTC must limit annual debt service for highway projects to a set percentage of estimated annual state transportation resources to the State Highway Fund. This requirement could limit bond sales for major projects in the future. It is not clear if this would apply

to the debt service on current bonds, or on all bond types, and if that could impact the state's credit rating if the limit is lower than the current debt service of around 25% for Highway User Tax Bonds.

ODOT notes that some of the requirements related to OTC review, public notice, and required reporting prior to bond issuance may delay the issuance of bonds which could result in less favorable market conditions. ODOT also notes that required reports on bond issuance with net proceeds over \$10 million would be estimates, since certain components such as repayment schedules and debt costs are not finalized until after bonds are sold.

There is an indeterminate impact related to the requirement that the debt financing management policy must address management of the State Highway Fund, since the State Highway Fund is used for ODOT operations and not just debt financing. The scope of this work may require additional staffing, but the level of staffing needed is indeterminate at this time.

Other entities

There is no fiscal impact for the Department of Administrative Services or the Oregon State Treasury.

Relevant Dates

The measure declares an emergency and takes effect on passage.

By January 31 of each odd-number year, OTC is to report to the standing or interim committees of the Legislative Assembly related to transportation on any updates to the debt financing management policy.