

March 30, 2015

AOC SUGGESTS ALTERNATIVE FUNDING FOR DMV MODERNIZATION PROJECTS

AOC is pleased to have a healthy and productive working relationship with ODOT. The State, counties, and cities have long understood that we must work together to ensure that Oregon's integrated transportation system is seamless and successful. AOC is thrilled that two county commissioners sit on the Oregon Transportation Commission, allowing the voices of local governments to be heard in the development of state transportation policy. County Road Officials are grateful for the coordination and mutual assistance that regularly occurs between the state and local jurisdictions, and are particularly thankful for the fund exchange program, which allows counties to complete local projects without the burden of federal red tape.

AOC is very supportive of ODOT's Budget Request with the exception of the funding mechanism for two items which causes us great concern: the DMV's Service Transformation Program (STP) and the DMV Debit/Credit Acceptance. Although AOC agrees there is a definite need to upgrade and modernize the system used by DMV and enable customers to pay with debit/credit cards, these two programs combined could take an estimated \$26 to \$39 Million off the top of the State Highway Fund in the next biennium, resulting in the loss to counties of up to \$9 Million. Counties cannot afford to take that hit.

Hopefully by now, each of you has seen and heard about AOC's [County Road Needs Study](#) which was completed last fall. This study revealed that, for each in the five years from 2014 to 2018, counties face a projected \$505 Million shortfall. This represents a \$78+ Million shortfall for maintenance and operations, a \$92+ Million shortfall for pavement preservation, and a \$334M short for capital projects EVERY SINGLE YEAR. With costs rising for nearly all products and services used by our road departments, counties are falling further and further behind in keeping up with maintenance and pavement preservation. This occurs even when most counties are spending all of their revenues on maintenance, ignoring any hope of significant capital improvement projects, which is why that shortfall number is so large. Several counties have begun converting paved roads to gravel because they are often cheaper to maintain.

In order to address these shortfalls, AOC, as a member of the Oregon Transportation Forum, worked for the past 16 months to develop a transportation package with our partners. Counties are also looking at ways to locally raise revenues on their own or in partnership with cities. However, as the hope of a significant transportation package dims, the condition of our statewide road system will continue its downward spiral.

The loss of State Highway Fund revenues as a result of the DMV's modernization projects will further exacerbate the problem. Counties, cities, and even ODOT simply cannot absorb these costs without negatively impacting the transportation system. Therefore, AOC will work with LOC to propose funding solutions to address these lost revenues. These very solutions come from the DMV's Cost of Service Study.

In 2013, DMV produced a Cost of Service Study which revealed the current driver program fees fail to cover the actual cost by 60%, leaving vehicle registration fees to subsidize the cost of driver programs such as driver license issuance and driving privilege management. That subsidy means fewer dollars are going into the State Highway Fund to be shared with the state, cities, and counties to maintain the transportation system. The driver program fees should be increased to cover the actual cost of the program. The 2013 study revealed this could add \$84 million per biennium to the State Highway Fund.

In addition, the 2013 DMV Cost of Services Study proposed the establishment of a technology fee surcharge that would be sufficient to cover the costs of the STP. The study proposed a surcharge of \$3 per transaction, which would raise approximately \$100M over ten years. DMV is currently in the process of updating this Cost of Services Study; completion is expected next month, so the numbers provided here may change.

AOC believes that cost recovery of the driver program fees and the imposition of a surcharge to cover the technology upgrades and merchant fees associated with credit/debit cards would provide some stability to the State Highway Fund and ODOT's budget.

AOC appreciates the opportunity to share our suggestions with you. We stand ready to assist in preserving the State Highway Fund and finding a new revenue source for the DMV Modernization Projects.

Please contact Mary Stern at mstern@ocweb.org for information about this issue or AOC.