

# Structural Challenges in Funding + Maintaining the Transportation System

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Joint Committee on Transportation  
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# A Tale of Two Budgets



## Transportation Projects & Programs

Dedicated federal & state funds for:

- Construction projects
- Grant programs



## Maintenance & Agency Operations

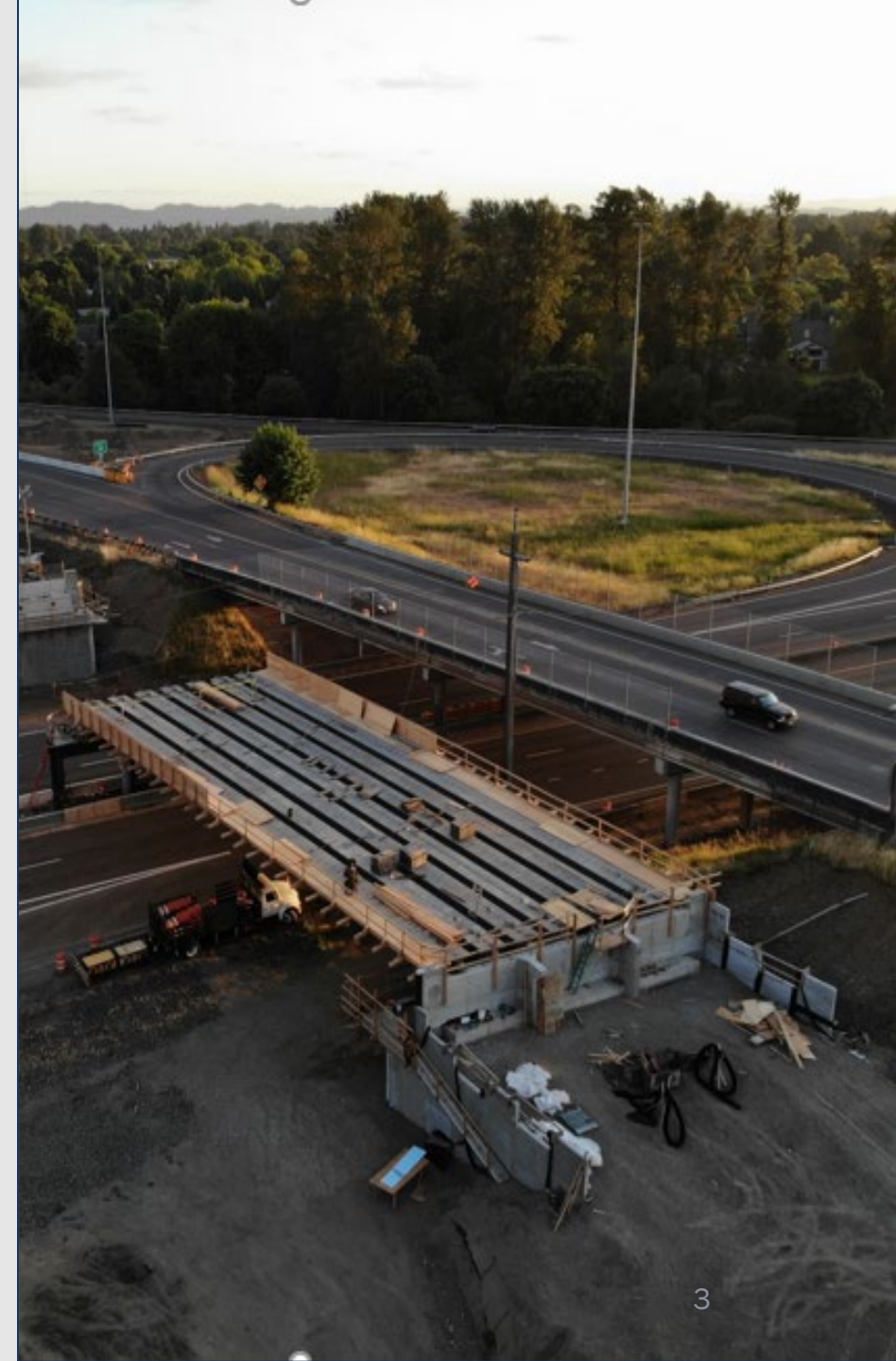
State Highway Fund dollars available to run the agency:

- Road maintenance
- DMV & CCD
- Central services like IT, HR <sub>2</sub>

# Transportation Funding Challenges

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- Growing fuel efficiency continues to gut the gas tax
- Inflation erodes most revenue sources
- Federal funding isn't keeping up with construction costs; cannot be used for maintenance.
- ODOT faces shortfall for operations and maintenance
- Light vehicles are underpaying, trucks are overpaying
- Cities and counties rely heavily on the state due to limited local options
- Inadequate public and active transportation funding





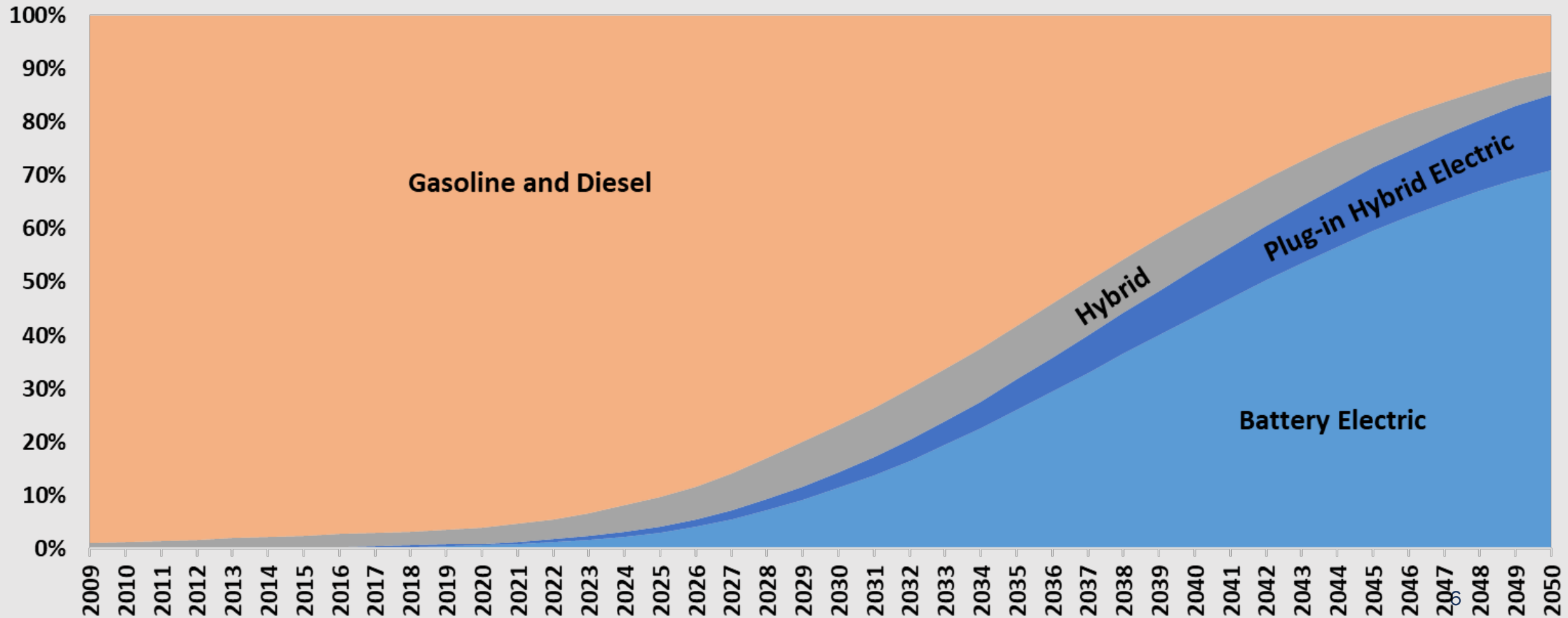
# The Fading Gas Tax

# Gas Tax in Cents Per Mile

Adjusted for increasing fuel efficiency and inflation



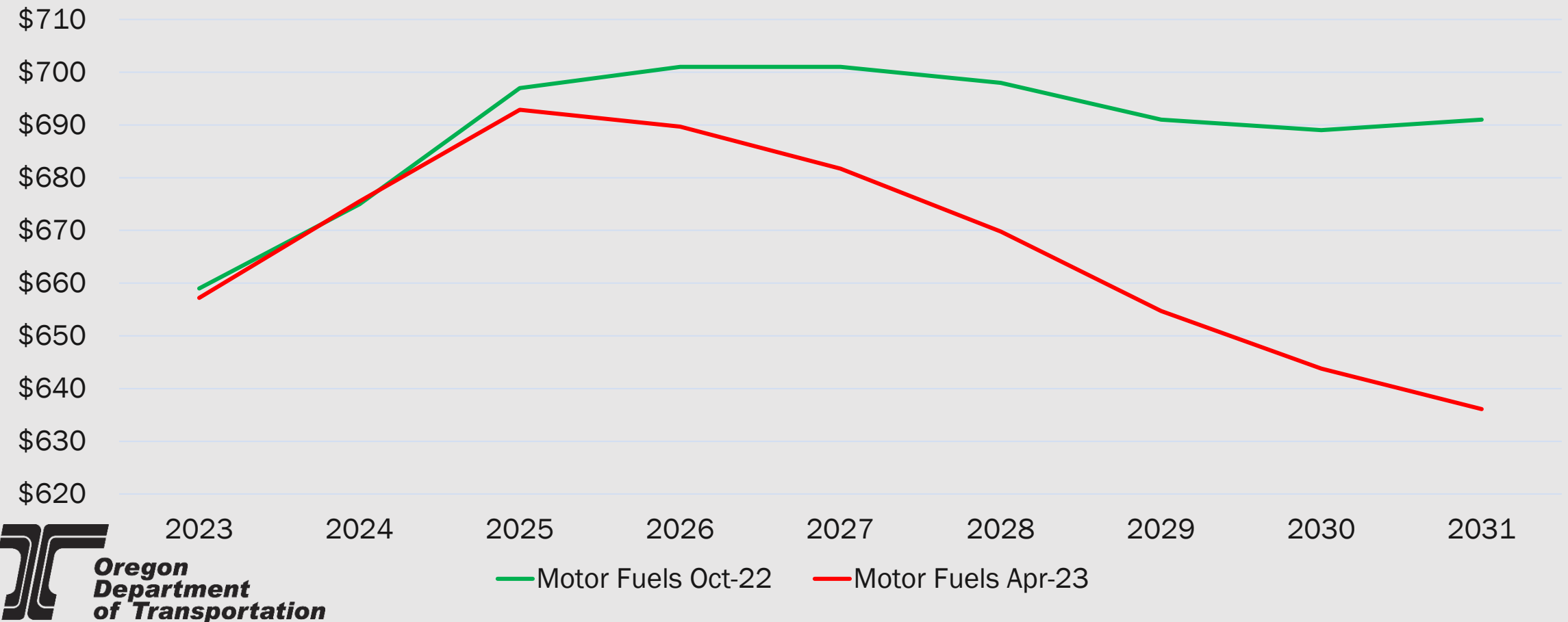
# Passenger Vehicles in Oregon are Becoming More Fuel Efficient



Source: Oregon Department of Transportation April 2023 Passenger Vehicle Stock Forecast. Actuals through 2022, forecast begins in 2023

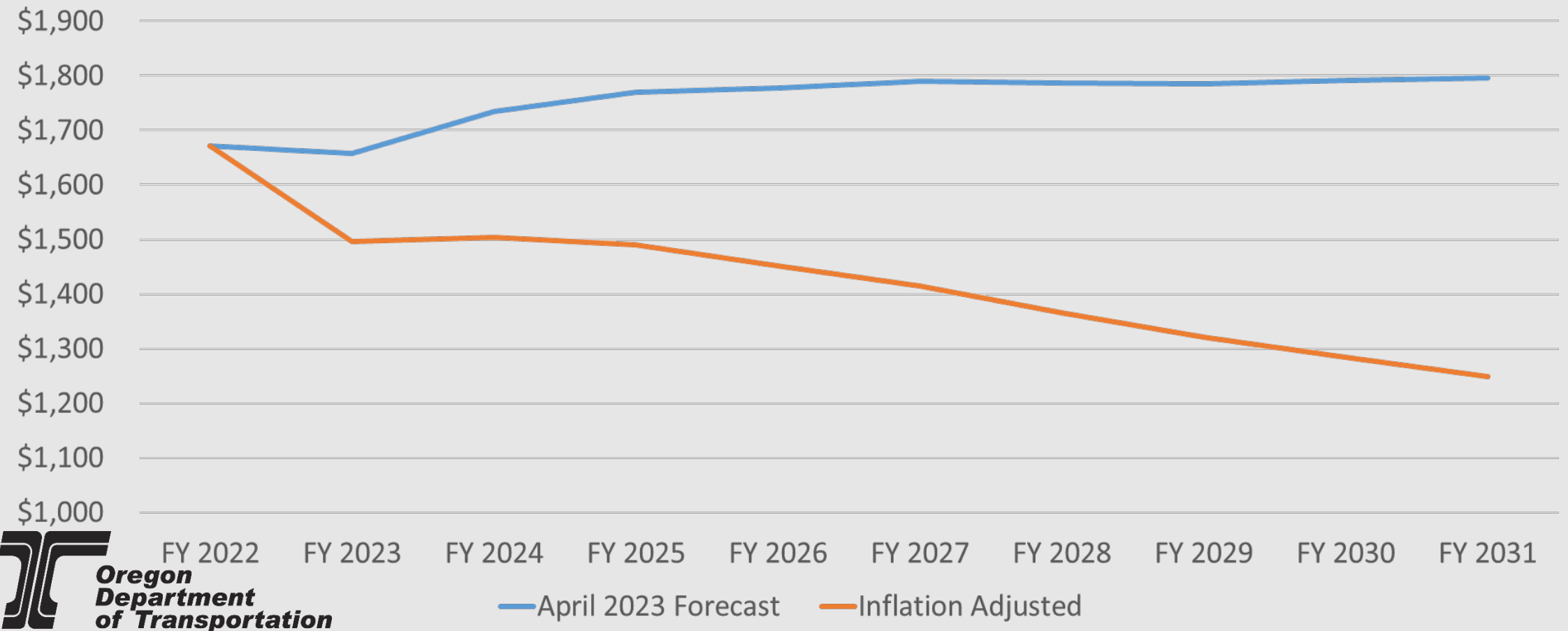
# Oregon Motor Fuels Tax Forecast Comparison

In millions of nominal dollars



# Total Gross State Highway Fund Forecast

In millions of nominal and inflation adjusted dollars; April 2023 forecast

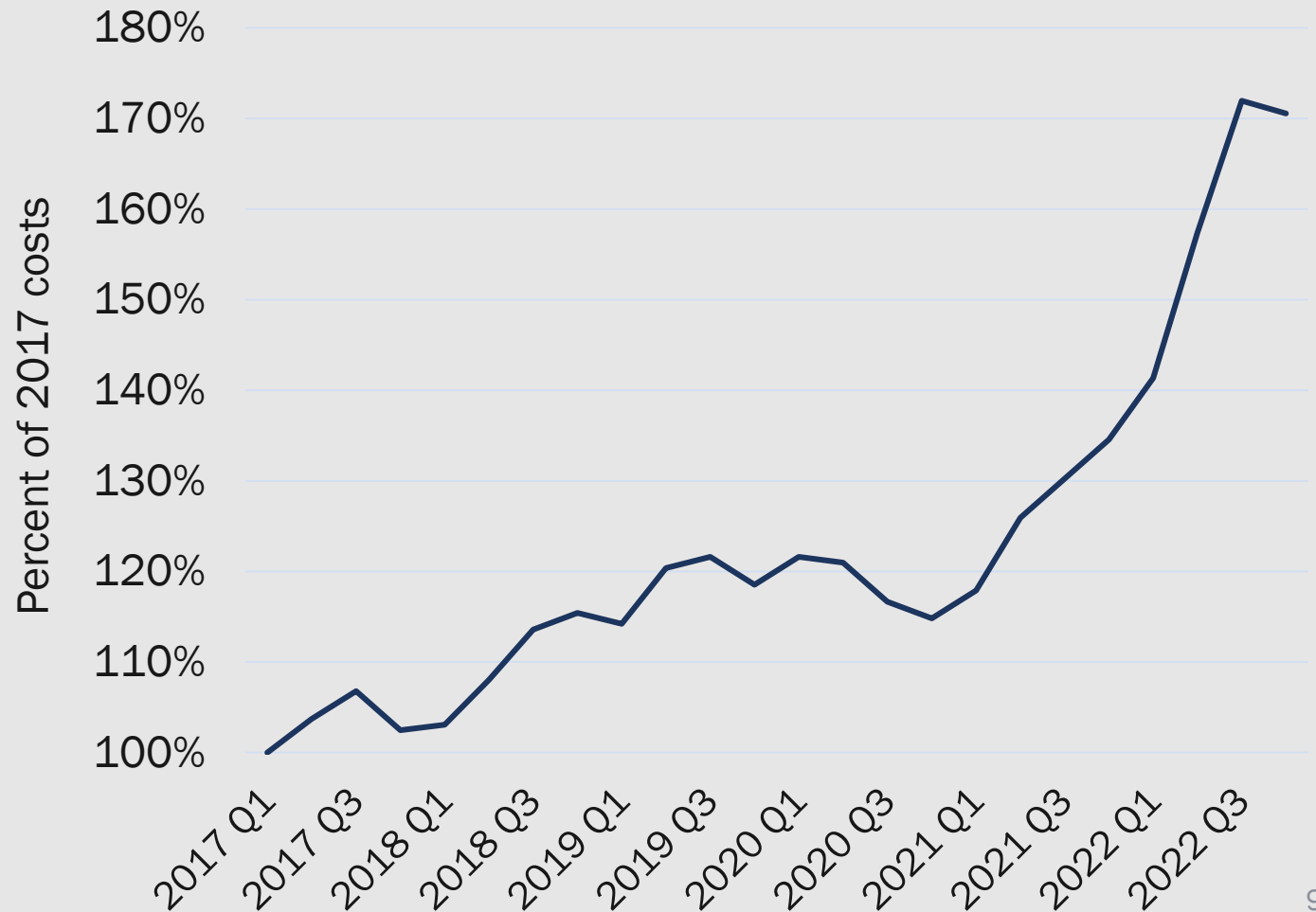




# Construction Cost Inflation

## FHWA National Highway Construction Cost Index

Nationwide highway construction costs increased 71% from beginning of 2017 to end of 2022.

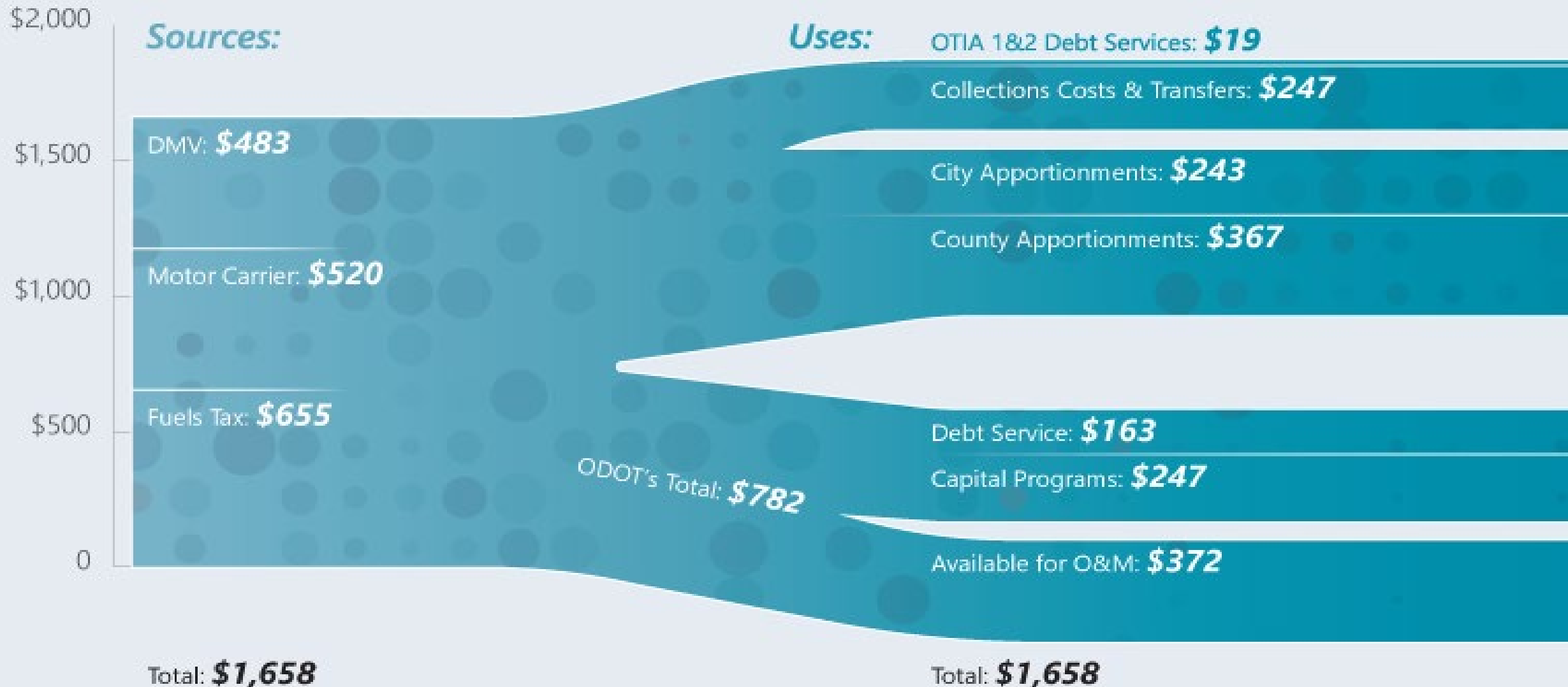


A yellow snowplow is shown clearing a snow-covered road in a mountainous, rocky area. The scene is set in a high-altitude environment with large boulders and sparse evergreen trees. The sky is blue with some clouds. The overall image has a blue tint.

# Operations & Maintenance Funding

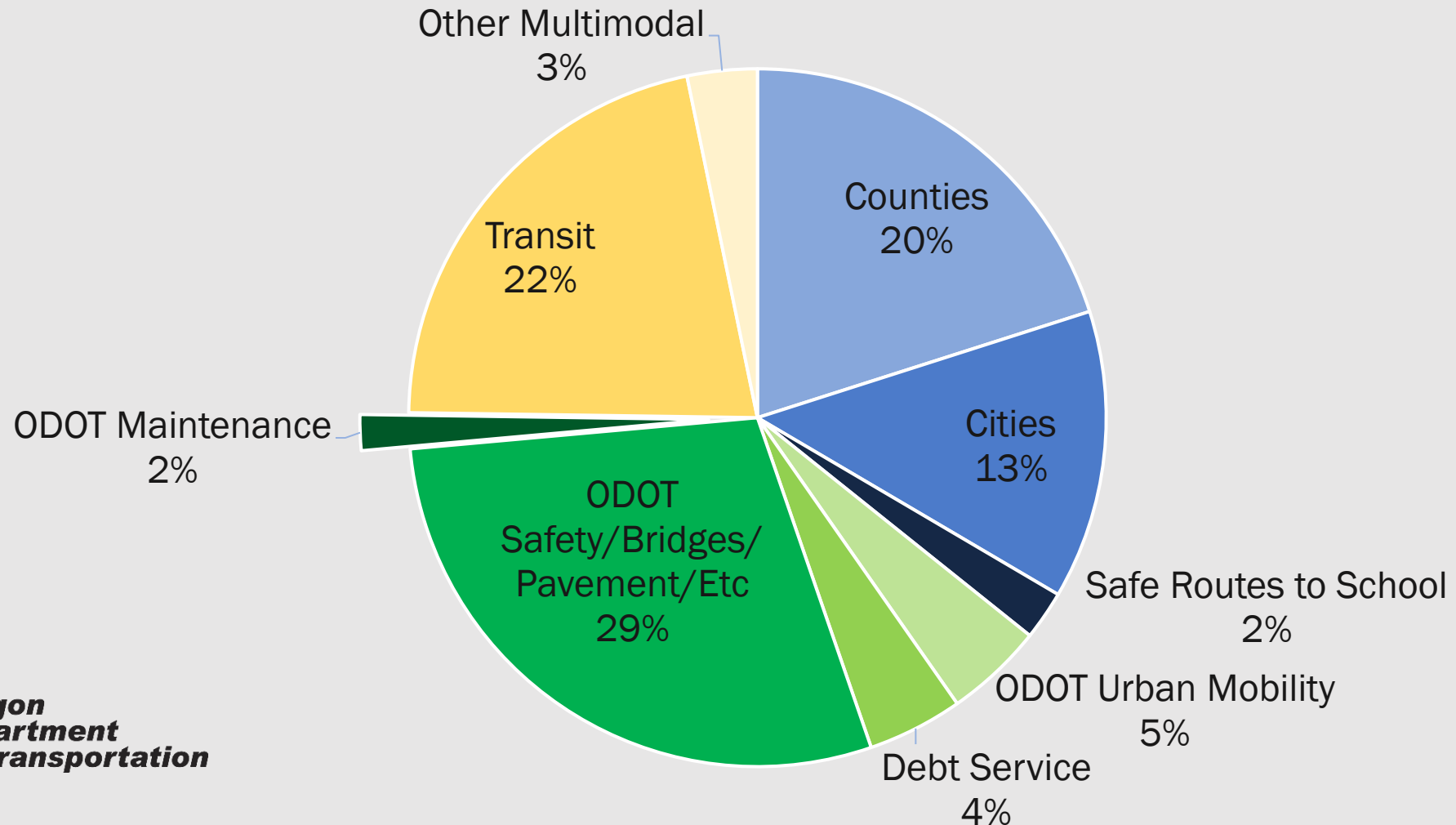
# State Highway Fund Sources and Uses

2021-2023 Annual Average in Millions

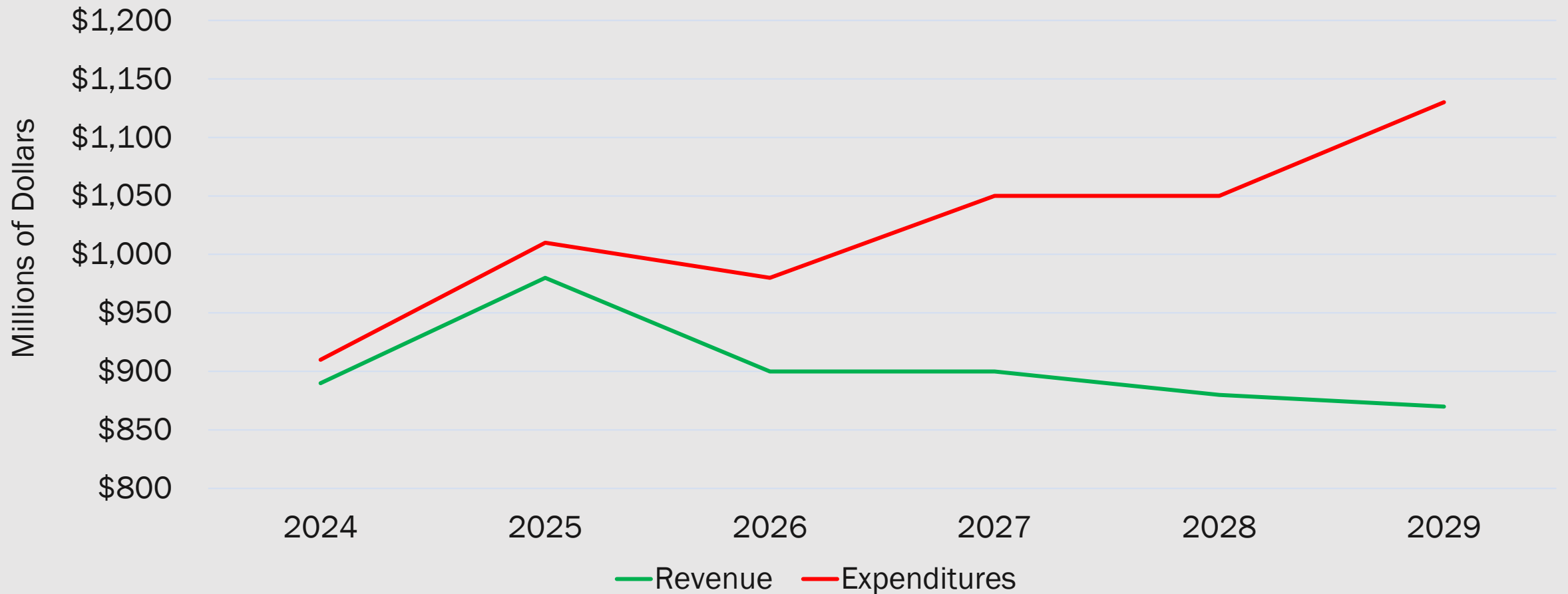


# HB 2017 Funding Distribution

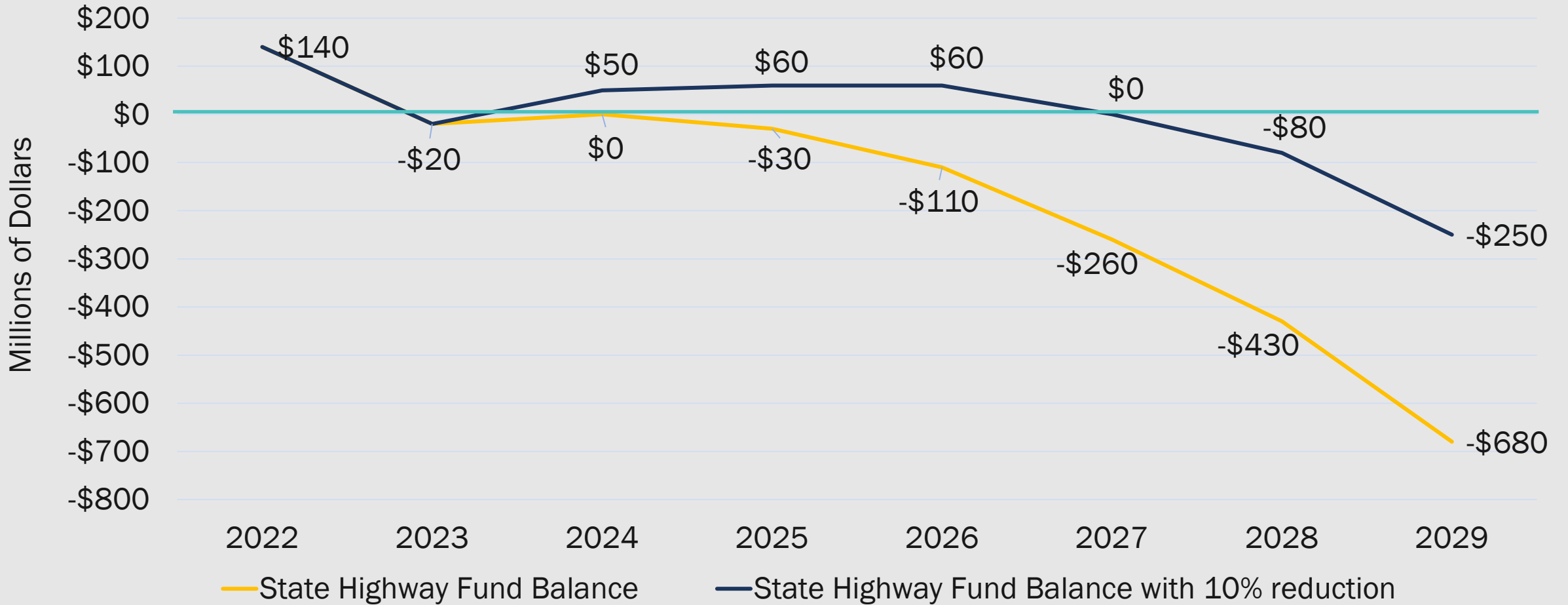
Forecast for FY 2025; \$658 million total projected revenue



# ODOT State Highway Fund Revenue and Expenditure



# ODOT State Highway Fund Cash Balance

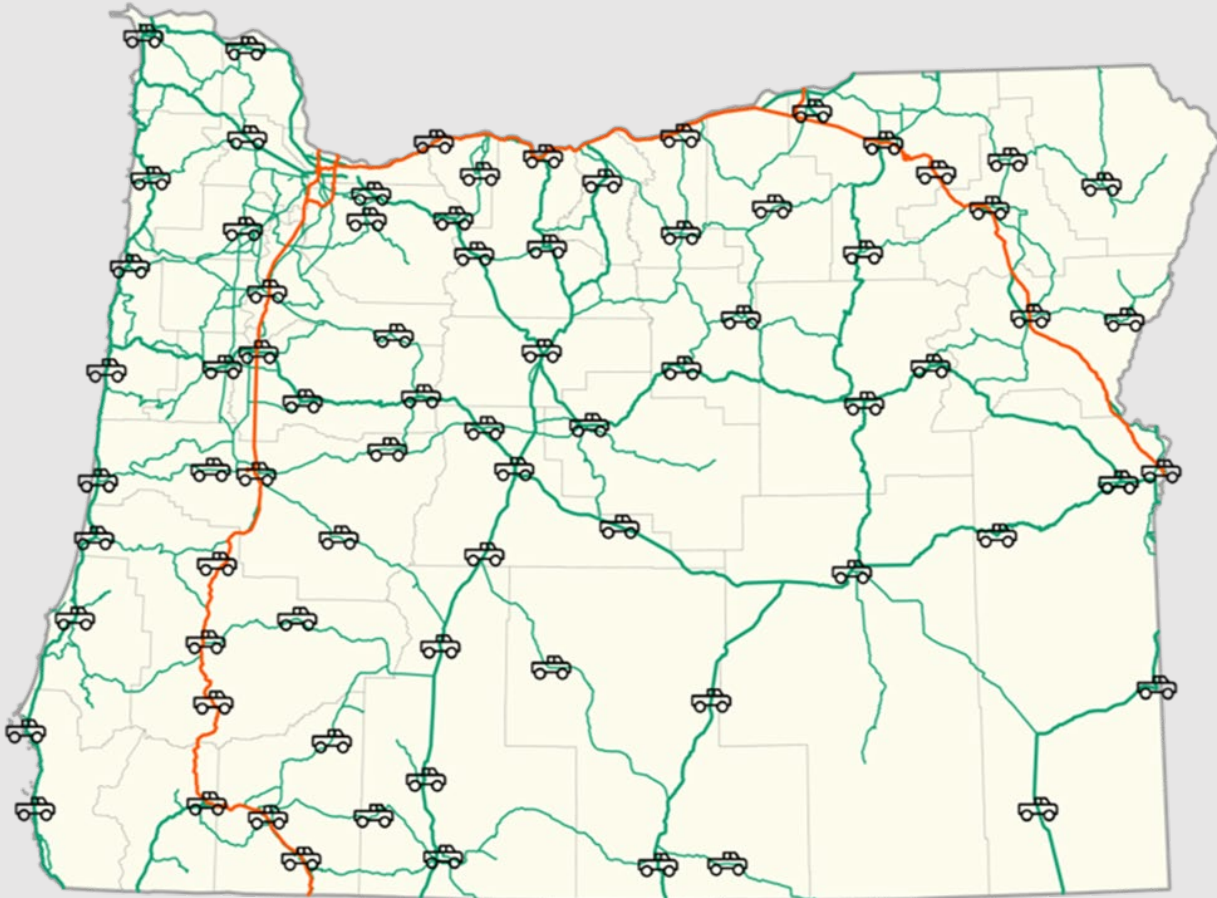



# Measures to Close the Gap

- Shifted O&M costs to dedicated state and federal resources where possible
- Shifted source of local fund exchange away from O&M dollars (HB 2101)
- Increased DMV fees to help cover cost of service and avert cuts in '23-'25 (HB 2100)
- Implemented 3% reduction in O&M spending in '21-'23 budget and another 5% in '23-'25



# Providing Direct Service to Oregon



— Interstate — U.S. Route — Oregon Route  ODOT Maintenance Station

Approximately 1,000 maintenance employees provide direct service across 88 communities statewide.

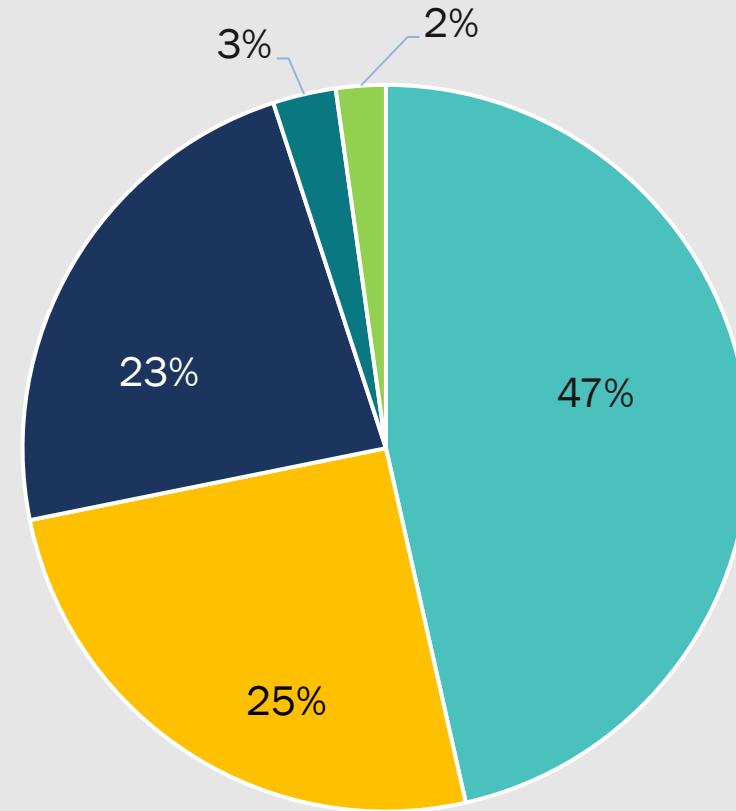
- Respond
- Maintain
- Monitor
- Repair



# Maintenance and Operations: Spending Overview



Statewide Expenditures to date – 2021-23 Biennium  
*Excludes 2020 wildfire clean-up; Spent to-date: \$620M (approx.)*



- ~ \$288M - Responding to Incidents (Crashes, Emergency & Weather Events)
- ~ \$157M - Road, Bridge & Traffic Services
- ~ \$144M - Fleet, Fuel, Materials & Supplies
- ~ \$17M - Camp & Graffiti Cleanup
- ~ \$14M - Other: Utilities, Permits, Roadside Cameras

Figures are approximate and shown in millions. Data through 02/15/23.

# Reductions: Level of Service Impacts



- **Fewer personnel** to ensure roads are safe, functional and accessible for all users.



- **Slower** incident response times and **extended** closures following major events.



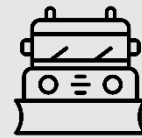
- **Increased safety risks** due to deferred maintenance and lack of materials.



- **Significant deterioration** of pavement on Oregon's highways.



- **Reduced frequency** of litter, graffiti, and campsite cleanup.



- Some highways previously plowed four times per day will be **plowed once per day**, if at all.

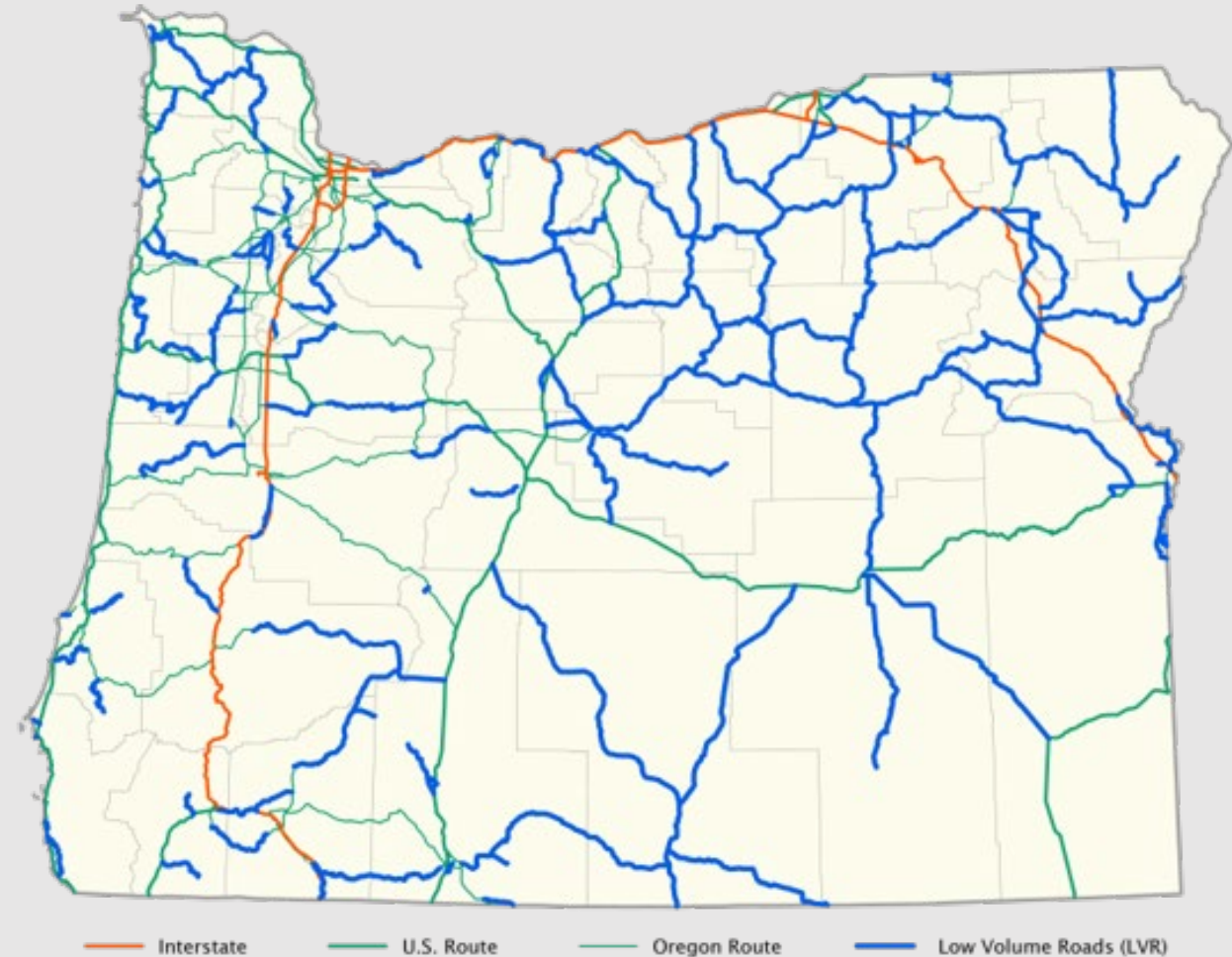


- Potential **maintenance station closures** in multiple communities.

# Low Volume Roads



- ▶ Prioritize Interstates
- ▶ Increased pavement deterioration
- ▶ Faded or missing fog lines



— Interstate    — U.S. Route    — Oregon Route    — Low Volume Roads (LVR)

# Responding to Incidents and Storms



- ▶ Less snow plowing, largely for non-interstate highways.
- ▶ Slower response times and extended closures.



- ▶ Prioritizing emergency response services.

# Roadside Services



- ▶ Reduced frequency of graffiti and litter removal.



- ▶ Less mowing grass, spraying weeds and trimming vegetation.



# Potential Options



- ⊛ National capital
- ★ State capital
- Ⓜ Interstate route
- Limited-access highway
- Selected principal road
- State boundary

# Transportation Funding Across the US

The federal government is playing a smaller role than in the past.

States are highly reliant on the gas tax and are struggling with its decline.

States are exploring new funding sources to diversify revenue.

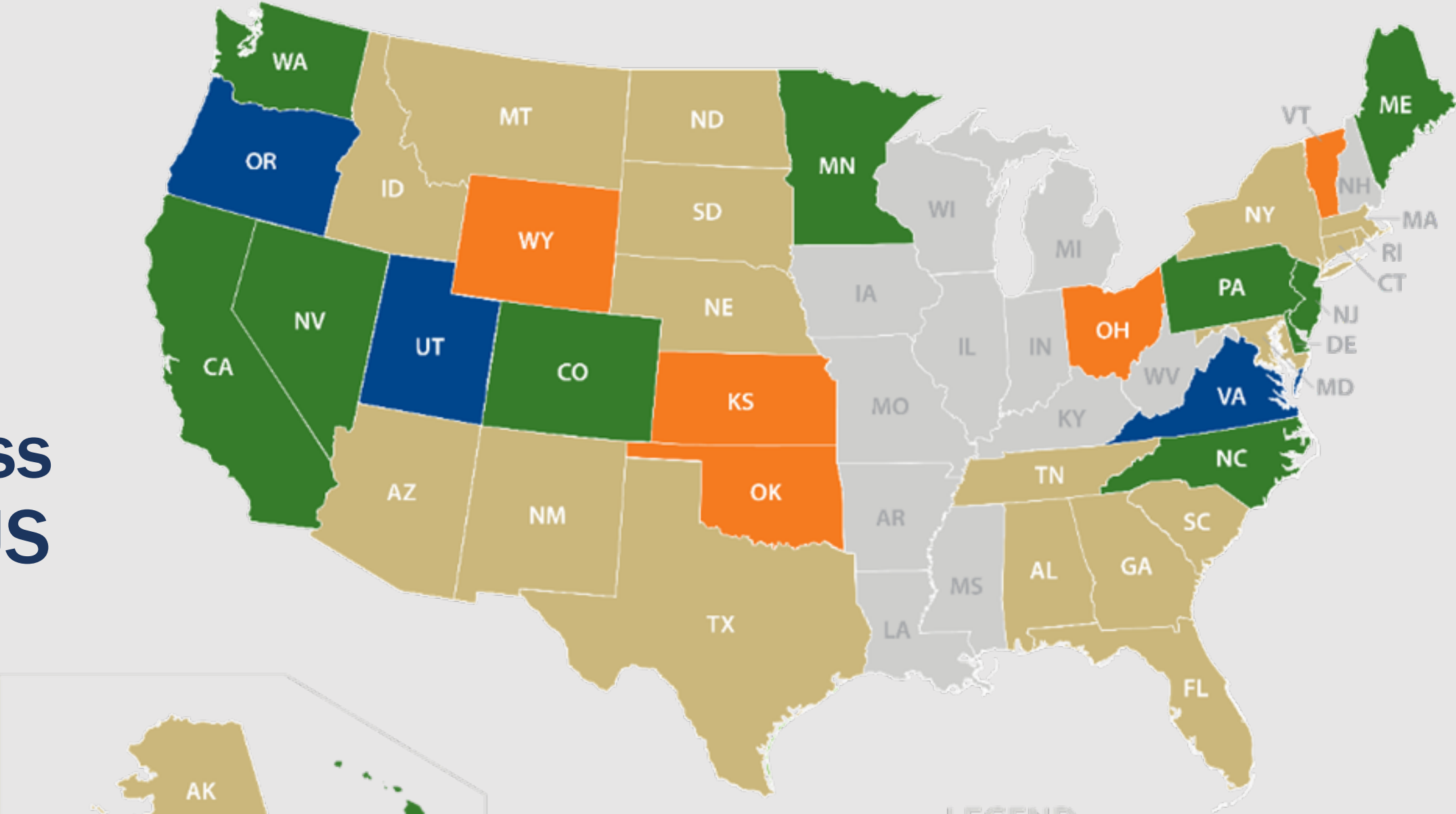
# Shared Approaches Across States

- Reliance on gas tax
- Use of vehicle registration & title fees
- Electric vehicle fee/ registration surcharge
- Exploring road usage charging





# RUC Across the US



## LEGEND

- Enacted programs
- Pilots/demonstrations
- Research
- Research only through multi-state consortium membership
- No activity

# Ways Oregon Is Different

## Things We Have that Others Don't

- Cost responsibility & weight-mile tax

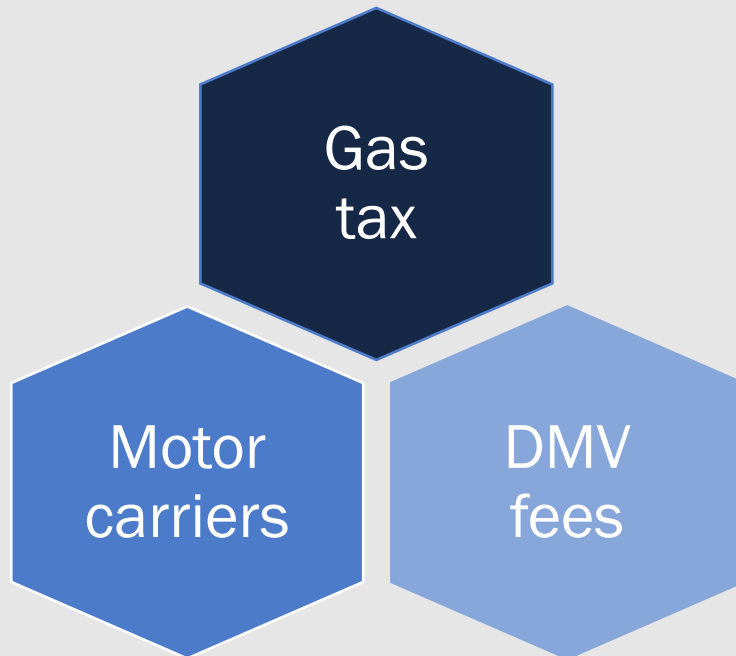
## Things We Don't Have

- Gas tax indexing
- Tolling on state highways
- Sales tax for local governments
- General fund/other non-user fee funds

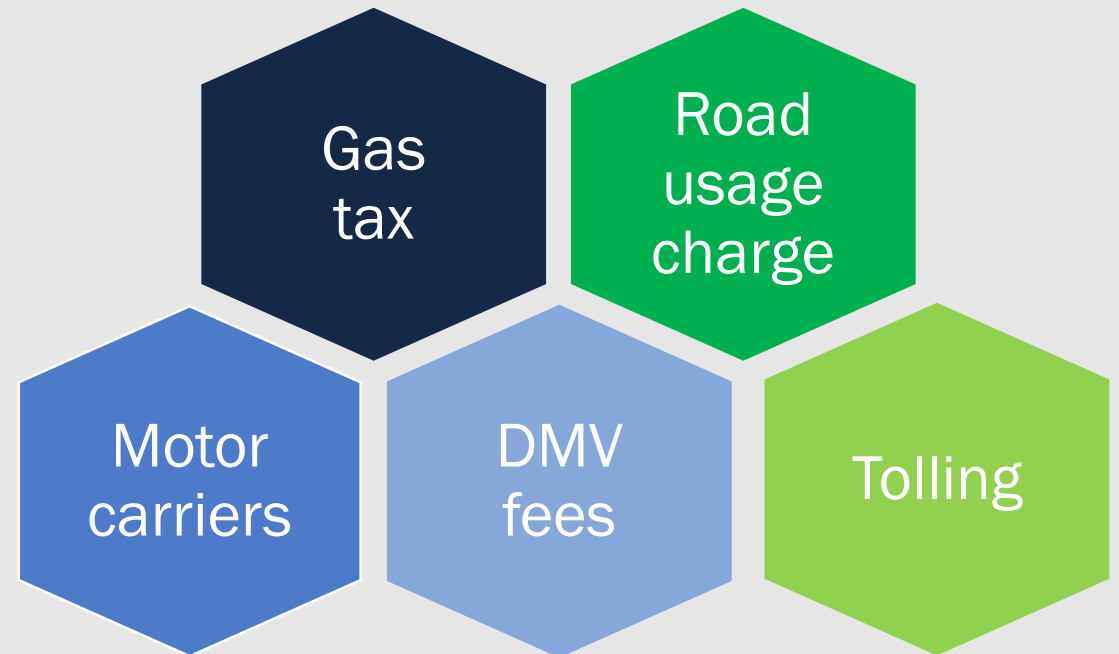


# Diversifying Oregon's Road Funding Streams

Where we are today



Where we want to be



# Potential Solutions

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- Increase and inflation index major taxes and fees
- Ensure DMV fees cover cost of service
- Increase tiered registration fees on high-efficiency vehicles
- Shift toward a road usage charge for high-efficiency vehicles
- Focus new resources on maintenance



Thank you.