



Oregon

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Department of Administrative Services

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The Honorable Phil Barnhart, Chair, House Revenue Committee

The Honorable Tobias Read, Chair, House Transportation & Economic Development Committee

The Office of Economic Analysis' Role in the 2013 Highway Cost Allocation Study

1) The Purpose of the Study

As stipulated in ORS 366.506, once every two years, the Oregon Department of Administrative Services shall conduct either a full highway cost allocation study or an examination of data collected since the previous study.

The purposes of the study or examination of data are to determine:

- (a) The proportionate share that the users of each class of vehicle should pay for the costs of maintenance, operation and improvement of the highways, roads and streets in the state; and
- (b) Whether the users of each class are paying that share.

The study focuses on the highway expenditures allocated during the current biennium. Given the nature of that spending, the study attempts to determine the role that different classes of vehicles play in creating the need for these highway projects. Examining traffic flows and the damage done to roads and bridges by different types of vehicles gives us a framework with which to fairly allocate these costs across vehicle types by setting fuel taxes and weight-mile taxes at appropriate levels.

The study does not attempt to determine the socially optimal level of highway spending, nor does it speak to many of the external costs that vehicle use can impose on Oregonians (pollution and congestion, for example). During the 2009-2011 biennium, the legislature commissioned a separate Efficient Fee Study that examined some of these broader issues. A white paper included with the current study details the policy and administrative steps required to move toward a more efficient system of highway funding.

2) Production of the Study

According to ORS 366.506, the department may use any study design it determines will best accomplish the purposes of the study. In recent years, the study analysis has been performed by independent consultants with transportation expertise. Considerable background support is provided to the consultant by ODOT research staff.

The department requested competitive bids for both the production of the study, and the project management of the study. This biennium, the study was performed by ECONorthwest with

some help from technical subcontractors. The project has been managed by the Northwest Economic Research Center at Portland State University.

3) The Study Review Team

By statute, the department may appoint a study review team to participate in the study. The team may perform any functions assigned by the department, including but not limited to consulting on the design of the study.

The Study Review Team is made up of transportation researchers and stakeholders from the private sector, agencies and legislative staff. The team provides input into the assumptions made by the consultant along each step in the modeling process. The team includes many of those who are most interested in the minute details of the study, and as a result, provides a thorough vetting of the work before it is presented to policymakers.

The 2011-13 Study Review Team:

Bob Russell	Oregon Trucking Association
Chris Higgins	Oregon State University
Craig Campbell	AAA Oregon
Don Negri	Willamette University
Doug Parrow	Oregon Citizen
Jerri L Bohard	Oregon Depart. of Transportation
Jon Oshel	Association of Oregon Counties
Mark McMullen	Office of Economic Analysis
Mazen G Malik	Legislative Revenue Office
Miguel A Figliozzi	Portland State University
Tim Morgan	AAA Oregon

Consultants and Contributors:

Carl Batten	ECONorthwest
Steve Drahota	HDR Engineering
Tom Potiowsky	Northwest Economic Research Center

The State Economist acts as chair of the Study Review Team. In that capacity, the State Economist makes decisions about the study methodology and study design when consensus cannot be reached among members of the team.

For the 2011-13 biennium, no major conflicts regarding the design or methodology of the study arose. Disagreement was limited to a very small number of minor technical issues, none of which were held dear by stakeholders. It is hoped that the review process will continue to work this well during future studies when spending on highway investments is likely to be much larger.

4) The Role of the Legislature

According to statute, the Legislative Assembly shall use the study to determine whether adjustments to revenue sources described in section 3a (3), Article IX of the Oregon Constitution, are needed in order to carry out the purposes of section 3a (3), Article IX of the Oregon Constitution. If such adjustments are needed, the Legislative Assembly shall enact whatever measures are necessary to make the adjustments.

Although the results of the Highway Cost Allocation Study change with each biennium, these changes have typically been relatively small. Since taxpayers greatly value stability in the system, the Legislative Assembly has not always altered relative tax rates in response to these small changes to the study results.

The Study Review Team has adopted an informal 5% rule of thumb for changes in study results before recommending that the legislature enact changes to tax law to make the system more equitable. The 2011-13 study results lie well within this threshold, and as a result, no legislative action is recommended at this time.

Mark McMullen
State Economist
Oregon Office of Economic Analysis