

HIGHWAY COST ALLOCATION STUDY

2017 Results

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Study Review Team

- Reviews methods, data, and results, and discusses issues
 - Eight members, chaired by State Economist
 - Mark McMullen, Chair, State Economist
 - Jerri Bohard, Oregon Department of Transportation
 - Gerik Kransky, Bicycle Transportation Alliance
 - Mazen Malik, Legislative Revenue Office
 - Mike McArthur, Association of Oregon Counties
 - Timothy Morgan, AAA Oregon
 - Don Negri, Willamette University
 - Bob Russell, Oregon Trucking Associations

Highway Cost Allocation in Oregon

- This is Oregon's 20th study; the first was in 1937
 - by Conde McCullough
- Since 1999, Oregon's constitution has required a study every two years, and adjustment of rates if found necessary

The Question

- Oregon Constitution Section 3a(3)
 - Revenues described in subsection (1) of this section that are generated by taxes or excises imposed by the state shall be generated in a manner that ensures that the share of revenues paid for the use of light vehicles, including cars, and the share of revenues paid for the use of heavy vehicles, including trucks, is fair and proportionate to the costs incurred for the highway system because of each class of vehicle. The Legislative Assembly shall provide for a biennial review and, if necessary, adjustment, of revenue sources to ensure fairness and proportionality.
- **Are the shares of revenues paid by light and heavy vehicles fair and proportionate to their shares of costs?**

The Answer

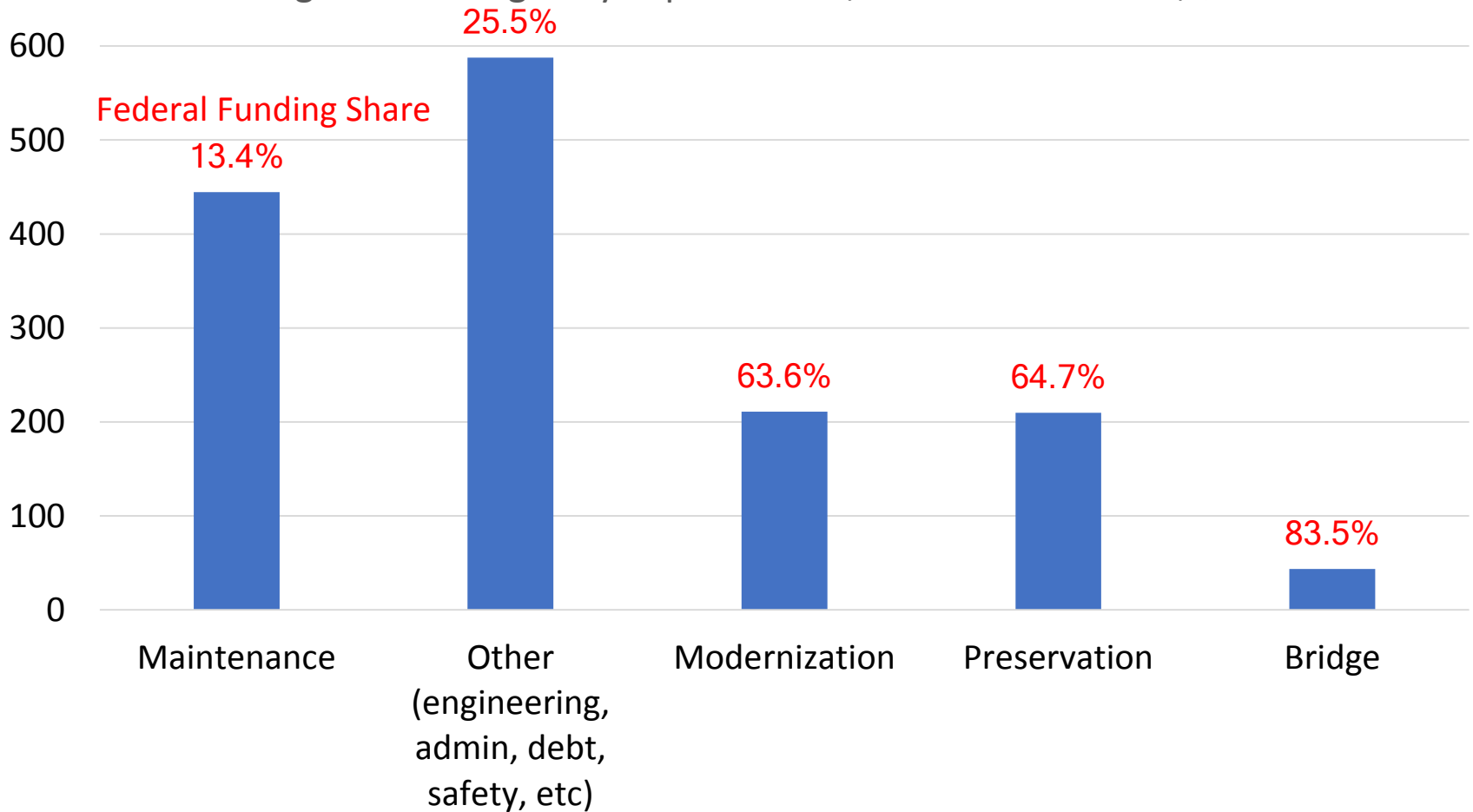
- To answer the question, we calculate **equity ratios** for each weight class
 - Share of revenue / Share of cost
 - An equity ratio of 1.0 means perfect equity
 - More than 1.0 means paying more than fair share
 - Less than 1.0 means paying less than fair share

Oregon's Approach

- Costs to allocate are budgeted 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)

Composition of Oregon Highway Expenditures

Average Annual Highway Expenditures, 2017-19 Biennium, \$ millions



Oregon's Approach

- Equity ratios are predicted for upcoming biennium
 - Miles of travel are forecasted by ODOT as part of their revenue forecasting process
 - 35.7 billion miles per year by all light vehicles
 - 3.1 billion miles per year by all heavy vehicles
 - Expenditures are forecasted as Agency Request Budget
 - Revenue forecast assumes current-law instruments and rates
 - Model capable of forecasting revenues from alternative instruments (e.g., VMT fee or M97) and rates

Oregon VMT Trend 2002-2016

Oregon Vehicle Miles Traveled

Statewide Total, Billions, Annual Rate



| Declared Weight | 2018 VMT (millions) |
|--------------------|---------------------|
| 1 to 10,000 | 35,718 |
| 10,001 to 26,000 | 869 |
| 26,001 to 78,000 | 380 |
| 78,001 to 80,000 | 1,264 |
| 80,001 to 104,000 | 248 |
| 104,001 to 150,500 | 289 |
| 150,501 and up | 3 |

2017 Results

- Light vehicle equity ratio: 1.0076
 - Light vehicles account for 64.46% of the revenues and 64.0% of the costs
- Heavy vehicle equity ratio: 0.9865
 - Heavy vehicles account for 35.54% of the revenues and 36.0% of the costs
- User fees don't need to be adjusted for equity in the upcoming biennium
- If user fees are changed for other reasons, equity may be maintained through use of HCAS model developed for this study