OREGON TRUCKING ASSOCIATIONS, INC.

May 1, 2017

Senator Lee Beyer, Co-Chair
Representative Caddy McKeown, Co-Chair
Senator Brian Boquist, Co-Vice Chair
Representative Cliff Bentz, Co-Vice Chair
Joint Committee on Transportation Preservation and Modernization
900 Court St. NE
Salem, OR 97301

Dear Senators and Representatives,

First, I would like to thank Senators Beyer and Boquist for attending our Board of Directors meeting and presenting the proposed plan for a transportation funding package. While our Board will not take a position on a transportation funding package until there is an actual bill for us to review, I did want to provide you with our thoughts at this time.

The Governor requested that the Oregon Transportation Commission engage a firm to conduct an audit of the Department in late 2015. At that time, the Governor indicated that she wanted to reassure the citizens of this state that the money being spent by the Department is being spent wisely before asking the Legislature to approve additional resources. The OTC, working with the Department of Administrative Services, ultimately chose McKinsey and Company to perform the audit. However, the scope of work was reduced compared to the previous Request For Proposals. Our Board believes that the full audit should be completed and that the Secretary of State should be asked to complete the tasks that were omitted from the McKinsey scope of work.

After our meeting with Senators Beyer and Boquist, our Board was provided with draft language for an accountability proposal that was developed by the Accountability Work Group led by Representative Olson. Our Board fully supports this proposal and respectfully requests that it move forward as soon as possible. Our thinking is that this proposal is long over due and should be enacted into law irrespective of whatever else the Legislature might accomplish this session. It is that important to us.

Last December, we were asked to testify before the Joint Committee. As part of our testimony, we were asked to provide our "bottom line" with respect to increases in taxes subject to the constitutional State Highway Fund provision. We did just that. Our thinking was that the Legislature considered a $200 million per year increase in 2015 that failed to achieve passage. In 2009, the Legislature did pass the Jobs and Transportation Act, which was an approximate $300 million per year increase. That increase was the largest increase of any tax in the history of our state. We continue to believe that our current proposal which is $305,446,959 per year when fully phased in is more than reasonable. I have attached a copy of our December testimony for your convenience. With this proposal, Oregon operating taxes on heavy trucks will be far and away the highest of any state in the country.

Finally, we would like to have input into the selection of the next OTC commissioner. Given the amount of tax dollars we pay to the Department and perhaps more importantly, the importance of the trucking industry to Oregon's economy, we believe that there should be one commissioner that is fully versed in our issues. We think this is extremely important for our State as we currently transport about 75% of the tons of freight moving to, form and within Oregon. Without a sound trucking industry, Oregon's economy will be significantly reduced.

Again, thanks to Senators Beyer and Boquist for taking the time to discuss the current proposal with our Board. We look forward to continuing the conversation. However, a conversation is not an acceptable outcome to us. We remain committed to the passage of a transportation funding package this session. We were disappointed that the effort in 2015 was unsuccessful. We do not believe that failure is an option this time around.

Thank you,

Jana Jarvis (BAP)

Jana Jarvis, President

Cc: Bob Russell

ORGEGON TRUCKING ASSOCIATIONS, INC.

Before the Joint Transportation Preservation and Modernization Committee December 13, 2016

Testimony of Bob Russell
Vice President Government Affairs
Oregon Trucking Associations

Critical Elements 2017 Transportation Funding Package

Complete a thorough Management Review and Financial Audit of the Oregon Department of Transportation. In November of 2015, Governor Brown directed the Oregon Transportation Commission to conduct an independent Management Review and Financial Audit of the Department to ensure that existing revenues are being spent responsibly before asking the public to pay increased taxes for transportation. It is imperative that this comprehensive audit is completed without compromise of any kind even if the final results are not available until later in 2017.

Provide the Oregon Transportation Commission with independent support staff. It is essential that the Transportation Commission be the independent oversight entity of the Department that it was designed to be. To achieve this objective, at a minimum, an administrator, an administrative assistant and a policy analyst are assigned to the Commission. The Department's existing Internal Audit Section should also be assigned to the Commission. In addition, the Commission should establish a balanced volunteer budget committee to advise the Commission on budget priorities and budget expenditures.

Redirect $50 million per year for six years from non-highway expenditures to maintenance, operations and expansion of state highways. A redirection of tax dollars from planning and overhead will provide the public with confidence that existing tax dollars are being spent on the essential services of the Department.

Implement a price containment mechanism to protect transportation fuels consumers from price increases caused by the Low Carbon Fuel Standard. The goal of the Low Carbon Fuel Standard to reduce carbon emissions from vehicles using oil-based fuels is laudable and should not be compromised. However, consumers should be protected from unintended fuel price increases as well as damage to engines and the voiding of warranties that would result from the use of certain fuel blends.

Increase taxes for highways by no more than $300 million per year. In addition, this increase should be phased in to allow for smaller ongoing increases in future years rather than the recent practice of enacting large increases every 6-10 years. Any tax increase must not negatively impact Oregon's economy and must be crafted in a manner that has the support of the majority of Oregonian's.

Provide a one-time $1 billion in bonded debt to finance highway capacity expansion projects. The $300 million per year tax packaged described above must include a bonding component that will finance expansion of highway capacity to address bottlenecks and reduce traffic congestion.

Provide for one major congestion relief project in the Portland metropolitan area. Traffic congestion in the Portland metropolitan area is a major concern for Oregonians throughout the state because the majority of freight movements begin, end or go through this major economic hub. It makes sense that this first project to relieve traffic congestion is on the I-5 corridor as I-5 provided access to most major industrial centers in the region. Consider tolling to partially or completely fund this project.

Maintain the current distribution of funds between the Department, cities and counties. Cities and counties own and maintain critical parts of Oregon's road, highway and bridge infrastructure. It is important that any transportation funding continue to support local government's efforts to maintain and upgrade their portion of the state's transportation infrastructure.

Provide necessary and reliable funding for transit operations to position Oregon's transit agencies to be able to meet future increased demand for transit services. The aging of Oregon's population requires an increase in transit services throughout the state. Today, transit agencies have a deficit of funds that can be used to actually operate transit systems. It makes little sense to provide funds for capital improvements without providing the funds for operations.

Adequately fund a reauthorization of Connect Oregon to fund investments in non-highway transportation modes. The competitive grant funding provided by Connect Oregon has proven to be incredibly successful. This program should be continued with minor adjustments.

Modify statutory project selection criteria to provide clear direction to the Department. Currently, there is a plethora of statutory project selection criteria. The result is that there is very little actual guidance to the Department. The Legislature should modify the existing criteria to provide clear direction to the Department that includes the expected outcomes for those criteria. The criteria should also include the expected outcomes from implementation of Least Cost Planning and Practical Design.

Require the Department to complete a statewide multi-modal plan for the movement of people. In 2011, the Department completed a multi-modal Oregon Freight Plan. The goal was to ensure that all of the freight modes work together to provide the required freight transportation services. No similar plan has been attempted for the movement of people, yet the multi-modal approach is just as applicable.

Require the Department to complete a plan to protect highway infrastructure in the event of a Cascadia earthquake event. The Department has yet to develop a scalable, staged comprehensive plan to address the threat of an expected cataclysmic seismic event. A rational plan must precede the sizable investment required to ensure that the state is reasonably ready for such an event. The plan needs to be clear about what can actually be done to prepare transportation infrastructure for a 9.0 plus seismic event with sustained shaking of up to 10 minutes with expected high-level aftershocks and resulting tsunami impact.

Provide stable funding for rest area maintenance, deferred maintenance, upgrades and safety for the travelling public and the trucking community. Oregon's rest areas are dealing with deteriorating infrastructure including much needed truck parking maintenance and rest room expansion and modernization. Such investments are necessarily long term and cannot be planned for without stable funding.

Report and Recommendation from the Highway Funding Subcommittee of the OTF Committee on Transportation Revenue

The highway Funding Subcommittee was composed of Bob Russell, representing the Oregon Trucking Associations, John Mohlis, representing the Oregon State Building & Construction Trades Council and Craig Campbell and Marie Dodds, representing AAA Oregon. It needs to be stated that the size of the proposal is not currently supported by either the Oregon Trucking Associations or AAA Oregon and would require board action before they could indicate their support. The boards of both associations will need to see all the elements of the final package developed by the legislature before they commit to supporting its passage.

Principles Used to Develop the Draft Highway Fund Proposal

The subcommittee determined that the proposal should follow the following basic principles:

1. The proposal is proportionally equivalent to that passed by Washington State in 2015.
2. The primary tax focus is on taxes that reflect system use, but that the dependence upon use taxes is reduced by other fees to help moderate the historically negative public response to large gas tax proposals.
3. The proposal is incrementally imposed over three biennia with the largest increase happening in the first year of the first biennium. This accomplishes three goals: 1) It provides the largest share of the package shortly after implementation to address needs as quickly as possible; 2) It spreads the economic impact of the proposal imposed on taxpayers over time; 3) It introduces a pattern of smaller biennial highway fund increases as the best approach to fund our road system.
4. The proposal is designed with the idea that another multi-year transportation package will be passed during the 2023 session at a level that perpetuates the smaller biennial highway fund increases that are reflected in the outlying increases in the present draft proposal.
5. Taxpayer impacts need to be clearly understood and articulated to prevent overreaching and unanticipated impacts.
6. Revenues raised should be distributed between the State, Counties and Cities according to the most recent 50/30/20 formula.
7. The proposal uses incremental revenue generation estimates provided by ODOT but verify with Legislative Revenue Office.

Total increase proportional to 2015 Washington State tax increase.

The Washington legislature passed a transportation funding package in 2015 (SB 5897) that generates revenues of $532,000,000 per year when fully implemented according to Washington legislative staff. In 2015 Oregon's population was 4,028,977 compared to Washington's population of 7,170,351. Using population to scale, Oregon's population is 56% of that of Washington. We therefore applied that percentage to scale the highway portion of a transportation funding package which resulted in a fully implemented amount of $298 million. Not wishing to be seen as overly technical, we rounded that to $300 million as a target, realizing that the tax increments will always produce a number slightly higher than the target.

Distribution of tax between use and access:

The proposal creates the equivalent of 11-cents of gas tax increase with the equivalent of 4-cents of that increase generated through Registration Fees ($15), Driver's License Fees ($15) and New Title Fee increases ($50). The tax instruments used to generate the revenue from trucks will be determined at a later time.

Incremental imposition of taxes over three biennia:

The proposal introduces the equivalent of a 7-cent increase in 2018 and proposes a 2-cent increase in both 2020 and 2022.

Oregon's Unique Funding Structure

Unlike other states, Oregon has a dedicated highway fund that directs all revenues raised from cars and trucks to expenditures on highways, roads, bridges and roadside safety rest areas. With the small exception of last session, Oregon does not use general fund revenue for highway expenditures. Oregon also requires that revenues raised be proportional between cars and trucks to the use and impact of the highway system. To capture the proportional responsibility of trucks due to the impact of weight, Oregon uses a weight mile tax that taxes trucks by their weight class for each mile travelled. Oregon is the only state in the Union that requires trucks to pay the full amount of highway costs allocated to them through a cost allocation study. According to the most recent cost responsibility study, automobiles (vehicles under 10,000 lbs.) are responsible for 64.56% of highway costs and trucks (vehicles 10,000 lbs.) and over are responsible for 35.44% of highway costs.

Truck Tax Impact

The ramifications of Oregon's constitutional policies requiring that users pay their cost responsible shares are that trucks operating in Oregon pay a much larger overall tax burden than is the case in other states. As an example, the average 5-axle tractor Semitrailer Combination in Oregon pays more taxes than a similarly situated vehicle in any other state. (See attachment X). Of course, because Oregon sets its weight mile tax rates based upon the impact of each weight class of trucks, lighter trucks in Oregon pay proportionately less Oregon taxes than heavy trucks. Nevertheless, all trucks in Oregon pay their full share of highway costs. This is good solid policy that preserves Oregon's transportation system, but it does mean that policy makers must be cognizant of the fact that any increase on automobiles has a significantly greater impact on trucks. As an example, an 80,000 lbs. truck (the traditional long distance transportation vehicle) pays 16.38 cents per mile in weight mile taxes today. Those trucks average 6 mpg. If you were to translate the current weight mile tax into its equivalent gas tax burden, the truck would pay 98.28 cents per gallon in state gas taxes. For each $100 million increase in annual revenues in a package it translates to an equivalent of 10 cents per gallon in truck taxes. A $300 million package will therefore translate into a 30-cent per gallon increase for trucks compared to an 11-cent increase for cars. This is a result of the significantly larger number of automobiles who pay the automobile share as well as the fact that individually trucks are responsible for more of our roadway costs. Such an increase however has a tremendous impact on business costs not all of which can be readily passed on to customers.

Incremental Assumptions

The numbers used to determine the revenues derived from increases in gas taxes, registration fees, driver's license fees and new car title fees were provided by ODOT. Those assumptions all include an equivalent increase in truck taxes. Assumptions used are as follows:

1 cent of gas tax generates $27,910,932 per year
1-dollar of Registration fee generates $5,669,606
1-dollar of Driver's License Fee generates $524,002
1-dollar of New Vehicle Title Fee generates $343,326

Proposal

The subcommittee recommends a $300 million dollar funding package at full implementation. The proposal includes a 3-cent increase in 2018 accompanied by a $15 increase in Registration Fees and Driver's License fees and a $50 increase in new title fees. The proposal also includes a 2-cent gas tax in 2020 and 2022. The revenues raised would be split with 50% going to the State, 30% going to counties and 20% going to cities. When fully implemented, (in 2022) using current revenue raising assumptions, the proposal will raise $305,446,959 per year. (See attachments)

Amount of Revenues Generated by tax/fee by Year

TAX	Revenue Generated per Increment	Increment	2018	2019	2020	2021	2022	2023	TOTAL REVENUES RAISED OVER PACKAGE IMPLEMENTATION
Gas Tax Increase	$ 27,910,932	$ 0.01	$ 0.03	$ 0.03	$ 0.05	$ 0.05	$ 0.07	$ 0.07	
Revenue Generated			$ 83,732,796	$ 83,732,796	$ 139,554,660	$ 139,554,660	$ 195,376,524	$ 195,376,524	$ 837,327,960
Registration Fee	$ 5,669,606	$ 1.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	
Revenue Generated			$ 85,044,090	$ 85,044,090	$ 85,044,090	$ 85,044,090	$ 85,044,090	$ 85,044,090	$ 510,264,540
Drivers License Fee	$ 524,002	$ 1.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	$ 15.00	
Revenue Generated			$ 7,860,030	$ 7,860,030	$ 7,860,030	$ 7,860,030	$ 7,860,030	$ 7,860,030	$ 47,160,180
New Title Fee Increase	$ 343,326	$ 1.00	$ 50.00	$ 50.00	$ 50.00	$ 50.00	$ 50.00	$ 50.00	
Revenue Generated			$ 17,166,315	$ 17,166,315	$ 17,166,315	$ 17,166,315	$ 17,166,315	$ 17,166,315	$ 102,997,890
Total Revenue			**$ 193,803,231**	**$ 193,803,231**	**$ 249,625,095**	**$ 249,625,095**	**$ 305,446,959**	**$ 305,446,959**	$ 1,497,750,570

Total Revenues Raised by Year

TAX PAYER	2018	2019	2020	2021	2022	2023	
Automobiles	$ 125,119,366	$ 125,119,366	$ 161,157,961	$ 161,157,961	$ 197,196,557	$ 197,196,557	$ 966,947,768
Trucks 10,000 lbs +	$ 68,683,865	$ 68,683,865	$ 88,467,134	$ 88,467,134	$ 108,250,402	$ 108,250,402	$ 530,802,802

Distribution or Revenues Raised by Year

TAX RECIPIENT	2018	2019	2020	2021	2022	2023	
State	$ 96,901,616	$ 96,901,616	$ 124,812,548	$ 124,812,548	$ 152,723,480	$ 152,723,480	$ 748,875,285
Counties	$ 58,140,969	$ 58,140,969	$ 74,887,529	$ 74,887,529	$ 91,634,088	$ 91,634,088	$ 449,325,171
Cities	$ 38,760,646	$ 38,760,646	$ 49,925,019	$ 49,925,019	$ 61,089,392	$ 61,089,392	$ 299,550,114