

Transportation Funding Overview & Revenue Background

House Committee on Revenue

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Basic Economic Assumptions

- Everything Else staying the same
“ceteris paribus”
- Change can be understood and managed
- Fair Pricing
- The more of a good thing the better
- The less of a bad thing
- We like what we have (system) and paid for

Oregon Transportation System

- Definition and Identification.
- Who controls which segments?
- How is it financed and who pays?
- History and Latest Funding Packages.
- Special interest Topics (Constitutional and other)

Oregon Transportation System

- Transportation System Components:
 - Highway system and road network
 - Public Transit system and network
 - Rail system for passengers and freight
 - Aviation and Airports
 - Marine transportation and maritime ports
- System Ownership / Operation:
 - Public and Private
 - State
 - Local (Cities and Counties)
 - Transportation Agencies
 - Local districts (Taxing and non)

Aviation

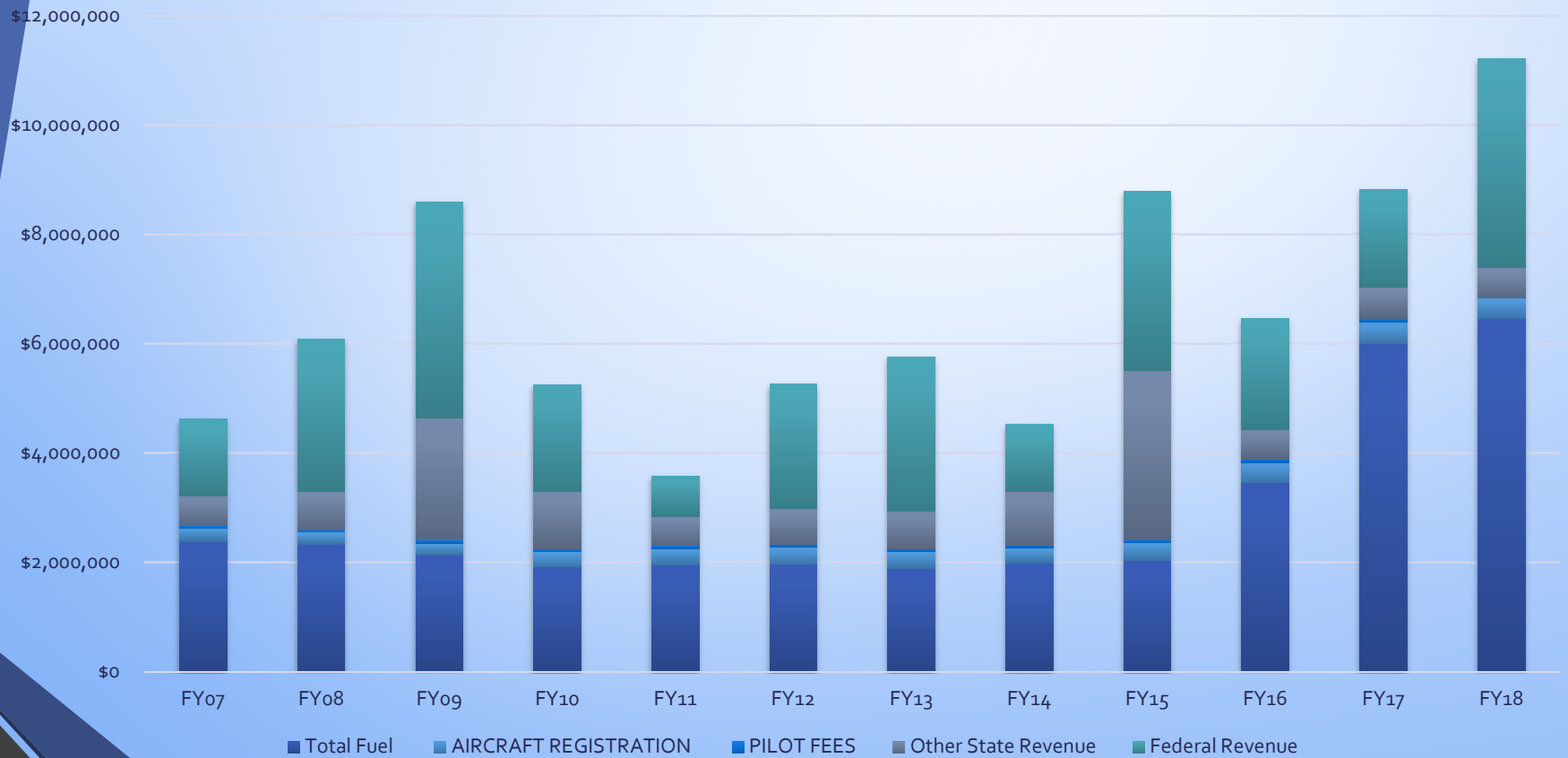
- Aviation Department revenues
 - Fuel taxes Propulsion of Aircraft Piston (11¢) Jet (3¢)
 - Jet fuel (\$5.1M), Avgas(\$332K), and Mogas (\$122K)
 - Other Aviation Revenues (pilot \$56 K, Reg \$282 K, other \$1 M)
 - Federal Funds (\$5 M) (40% of total revenue)
 - State airports (28), Other Airports local and private.
- Other Aviation Revenue
 - Other fees and taxes for PDX (15 M passengers).
(Port of Portland, Troutdale & Hillsboro) (Min Corp)
(\$250 charges, \$10 Prop Tax, \$36.5 M use charge, \$33.5 M other)

Aviation Revenue Package

- Last package House Bill 2075 passed in the **2015** Legislative Session.
- Increased aircraft fuel from (9¢) to (11¢) per gallon and jet fuel from (1.5¢) to (3¢) cents per gallon.
- five percent of the revenues will be appropriated to ODA to administer the program, the remaining 95% are distributed as follows:
- (a) 50% to assist airports in Oregon with match requirements for Federal Aviation Administration Airport Improvement Program grants, emergency preparedness and infrastructure projects in accordance with the Oregon Resilience Plan.
- (b) 25% for the purposes of assisting commercial air service to rural Oregon, and;
- (c) 25% towards state-owned airports for the purposes of safety improvements and infrastructure projects at public use airports.
- The State Aviation Board and Area Commissions on Transportation (ACTs) will review and recommend.
- House Bill 2075 became effective January 1, 2016 and has a sunset date of January 1, 2022.

Aviation Revenue

Department of Aviation Revenue



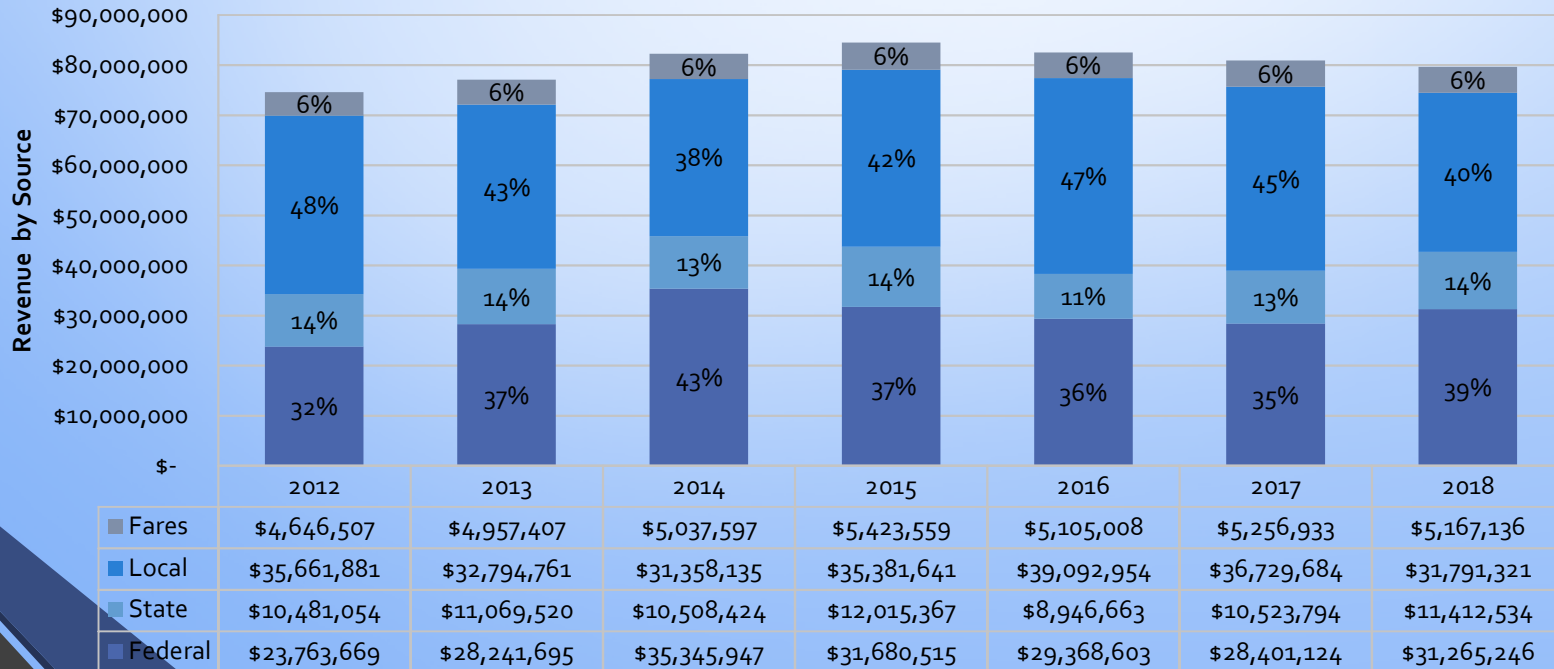
Public Transit Revenues

- Local districts and Counties (44 providers)
- 8 local transit districts, Rural Transit Districts, cities and counties and Tribal Govt.
- The big 4 operate 90%
 - Payroll taxes, property taxes, fares and Federal (FTA and Flex funds), ODOT
 - Bonds /Lottery
 - TriMet: \$340 M payroll Tax, \$115 M fares & \$300 M ST/FD, \$100 M, \$30 other. (op/ \$650 Total)
 - Lane Transit: \$30 M payroll, \$7.4 M fares & \$12 M ST/FD. (\$48M total)
 - Salem Transit: Property Tax (\$11.2M), \$3.1 fares, \$5.5M state, \$12 M fed. (\$35 M total).
 - RVTD: Tax (\$2.6 M), Fares (\$1.1 M), FD/ST (\$3.2 M), Other (\$2 M). (\$10 M total).

Public Transit Revenues

- Transit Revenue Mostly distributions
- Transit Division Revenues of about \$95M/BN
- State (ODOT): BN #'s Cigarette tax (2c = \$6.5 M to districts), ID money (\$4.2M), Non highway fuel tax (\$6.8), GF 8.5 M, (HB 2001 long range plan), and federal distributions.
- STF to 33 counties, districts and 9 tribal govt.
- Small Urban and Rural Local districts and Counties.

Small Urban and Rural Transit Revenues SFY 2012-2018



	2012	2013	2014	2015	2016	2017	2018
Fares	\$4,646,507	\$4,957,407	\$5,037,597	\$5,423,559	\$5,105,008	\$5,256,933	\$5,167,136
Local	\$35,661,881	\$32,794,761	\$31,358,135	\$35,381,641	\$39,092,954	\$36,729,684	\$31,791,321
State	\$10,481,054	\$11,069,520	\$10,508,424	\$12,015,367	\$8,946,663	\$10,523,794	\$11,412,534
Federal	\$23,763,669	\$28,241,695	\$35,345,947	\$31,680,515	\$29,368,603	\$28,401,124	\$31,265,246

Other Transportation Modes

- Rail and Commuter Rail
 - Rail lines are mostly privately owned
 - Public funding for crossing safety and other improvements.
 - Fees State fund (\$1 M), mostly Federal (FRA & FHWA, ARRA) Avg \$10M/Y. Some GF.
 - Short Commuter Rail (Lottery bonds)
 - Connect Oregon funding for some projects
- <http://www.oregon.gov/ODOT/TD/TP/ConnectOregon%20Documents/Funded%20Project%20Lists/All%20CO%20Summary.pdf>

Other Transportation Modes (2)

- Marine Ports (23 ports)
 - Fees, Leases, taxes and Federal
 - Lottery Bonds for deepening Columbia and Coos Bay Channels.
- Bike and Ped
 - 1% of highway fund and other state funds.
 - Local funds, Lottery and Federal
- **Connect Oregon (I,II,II,IV,V,VI) (05,07,09,11,13,15 BN) Lottery Bonds.**
 - \$100M first three \$40M in 11, \$42 in 13, \$45 in 15 Aviation, Rail, Marine, and Transit (Website)

Marine Fuel

Non-Roadway

- Two Elements

1. Existing Transfer: gasoline used by power boats & transferred to State Marine Board

- 1¢ increase in gas tax - \$130,000 increase in transfer to OSMB
- If package raises gas tax, then transfer part of increase to dredging Fund
- Revenue for 2¢ would allocate \$260,000 to dredging program

2. Diesel used by boats – Currently not taxed

- 1.2 million gallons used annually
- 2¢ diesel tax - \$24,000 / year

Bicycle excise tax (new point of sale)

Non-Roadway

- Point of sale excise tax on adult bicycles (> \$200)
- \$400,000 annually at 1.0 percent / \$2.0 million annually at 5.0 percent
- Bike projects (cost sharing for bike projects)
(Fair pricing)

Highway Funding Overview

- How does Oregon Fund Highways.
- Highway Fund (bank account or System)?
- Revenue sources, distributions and uses of Hwy Fund.
- Other constitutional requirements.
- The different bonding programs (OTIA, I, II, III).
- HB 2001 (2009 Session) Jobs and Transportation Act.

How Should Roads Be Financed?

- **Equity**
 - Principle: users should pay in proportion to the costs they impose.
 - Users (different classes)
 - Costs
 - Planned expenditures for construction, ... , operation; or
 - Damage to the system (marginal cost)
 - Congestion costs. Pollution costs.
- **Economic Neutrality** (no winners and losers)
- **Cost Efficient** (efficient building, the right facilities)
- **Economic Efficiency**

Principles of Oregon Highway Finance (System)

- Those who use the roads should pay for them.
- Road user fees should be used for constructing, improving, and maintaining roads.
- Road users (classes) should pay in proportion to the road costs for which they are responsible.

Brief History of Oregon Road User Taxes

- 1899 - Oregon First car arrives.
- 1905 - First statewide registration fee instituted (\$3 one time).
- 1912 - $\frac{1}{4}$ mill tax on assessed property.
- 1919 - First gas tax (in the nation) 1 cent.
- 1921- first increase in gas tax to 2 cents.
- 1925 - Ton-mile tax enacted.
- 1933- Annual \$5 registration fee.
- 1943 - Fuel tax extended to diesel and other fuels (5 cents/gallon).
- 1947 - Weight-mile tax first enacted.
- 1949 - Gas tax @ 6 cents.
- 1951 - Weight mile increased, but referred to voters.
- 1952 – Constitutional amendment rejected by 3 to 1.
- 1967 - Gas tax @ 7 cents with equivalent weight mile increase.
- 1969 - Sand and gravel flat fee option in lieu of weight-mile tax.

Brief History of Oregon Road User Taxes

Continued

- 1983 – Woodchip haulers get flat fees.
- 1982-1993 gas tax increased 11 times to reach 24 cents.
- 1982-1992 Weight Mile taxes are increased 8 times to adjust. Table B introduced.
- 1990 - vehicle registration fees increased to \$30 for a biennium. Up from \$ 20 since 1973.
- 1996 -Weight Mile rate reduced. Sand/gravel FF increased.
- 2000 – Weight Mile rate reduced (12%).
- 2001 – (OTIA) Increase title fees to \$55 for light vehicles, and to \$90 for heavy vehicles and trailers. DMV increases many fees to achieve cost recovery. Dedicates \$71 million to bonds, and changes distribution percentages between state and local.
- 2003 – (Bridge program) Increases Vehicle registrations to \$54. increases other DMV fees. Increases Truck registration fees by 53%, and Weight Mile and Flat fees by 10%. Changes distribution percentages.

HB 2001 (2009 session). Jobs and Transportation Act.

Increases will be fully implemented by January 1, 2011.

will raise \$300 million per year. The money will be distributed as follows:

- \$3 million per year to the Travel Information Council until 2020. (changed)
- \$24 million per year (\$2 million per month) to ODOT long range.
- The balance of the money, about \$273 million per year, is distributed as follows:
 - 20 percent (about \$54.6 million per year) to city street programs (on population)
 - 30 percent (about \$81.9 million per year) to county road programs on registration.
 - 50 percent (about \$136.5 million per year) to the state highway program.
 - State highway program money is allocated as follows:
 - 33 percent or about \$45 million to maintenance, preservation and safety.
 - 15.75 percent or about \$21.5 million to highway modernization program.
 - 51.25 percent or about \$70 million to bond repayment and the 2009 Transportation Projects Account for the 2009 Transportation Projects program.
 - No local gas tax till 2014. Counties can impose Registration Fees.
 - and studies including Efficient Fee.



HB 2017

Transportation Package

Revenue Review

**Will be further explored in detail in few
slides**

What is the Highway Fund ?

And Relation to System design

- Constitutional dedication
- Legal definition
- Other uses of the term

What is the Highway Fund?

Constitutional dedication

Except as provided in subsection (2) of this section, revenue from the following shall be used exclusively for the **construction, reconstruction, improvement, repair, maintenance, operation and use** of public highways, roads, streets and roadside rest areas in this state:

(a) Any tax levied on, with respect to, or measured by the storage, withdrawal, use, sale, distribution, importation or receipt of **motor vehicle fuel** or any other product used for the propulsion of motor vehicles; and

(b) Any tax or excise levied on the **ownership, operation or use** of motor vehicles.

(2) Revenues described in subsection (1) of this section:

(a) May also be used for the cost of **administration and any refunds** or credits authorized by law.

(b) May also be used for the **retirement of bonds** for which such revenues have been pledged.

(c) If from levies under paragraph (b) of subsection (1) of this section on **campers, motor homes, travel trailers, snowmobiles, or like vehicles**, may also be used for the acquisition, development, maintenance or care of **parks or recreation areas**.

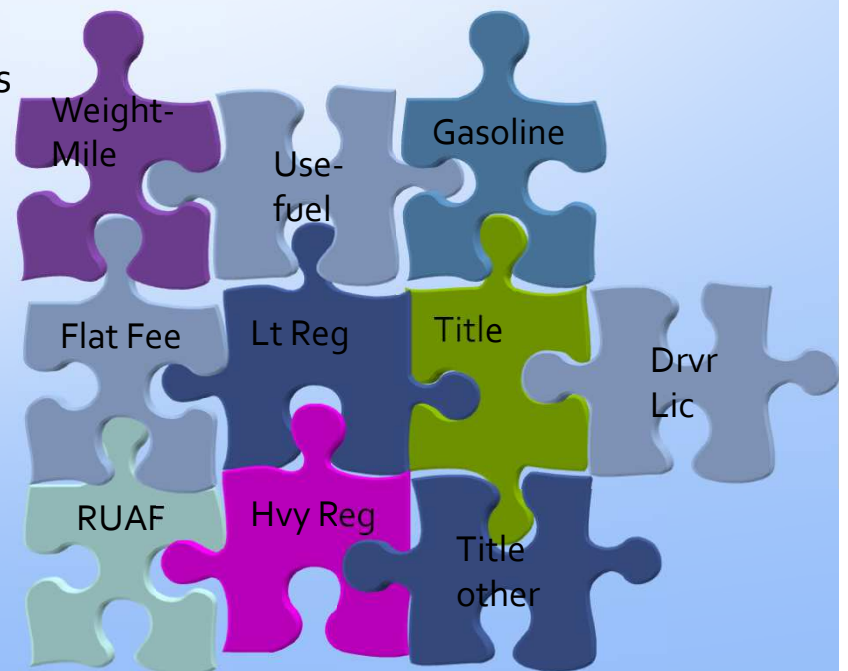
(d) If from levies under paragraph (b) of subsection (1) of this section on vehicles used or held out for use for commercial purposes, may also be used for **enforcement of commercial vehicle weight, size, load, conformation and equipment regulation**.

constitutional dedication

Oregon Road User Taxation

Oregon uses a four-tiered structure of road user fees

1. fuel tax
 - Gasoline 34 cents/Gallon as of 1/1/18
 - Use-fuel: Diesel, CNG and other (equivalent)
2. weight-mile tax
 - Table A and B
 - Flat fees
 - Road Use Assessment Fees
3. vehicle registration fee
 - Light
 - Heavy
4. Title fees
 - Other
 - Light
5. Operation ?? (Drivers)



Legal Definition of the Highway Fund

Oregon Road User Taxation

STATE HIGHWAY FUND

ORS 366.505 Composition and use of highway fund

(1) The State Highway Fund shall consist of:

- (a) All moneys and revenues derived under and by virtue of the **sale of bonds**, the sale of which is authorized by law and the proceeds thereof to be **dedicated to highway purposes**.
 - (b) All moneys and revenues accruing from the licensing of motor vehicles, operators and chauffeurs.
 - (c) Moneys and revenues derived from any tax levied upon gasoline, distillate, liberty fuel or other volatile and inflammable liquid fuels, **except** moneys and revenues described in **ORS 184.642 (2)(a) that become part of the Department of Transportation Operating Fund**.
 - (d) Moneys and revenues derived from or made available by the federal government for road construction, maintenance or betterment purposes.
 - (e) All moneys and revenues received from all other sources available to the state dedicated for highway purposes.
- (2) The highway fund shall be deemed and held as a trust fund, separate from the General Fund, and may be used only for the purposes authorized by law and is continually appropriated for such purposes.
- (3) All interest earnings on any of the funds designated in subsection (1) shall be placed to the credit of the highway fund. [Amended by 1953 c.12]



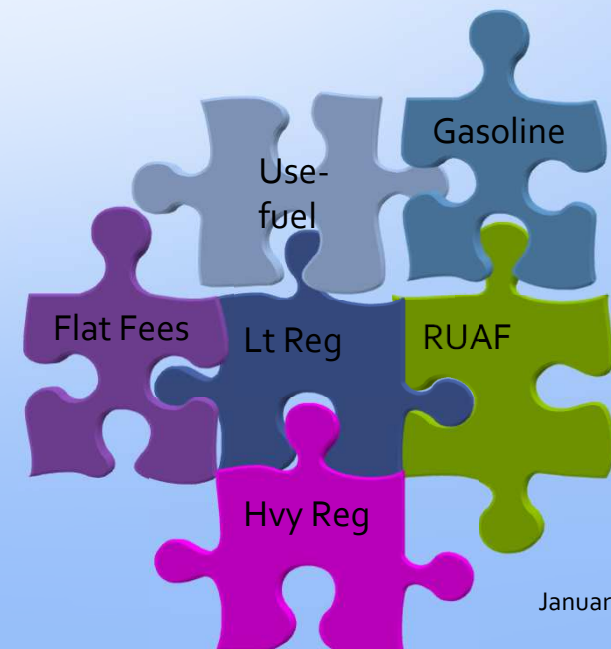
Legal Definition of Funds to be Distributed

366.739 Allocation of moneys to counties and cities generally.

Except as otherwise provided in ORS 366.744, the taxes collected under ORS 319.020, 319.530, 803.090, 803.420, 818.225, 825.476 and 825.480, minus \$71.2 million per biennium, shall be allocated 24.38 % to counties under ORS 366.762 and 15.57 % to cities under ORS 366.800. Wedge money after bond payments be allocated 50 % to the Department of Transportation, 30 % to counties and 20 % to cities.

Plate fees, trip permits and driver tests.

Recipient	Base	OTI A	Bridge	Misc.	HB 2001 & HB 2007
States	60.05%	50%	57.53%	0%	50%
Counties	24.38%	30%	25.48%	60%	30%
Cities	15.57%	20%	16.99%	40%	20%



Oregon Road User Taxation (Fixed)

- vehicle registration fee
 - pays for fixed and non use-related costs
 - Fees for cars and other light vehicles weighing 10,000 pounds or less is \$30 biennially (before 2003), \$54 after (OTIA III), and \$86 with HB2001.
 - Continues to be relatively low compared to other states.
 - Fees for heavy vehicles (above 10,000 lb) based on Gross weight (2000 lb increments) from \$169 to \$636. (\$344 to \$1295 after HB2001)
 - New County Reg. Fee \$19/Y (\$38/BN) (Multnomah)
- Title Fees: the new fixed cost component.
 - \$55 light, \$90 Heavy (2001 OTIA I)
 - \$77 light, \$27 salvage and duplicate Titles for light (HB2001)

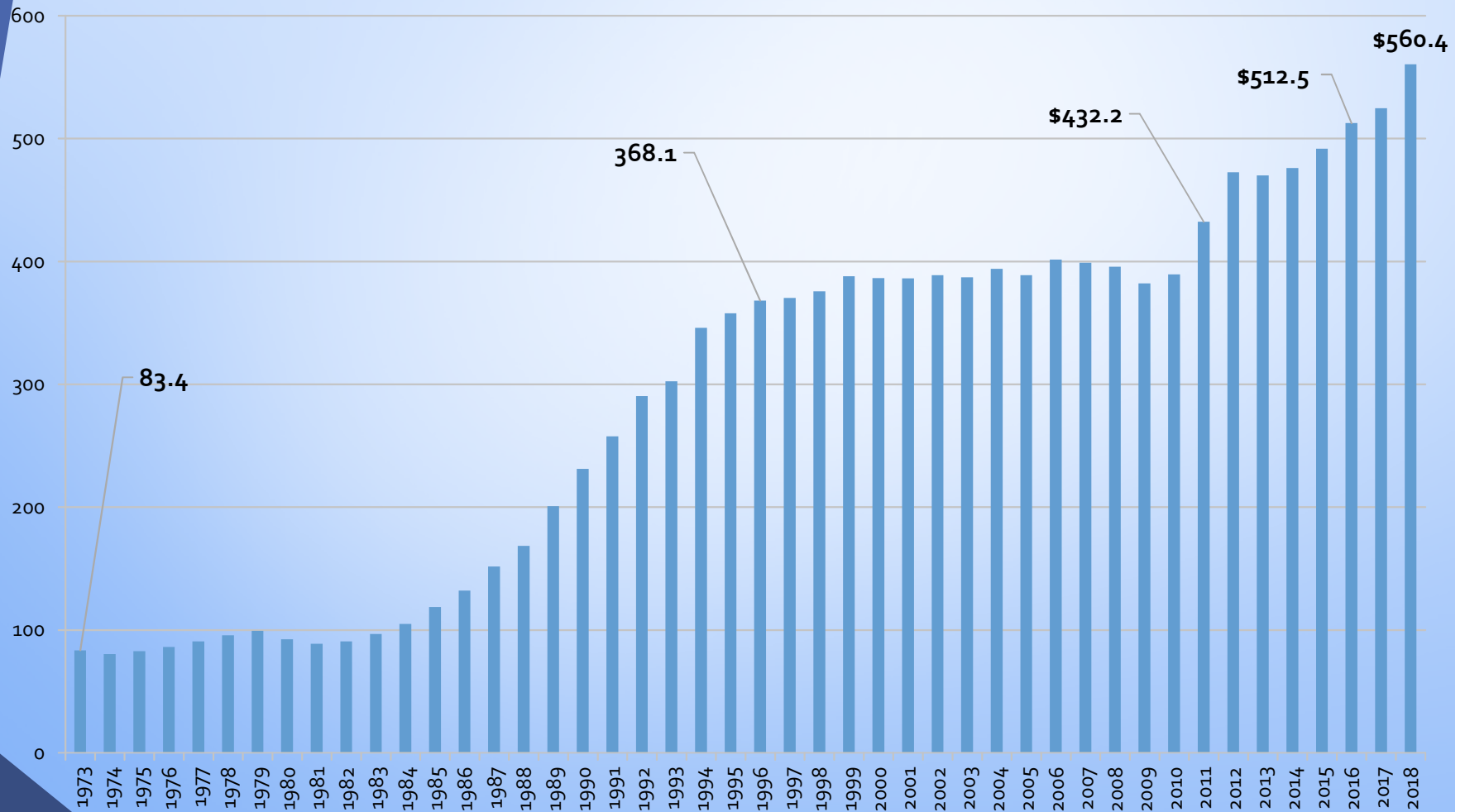
Oregon Road User Taxation (Variable)

Fuel Taxes

- Gasoline (any fuel the chief use of which is for)
 - Propulsion of Motor Vehicle (30¢) (34¢ after 1/1/2018)
 - Local Gas Taxes
 - Counties (Mult, Wash)
 - Cities (24)
- Diesel, CNG, & etc (Use fuel) . Used to
 - Propel a Motor Vehicle (24¢) (30¢ after 1/1/2011)
- Fuel not used to propel. Refund or other funds.
 - Aviation, ATV, Snowmobile, or operating (lawnmower) fund.

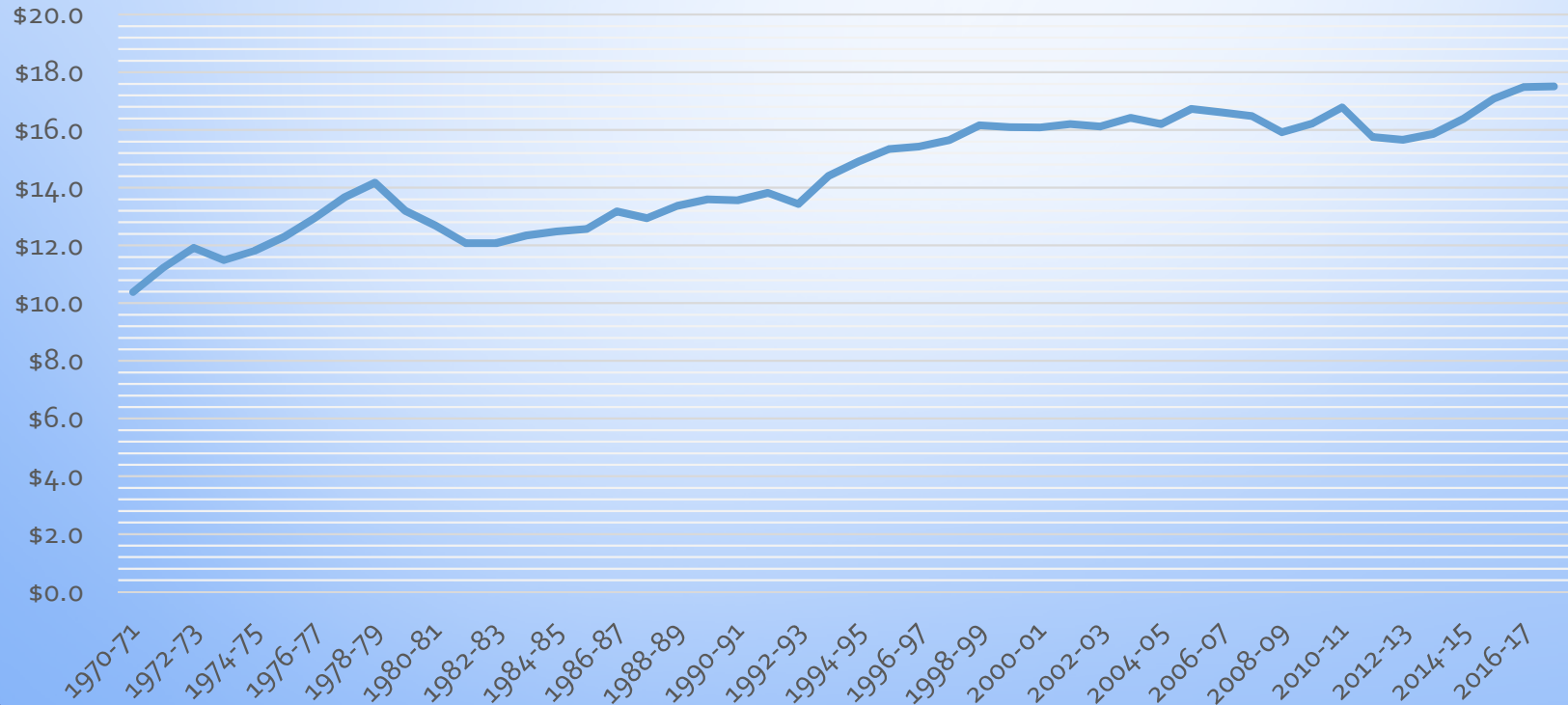
Fuel Tax Revenue (variable)

Millions of Dollars

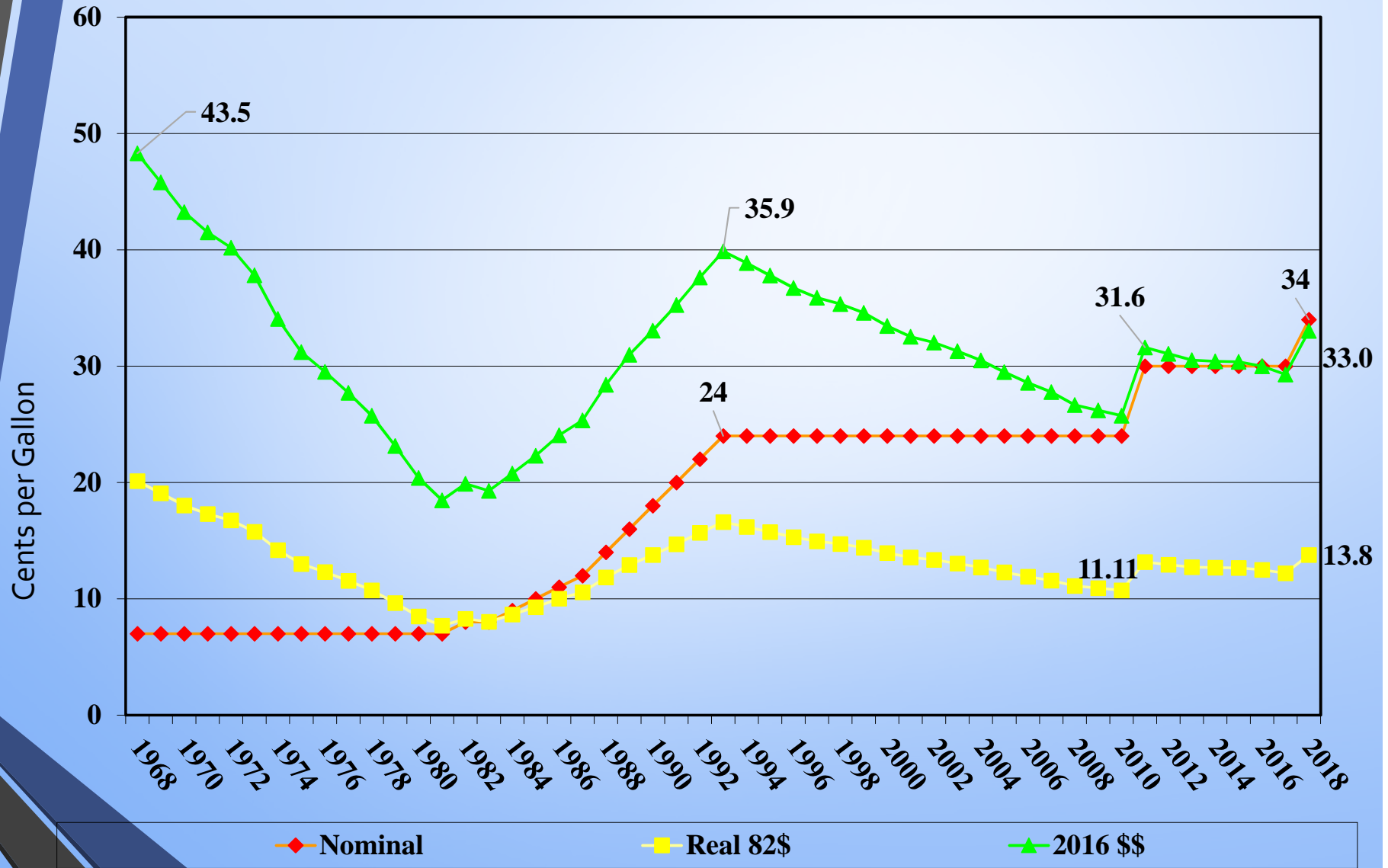


Fuel Tax Revenue per penny

Millions of \$\$ per Penny of Tax

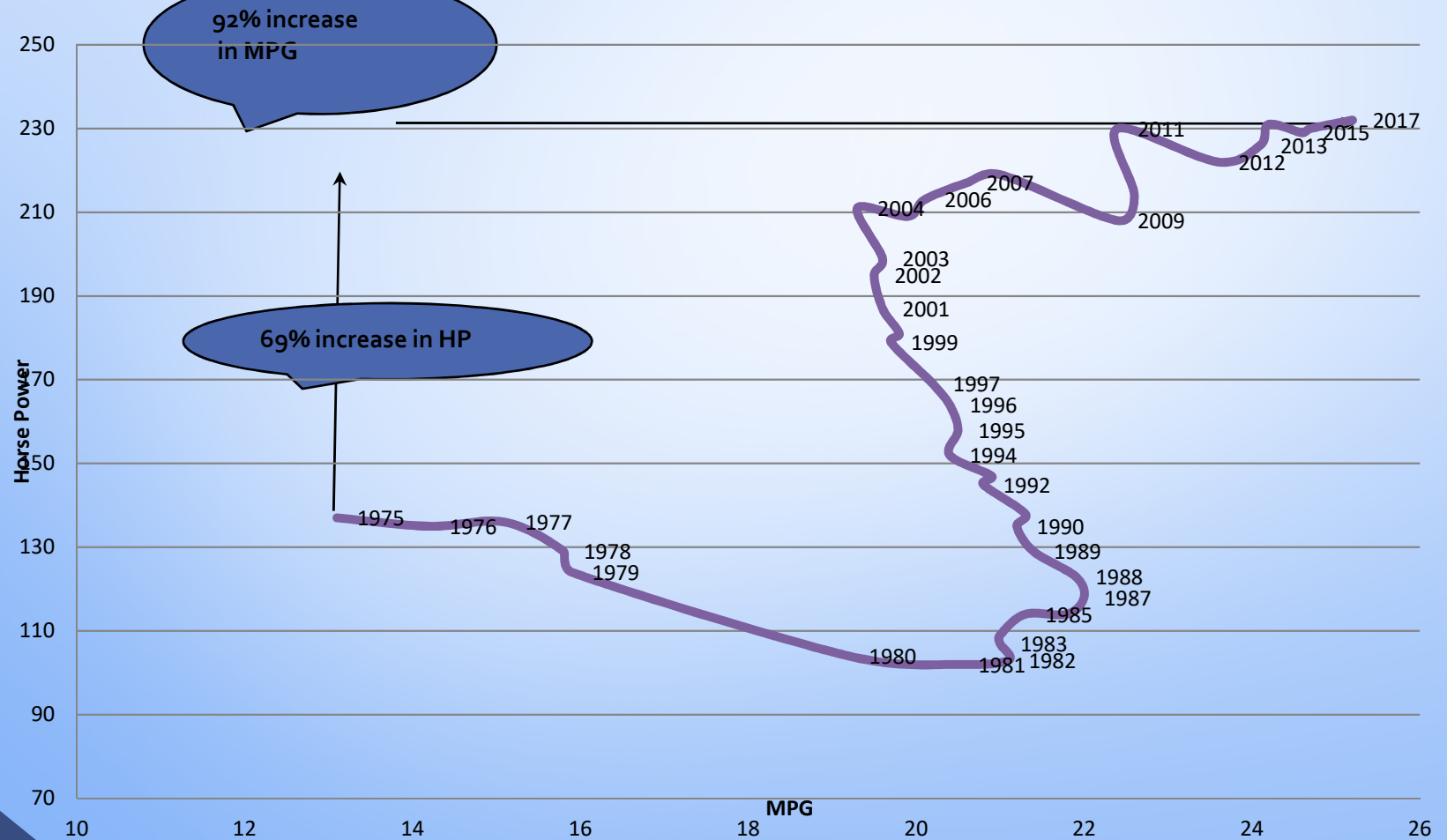


Motor Vehicle Fuel Tax Rates



Change in MPG and Engine power

FUEL Economy and Horse Power 1975 to 2017



Source: EPA Trends Report

Oregon Road User Taxation (Variable)

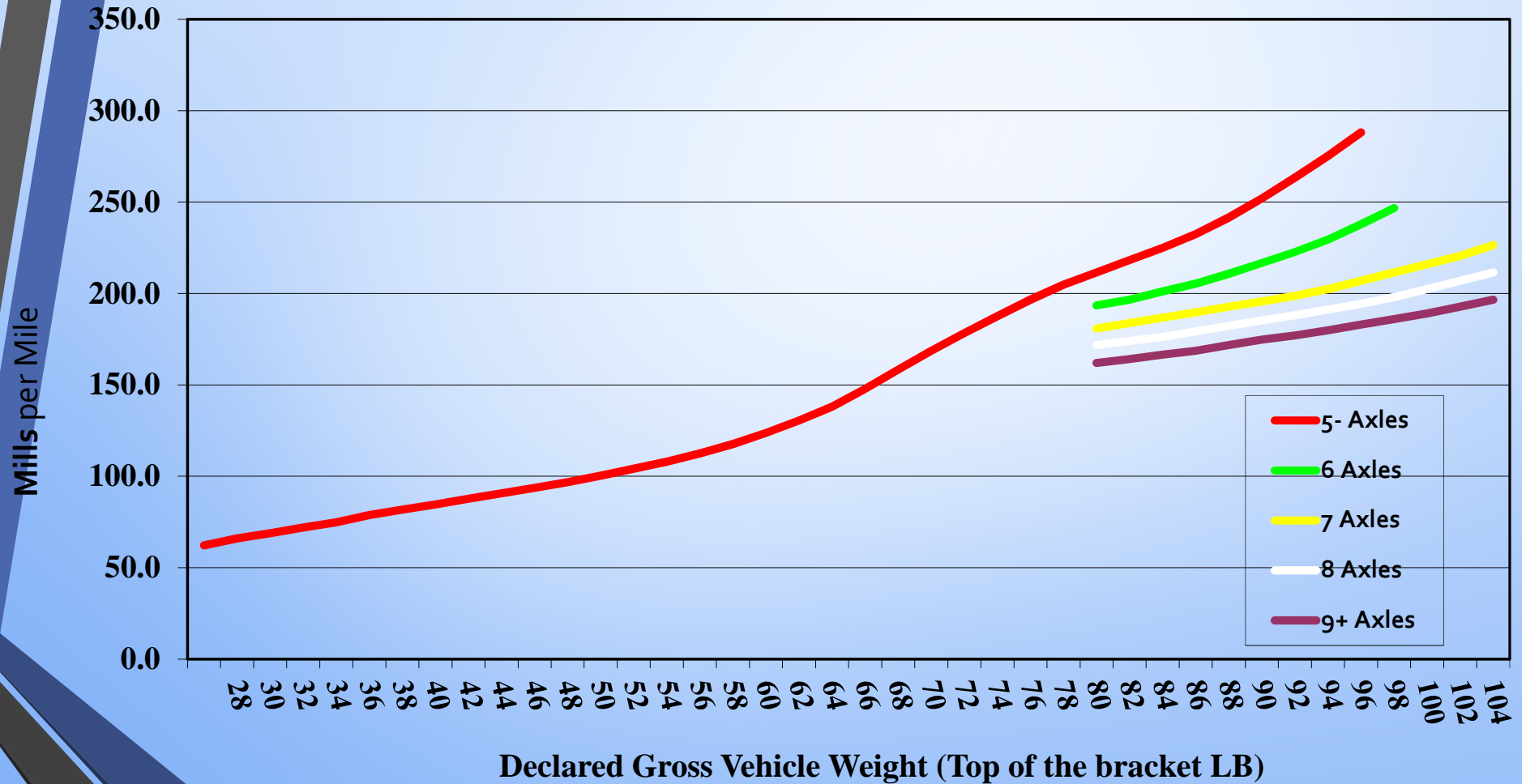
Weight-Mile Taxes

until 2020

- Table A: 26,000 to 80,000 Pounds
 - Graduated Based on Weight
 - 6.23¢ per Mile @ 26 to 28,000 Pounds
 - 20.48¢ per Mile @ 78 to 80,000 Pounds
- Table B: 80,000 to 105,500 Pounds
 - Graduated based on Weight and Axles
- In Lieu (Flat Fees)
 - Log, Sand & Gravel, and Chip Trucks
- Road Use Assessment Fee

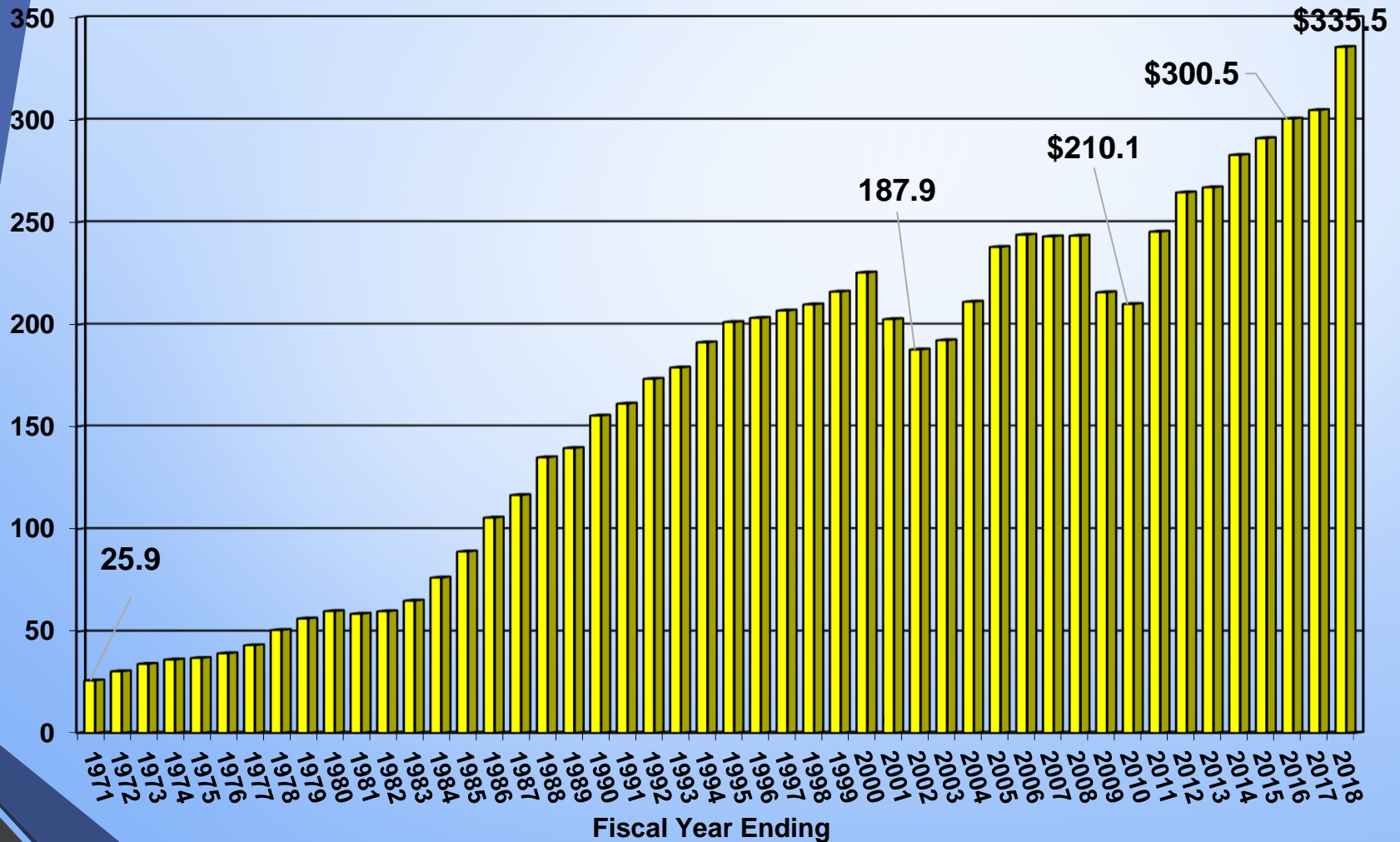
Weight-Mile Tax Rates

Adjusted for Current Law changes (HB 2007) until 2020



Weight-Mile Tax Revenue

(including FF & RUAF)
Millions of Dollars



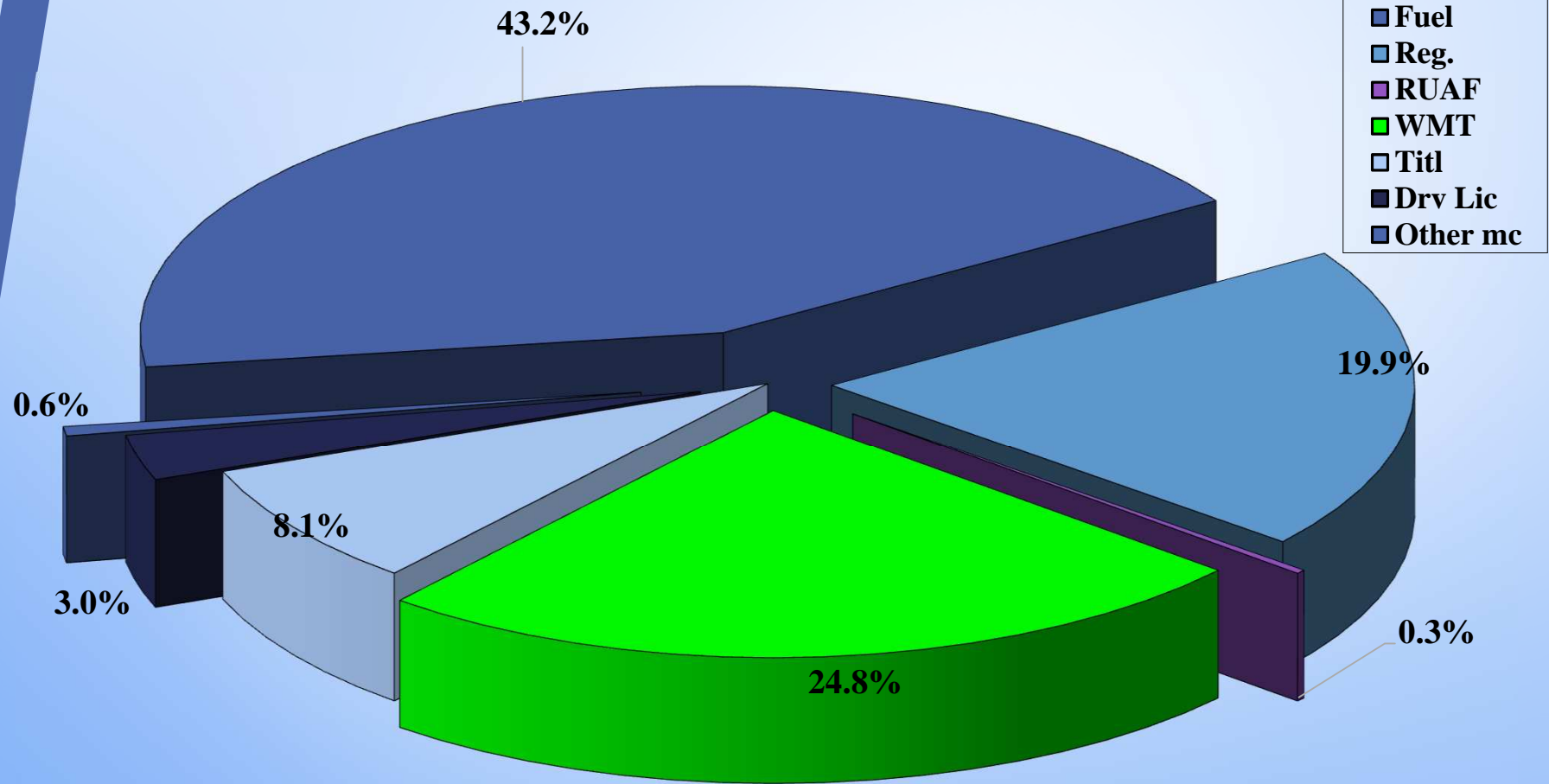
In Lieu Taxes (Less Variable)

Reflecting HB 2007 rates

- Flat Fees
 - Log Trucks \$9.10 per Hundred pounds of declared weight
 - Farm Trucks \$7.50 per Hundred pounds of declared weight
 - Dump Trucks \$9.10 per Hundred pounds of declared weight
 - Chip Trucks \$36.80 per Hundred pounds of declared weight
- Road Use Assessment Fee
 - 8.5¢ per ESAL* Mile

equivalent single-axle load” means the relationship between actual or requested weight and an 18,000 pound single-axle load as determined by the American Association of State Highway and Transportation Officials Road Tests reported at the Proceedings Conference of 1962. (ORS 818.225)

State Imposed User Fees (17-19)



Avg annual: \$1,186 million

Oregon Constitution (Connection)

- (Tools) Revenue dedicated to construction, ..., operation of road systems
 - Any tax levied on motor vehicle fuel,
 - Any charge for ownership or operation of motor vehicles.
- (System) State Imposed User Fee Structure
 - Vehicle classes pay in proportion to costs incurred on their behalf.

Oregon Constitution

Constitutional Article IX, Section 3A

*"(3) Revenues described in subsection (1) of this section that are generated taxes or excise 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 proportional 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."***

(HCAS) Highway Cost Allocation Study

- Highway Cost Allocation Study
 - Cost responsibility study to determine a fair share that each class of road users should pay for the maintenance, operation, and improvement of the state's highway system
 - The HCAS establishes "fair share". It does not establish the tax system or tools to accomplish this goal.
 - Recent studies have been asked to recommend rate changes

HCAS

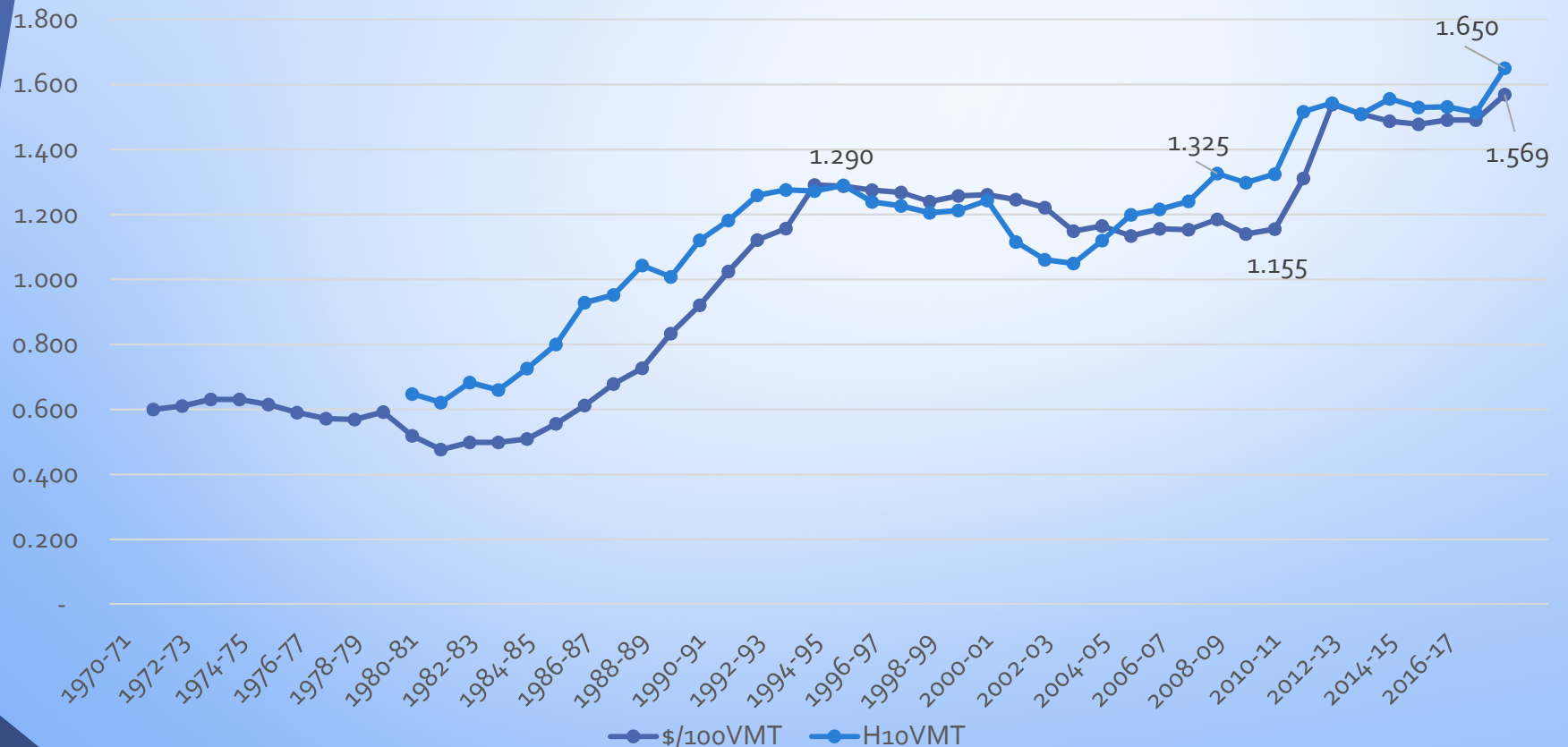
- Oregon has conducted studies in 1937, 1947, 1963, 1974, 1980, 1986, 1990, 1992, 1994, 1999, 2001, 2003, 2005, 2007, 2009, 2011, 2013, 2015 and 2017. 2019 latest to come
- All studies prior to 1999 were conducted by ODOT
- In early 1999, the study was transferred to the Department of Administrative Services (DAS), Office of Economic Analysis (State Economist) . Done by consultants

Basic Approach of Study

- Allocate projected expenditures (responsibilities) to vehicle classes.
- Attribute projected revenues (tax payments) to vehicle classes.
- Calculate equity ratio (= revenues/expenditures allocated) for each class or group of vehicles:
 - Ratio <1 : Underpayment
 - Ratio $=1$: Class pays its "fair share"
 - Ratio >1 : Overpayment
 - Current 1.0076 light, and 0.9865 Heavy

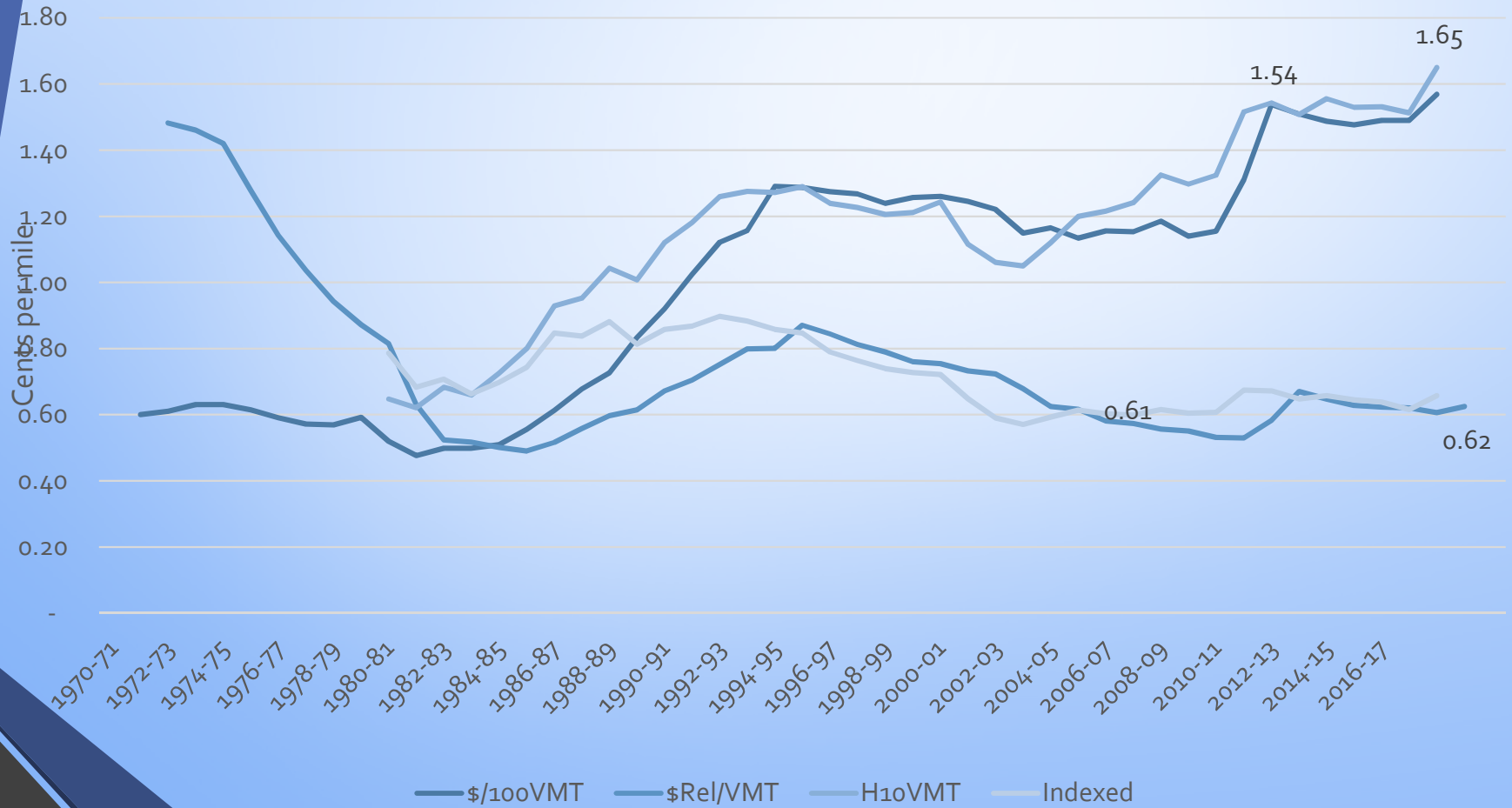
How effective is the pricing system?

Cost of 100 VMT light vs. 10 VMT Heavy



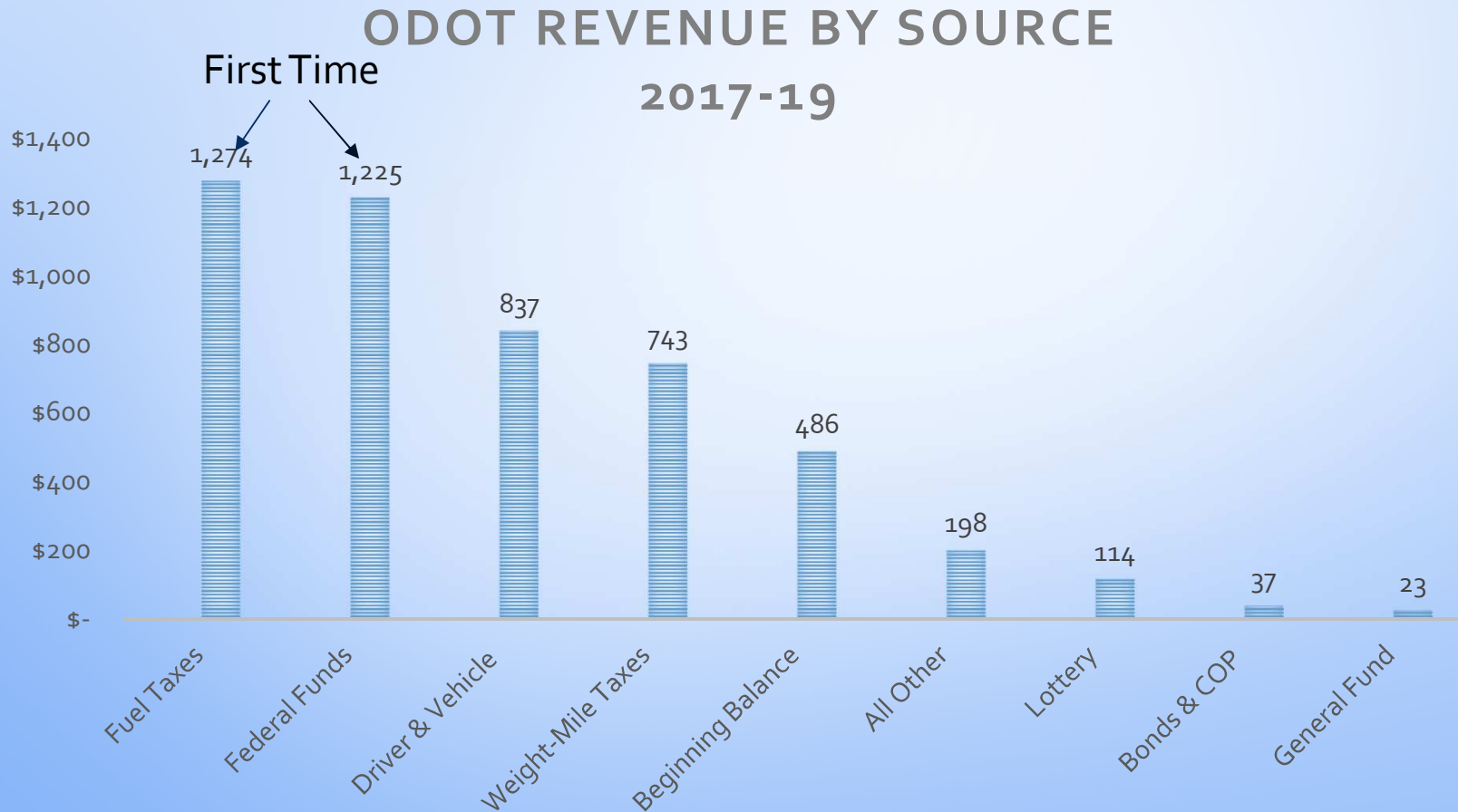
The pricing system in constant \$\$

Cost of 100 VMT light vs. 10 VMT Heavy



ODOT Budget LAB All Sources of Funds For the 2017-19 Biennium. (\$5.3 Billion)

Millions of Dollars



Federal Revenues

\$482 million in FY 2016

- **Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA)**
 - Established and authorized transportation programs and funding for the period 1992-1997.
 - Represented a major change to transportation policy by adopting an overall intermodal approach to highway and transit funding with collaborative planning requirements and assigning significant responsibilities to metropolitan planning organizations (MPOs).
 - Provided an annual average of \$26 billion per year for Highway and Transit Programs
- **Transportation Efficiency Act for the 21st Century, 1998 (TEA-21)**
 - Established and authorized transportation programs and funding for the period 1998-2003.
 - Continued and expanded intermodal policy changes established under ISTEA.
 - Provided an annual average of \$34 billion per year for Highway and Transit Programs.
 - Modified TEA-21 provisions and funding continued for FY 2004.
- **Safe, Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users, 2005 (SAFETEA-LU)**
 - Established and authorized transportation programs and funding for the period 2005-2009.
 - Continued and expanded policy changes established under TEA-21.
 - Provided an annual average of \$49 billion per year for Highway and Transit Programs.
 - Modified SAFETEA-LU provisions and funding continued for federal fiscal years 2010, 2011 and 2012.
- **Moving Ahead for Progress in the 21st Century Act, 2012 (MAP-21)**
 - Established and authorized transportation programs and funding for the period 2013-2014
 - Continued focus of the development of an overall intermodal transportation system through an increased emphasis on performance and flexibility in use of transportation funds.
 - Consolidated formula programs and eliminated previously established discretionary programs.
 - Provided an annual average of \$53 billion per year for Highway and Transit Programs.
 - MAP-21 provisions and funding at the FY 2014 funding level have been authorized through May 31, 2015.
- **Fixing America's Surface Transportation Act, 2015 (FAST Act)**
 - Establishes and authorizes surface transportation programs and funding for the period 2016-2020.
 - Continues focus on the development of an overall intermodal transportation system through an increased emphasis on performance management and flexibility in use of transportation funds.
 - Revises Surface Transportation Program to include funding for Transportation Alternatives as a set-aside and renames program as the Surface Transportation Block Grant Program.
 - Provides an average of \$59 billion per year for Highway and Transit Programs.
 - Establishes new formula and discretionary programs for freight projects. Provides an annual average of \$1.3 billion for the new formula program and an average of \$900 million per year for the new competitive grant program.

TIGER (Transportation Investments Generating Economic Recovery) Program

established under American Recovery and Reinvestment Act (ARRA) of 2009 has been funded in appropriations bill each year since 2010. Beginning in 2018, the name of the program was changed to Better Utilizing Investments to Leverage Development (BUILD) Program. Annual funds provided for the program have varied from year to year.

Federal Revenues

	Apportionments			Obligation	Obligation
	Formula Programs	High Priority Projects	Total	Limitation	Limitation Rate
2005	355,298,573	61,393,440	416,692,013	355,366,858	84.67%
2006	354,891,267	60,779,506	415,670,773	359,516,959	86.18%
2007	395,468,060	62,460,162	457,928,222	413,355,570	89.97%
2008	400,308,850	61,393,440	461,702,290	425,579,922	91.85%
2009	415,671,651	61,393,440	477,065,091	441,203,818	93.30%
2010	474,219,039		474,219,039	443,021,395	93.22%
2011	518,684,306		518,684,306	479,921,369	92.28%
2012	484,226,759		484,226,759	458,332,073	94.48%
2013	482,022,426		482,022,426	462,480,057	95.87%
2014	482,423,497		482,423,497	458,128,589	94.88%
2015	482,423,497		482,423,497	455,723,407	94.27%
2016	507,004,353		507,004,353	481,738,214	94.93%
2017	514,134,905		514,134,905	478,011,044	92.86%
2018	526,123,426		526,123,426	483,635,486	91.79%
2019 est	539,793,595		539,793,595	484,993,075	90.15%

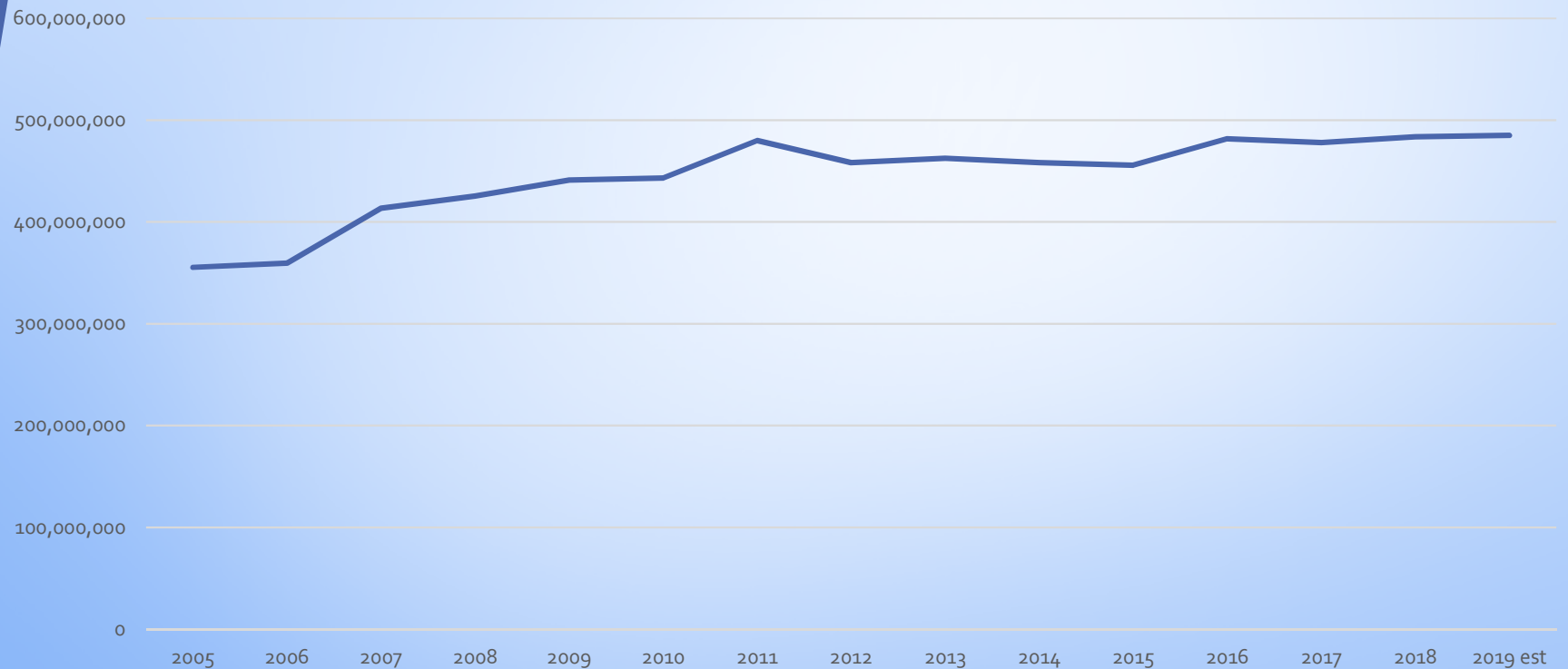
NOTE: Federal Highway Program is a reimbursement program.

Beginning in FY 2008, the provision of Highway and Transit Program funding levels has only been accomplished with the infusion of funding from other federal sources. Since 2008, some \$144 billion has been transferred from other funding sources to support established Highway and Transit Program funding levels. If Highway Program levels were limited to normal highway program revenues (revenues to the Highway Account of the federal Highway Trust Fund), the existing level of annual highway program funding would need to be reduced by 25-33 percent.

Latest forecast from the Congressional Budget Office estimates that about \$165 billion in new taxes or bailout transfers will be necessary to keep the Highway and Transit Accounts solvent at baseline spending levels for the next decade.

Federal Funds (what to expect?)

Obligation Limitation



Apportionments/Obligation Limitation: Principal source of federal highway funding. Apportionments identify amount of funding states can expect to receive for formula programs and special programs such as the High Priority Projects Programs; Obligation Limitation is the amount of funding actually received for established apportionments and is almost always less than apportionments. The obligation limitation rate

Road Use Fees

- Roadway tolling
- Per-mile road user charges
- Fixed and variable (congestion)
- The coming change in 10 years.
- Things no longer staying the same

Road Use Fees

- Roadway tolling
- Road Use Charge



M. Malik

LRO

January 2019