

FISCAL IMPACT OF PROPOSED LEGISLATION

79th Oregon Legislative Assembly – 2017 Regular Session
Legislative Fiscal Office

Measure: HB 2017 - A

*Only Impacts on Original or Engrossed
Versions are Considered Official*

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Measure Description:

Requires Department of Transportation to study improving this state's transportation system.

Government Unit(s) Affected:

Business Development Department (Business Oregon), Cities, Counties, Department of Administrative Services (DAS), Department of Aviation, Department of Revenue(DOR), Housing and Community Services Department, Judicial Department, Legislative Assembly, Legislative Policy and Research Office (LPRO), Oregon Parks and Recreation Department (OPRD), Oregon State Treasurer, Oregon Travel Information Council [Semi-Privatized], Oregon Department of Transportation (ODOT), Employment Department, Department of Consumer and Business Services (DCBS), Department of Energy, Department of Environmental Quality (DEQ), Department of Geology and Mineral Industries (DOGAMI), Department of Land Conservation and Development, Oregon Department of Fish and Wildlife (ODFW), Oregon State Marine Board, Public Utility Commission (PUC)

Summary of Expenditure Impact: See Analysis

Summary of Revenue Impact: See Analysis

Analysis:

HB 2017-A implements a variety of initiatives for the transportation funding package of 2017. The bill contains several provisions that have a fiscal impact on the Oregon Department of Transportation (ODOT). The total fiscal impact to ODOT is much greater than this analysis reflects. However, the Legislative Fiscal Office recommends the authorization of the positions and expenditure limitations outlined in the table below, and is requesting that ODOT seek approval for any additional positions and expenditure limitation during the 2018 and 2019 legislative sessions. The bill includes the following:

- Makes various changes to the Oregon Transportation Commission (OTC). Directs the OTC to maintain a real property inventory of ODOT, to develop and maintain a comprehensive 20 year plan, creates the Continuous Improvement Advisory Committee, directs the OTC to develop a set of uniform standards for traffic infrastructure, and to develop a website to include project information.
- Establishes an internal auditor within ODOT.
- Makes permanent the Joint Committee on Transportation.
- Provides for new revenue from increased fees and taxes, and the creation of a payroll, privilege, and use tax. Distribution of new revenue is as follows:
 - For calendar years beginning on or after January 1, 2022, \$30 million for the I5 Rose Quarter Project.
 - \$10 million for Safe Routes to Schools

After these distributions, funds will be distributed as follows:

- 50% to ODOT
- 30% to Counties
- 20% to Cities

- Of the funds made available to ODOT, they will be allocated as follows:
 - First, \$10 million for safety, and the remainder split as listed below:
 - 40% for bridges
 - 30% for seismic improvements related to highways and bridges
 - 24% for state highway pavement preservation and culverts
 - 6% for state highway maintenance and safety improvements

Additionally, the bill authorizes ODOT to issue higher user bonds not to exceed \$480 million. These bond proceeds will be distributed to the following regions, for a variety of projects:

- Region 1: \$249,700,000
 - Region 2: \$201,950,000
 - Region 3: \$75,000,000
 - Region 4: \$76,493,000
 - Region 5: \$43,647,000
- Increases the distribution of funds to small cities and counties through the Small Cities and Counties Program. And creates the small city advisory committee.
 - The bill establishes requirements for the distribution of ConnectOregon funds, to the following projects:
 - Mid-Willamette Valley Intermodal Facility, \$25 million
 - Treasure Valley Intermodal Facility, \$26 million
 - Rail expansion in Each Beach Industrial Park at the Port of Morrow, \$6.55 million
 - Extend Brooks rail siding, \$2.6 million
 - Transfers the jurisdiction of various highways to local governments.

2017-19 Initial Request	Position Count	FTE	PS	S&S - Employees	Other/Consultant Services	
Accountability	0	0	0	0	\$10,000,000	\$10,000,000
Highway Maint., Pres., and Seismic	44	31.13	\$6,173,016	\$493,841	\$217,000	\$6,883,857
Small Cities and Counties	0	0	0	0	\$2,200,000	\$2,200,000
Multimodal	1	1	\$168,048	\$13,444	0	\$181,492
Congestion Relief	4	3	\$589,950	\$47,196	\$3,000,000	\$3,637,146
Public Transportation & Public Safety	2	1	\$90,924	\$7,274	0	\$98,198
Rest Area Transfer & Capital Improvement					\$55,000	\$55,000
Sub-Total	51	36.13	\$7,021,938	\$561,755	\$15,472,000	\$23,055,693
Projects - Section 71					\$36,391,622	
Projects - Multimodal					\$12,527,596	
Total						\$71,974,911

Parks and Recreation Department and Travel Information Council

Section 84 of the bill authorizes ODOT to request up to \$4 million in reimbursement from OPRD for grants made under the Connect Oregon Program.

Sections 126 and 127 transfers responsibility for multiple roadside rest areas from OPRD to the Travel Information Council (TIC), and directs ODOT to allocate funds to TIC for the management and maintenance of those rest areas in the following amounts:

- January 1, 2018 to June 30, 2018, \$3.33 million
- July 1, 2018 to June 30, 2019, \$8.005 million
- July 1 of each following year, \$9.16 million

OPRD is currently receiving funds from ODOT for the management and maintenance of these rest areas. Funding provided to OPRD is anticipated to decrease by \$512,000 for both the 2017-19 and 2019-21 biennia.

Additionally, the bill mandates that ODOT allocate to TIC the following amounts for capital improvements at roadside rest areas:

- July 1, 2018 to June 30, 2019, \$2.8 million
- July 1, 2019 to June 30, 2020, \$5.8 million
- July 1, 2020 to June 30, 2021, \$1.5 million
- July 1, 2021 to June 30, 2022, \$443,900
- July 1, 2022 to June 30, 2023, \$3.6 million
- July 1, 2023 to June 30, 2024, \$1.3 million
- July 1, 2024 to June 30, 2025, \$3.3 million
- July 1, 2025 to June 30, 2026, \$766,000

TIC anticipates adding 13 positions in the 2017-19 biennium, and 6 positions in the 2019-21 biennium, equivalent to 10.90 and 5.20 FTE respectively. The Legislative Fiscal Office notes that the Travel Information Council is a semi-independent state agency subject to ORS 182.456 to 182.472. The agency's budget is not subject to Executive Branch review, or approval or modification by the Legislative Assembly.

Required expenditure limitation increases related to section 126 for ODOT are reflected in the table above.

Oregon Department of Revenue

The bill requires DOR to collect the Payroll, Privilege, and Use Taxes prescribed in the bill, for deposit in various accounts.

The agency estimates that \$3,873,120 of Other Funds expenditure limitation and the establishment of two limited duration positions (0.88 FTE) and six permanent full-time positions (3.37 FTE) would be sufficient resources for the agency to implement the measure until the Legislative session in 2018, at which point additional resources may be required.

Oregon Business Development Department and Oregon State Marine Board

Both the Oregon Business Development Department and the Oregon State Marine Board will receive additional revenue from the bill. The expenditure impact to both agencies is indeterminate at this time.

Department of Environmental Quality

DEQ is responsible for ensuring that ODOT complies with a variety of state and federal environmental regulations related to construction work. This work includes certifying compliance with state water quality standards and updating and maintaining ODOT's MS4 permit. DEQ is requesting one additional position (1.00 FTE), classified as a Natural Resource Specialist 4, to conduct this work and to assist with the development of the Statewide Winter Maintenance Strategy discussed below. For the 2017-19 biennium, Personal Services costs are estimated to be \$186,720 Other Funds. DEQ assumes that an interagency agreement will be instituted to transfer revenue from ODOT to DEQ to cover the costs of this position.

Cities and Counties

The expenditure impact the Cities and Counties is indeterminate.

Statewide Winter Maintenance Strategy - Section 136 and Section 137

The bill directs the OTC to study and develop a statewide winter maintenance strategy and policy that includes the use of rock salt or similar solid state products, and report its findings no later than September 15, 2019.

Zero-Emission and Electric Vehicle Rebates and Charge Ahead Oregon Program - Sections 148 and 150

DEQ is also impacted by the sections of the bill relating to the Zero-Emission and Electric Vehicle Rebates program. DEQ is required to establish a program for providing rebates to persons that purchase qualifying vehicles, and is authorized to contract with a third party nonprofit organization to implement and administer the program.

The Charge Ahead Oregon Program requires DEQ to provide rebates to low and moderate income households that voluntarily retire or scrap high-emission passenger motor vehicles and replaces those vehicles with new or used light-duty, zero-emission vehicles. The bill authorizes DEQ to contract with a third party nonprofit organization to implement and administer the program. The bill requires that DEQ conduct periodic audits of the programs established under sections 149 and 150.

DEQ has indicated that it will need an additional position, classified as a Program Analyst 3, to develop and manage these programs, but is able to use existing revenue to fund this position until program funds become available. This position will be equivalent to 0.75 FTE in the 2017-19 biennium and 1.00 FTE in the 2019-21 biennium. Personal Services costs are estimated to be \$135,752 Other Funds in the 2017-19 biennium, and \$181,002 Other Funds in the 2019-21 biennium. Associated Services and Supplies costs for this position, and the Natural Resource Specialist 4 above, are estimated to be \$68,650 Other Funds in the 2017-19 biennium, and \$70,000 Other Funds in the 2019-21 biennium.

Low Carbon Fuel Standards - Section 158

Section 158 makes various changes to the Low Carbon Fuel Standards program and requires DEQ to:

- Coordinate with the Department of Administrative Services to annually forecast the availability of fuels in Oregon.
- Implement compliance deferral mechanisms if the forecast demonstrates the availability of fuels is insufficient to comply with the low carbon fuel standards.
- Implement emergency deferrals that address compliance issues associated with a short-term emergency disruptions in fuel availability.
- Establish a Credit Clearance Market allowing regulated parties to buy the credits they need to come into compliance with the standards.
- Implement measures to enhance program and market transparency.

DEQ is requesting an additional position, classified as an Operations and Policy Analyst 2, equivalent to 0.75 FTE in the 2017-19 biennium and 1.00 FTE in the 2019-21 biennium. This position will be responsible for the management of the program. Personal Services costs are estimated to be \$185,596 General Fund in the 2017-19 biennium, and \$247,460 General Fund in the 2019-21 biennium. Associated Services and Supplies costs are estimated to be \$51,691 General Fund in the 2017-19 biennium and \$68,922 General Fund in the 2019-21 biennium.

Section 163 mandates that the Department of Administrative Services (DAS) coordinate with DEQ to develop a fuel supply forecast to project the availability of fuels to Oregon necessary for compliance with the low carbon fuel standards. DAS has indicated that one additional limited duration position (0.50 FTE), classified as an Economist 2, is required to conduct the work. Personal Services costs are estimated to be \$178,539 in the 2017-19 biennium. Associated Services and Supplies costs are estimated to be \$80,000. DAS has also indicated that this forecast will require the hiring of a contracted consultant, which is estimated to be \$150,000 in the 2017-19 biennium.

Indication of Influence of Low Carbon Fuel Standards on Cost of Gasoline - Section 171

Authorizes gas station owners to disclose to customers the cost, per gallon of gasoline or diesel, of the low carbon fuel standards adopted by rule after viewing on the DEQ website or receiving from the Department of Agriculture. These provisions will have a minimal impact on the Department of Agriculture.