Highway Cost Allocation Study

The Oregon Highway Cost Allocation Study

Carl Batten, **ECONorthwest**

Highway Cost Allocation in Oregon

- Oregon's 18th study; first was in 1937
- Since 1999, State Constitution has required a study every two years, and adjustment of rates if found necessary
- Are the shares of revenues paid by light and heavy vehicles fair and proportionate to their shares of costs?

Highway Cost Allocation in Oregon

- Study Review Team reviews methods, data, and results, and discusses issues
  - Eleven members, chaired by State Economist
    - Mark McMullen, Chair, State Economist
    - Jerri Bohard, Oregon Department of Transportation
    - Miguel Figliozzi, Portland State University
    - Chris Higgins, Oregon State University
    - Mazen Malik, Oregon Legislative Revenue Office
    - Timothy Morgan, AAA Oregon
    - Don Negri, Willamette University
    - Jon Oshel, Association of Oregon Counties
    - Doug Parrow, Citizen
    - Bob Russell, Oregon Trucking Associations

What is Highway Cost Allocation?

Do various classes of highway users pay user fees in proportion to the costs they impose on the highway system?

- Define user classes
- Allocate costs to user classes
- Attribute revenues to user classes
- Calculate equity ratios
  - Share of revenue / Share of cost

Oregon's Approach

- Costs to allocate are expenditures over upcoming biennium
- Expenditures of federal funds are included (because they are interchangeable)
- Expenditures by local governments of state funds are included
- Expenditures by local governments of federal and some own-source funds also are included (interchangeability and accountability)
- Chapter 2 describes structure

New in the 2013 Study

- New bridge cost allocation factors
  - Developed by HDR Engineering and based on current Oregon bridge design standards and practices
- No more “alternative fee difference adjustment”
  - Reported equity ratio is for full-fee-paying vehicles

Results of 2013 Study

- Light vehicle equity ratio: 0.9927
  - Light vehicles account for 65.1% of the revenues and 65.5% of the costs
- Heavy vehicle equity ratio: 1.0139
  - Heavy vehicles account for 34.9% of the revenues and 34.5% of the costs

Effects of 2013 Study Changes

- Light vehicle equity ratio: 0.9927
  - Would have been 0.9949 with old bridge cost factors and new subsidy method
  - Would have been 0.9875 with old subsidy method and new bridge factors
  - Would have been 0.9987 with old subsidy method and old bridge factors

Heavy Vehicles

- Vehicles between 10,001 and 26,000 pounds are overpaying
- Most vehicles between 26,001 and 78,000 pounds are underpaying
- Vehicles between 78,001 and 80,000 pounds are overpaying (1.20 equity ratio). This class accounts for 43% of heavy vehicle miles traveled.
- Most vehicles over 80,000 pounds are underpaying
- Road Use Assessment Fee Vehicles are underpaying (0.39 equity ratio)
- Full details are provided in Chapter 6

Recommendations

- No changes to rates are necessary for light-heavy fairness and proportionality
- Chapter 7 describes revenue-neutral changes to rate structures that would improve equity within heavy vehicles.
  - Flatter Table "A" rate structure (28,000 lbs go from 4.98 to 7.80 cents per mile; 80,000 lbs go from 16.38 to 13.50 cents per mile)
  - Higher Table "B" rates (for example, 105,500 lbs, 7 axles go from 18.11 to 24.50 cents per mile)
  - Higher Road Use Assessment Fees (7.1 to 18.3 cents per ESAL-mile)

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The Oregon Highway Cost Allocation Study

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