

ANALYSIS

Item 64: Department of Transportation Statewide Transportation Improvement Funds

Analyst: Ben Ruef

Request: Increase Other Funds expenditure limitation by \$60,000,000 for disbursement of Statewide Transportation Improvement Fund revenues to public transit providers.

Analysis: HB 2017 (2017) established the Statewide Transportation Improvement Fund (STIF) and imposed a 0.1% tax on employee wages dedicated to the Fund to support public transit. STIF funds may be used for public transportation purposes that support the planning, deployment, operation, and administration of public transportation programs. A majority of these funds (90%) are distributed to public transportation service providers by the Oregon Department of Transportation (ODOT) Public Transportation Division. These disbursements help increase bus frequency, expand bus routes, reduce fares to better serve areas with a high percentage of low-income households, fund procurement of low or no-emission buses particularly in urban areas, improve frequency and reliability of coordinated services between service providers and regions and reduce fragmentation in the provision of transportation services.

Actual transit payroll tax collected in the 2021-23 biennium exceeded forecasts, resulting in a larger than expected ending balance. Payroll tax collections in the 2023-25 biennium are also anticipated to be higher than projected in the adopted budget. ODOT is requesting an additional Other Funds expenditure limitation of \$60 million for the 2023-25 biennium which would allow the agency to distribute 100% of the revenue collected.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$60,000,000 in the Other Funds expenditure limitation for the Department of Transportation in a budget reconciliation bill during the 2024 legislative session for disbursement of Statewide Transportation Fund revenues to public transit providers.

Request: Increase Other Funds expenditure limitation by \$60,000,000 for an additional revenue disbursement to public transit providers.

Recommendation: Approve the request during the 2024 Legislative Session.

Discussion: The Oregon Department of Transportation (ODOT), Public Transportation Division's initial transit payroll tax forecast for the 2021-23 biennium was lower than the actual revenue collected, which resulted in a larger ending balance. ODOT's request for an Other Funds expenditure limitation increase of \$60.0 million would allow the Department to disburse additional funding to public transit providers this biennium and address the anticipated increase in the 2023-25 forecasted transit payroll tax revenue collections.

House Bill 2017, from the 2017 Legislative Session, established the Statewide Transportation Improvement Fund and its dedicated revenue source, a 0.1 percent payroll tax. Funds disbursed to public transit providers are utilized to assist with bus frequency, expand bus routes, reduce fares in areas where there is a high percentage of low-income households, funds can also assist with procuring low or no-emission buses, and improve reliability of coordinated services between service providers.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 363, section 2(9), Oregon Laws 2023, for the Oregon Department of Transportation, Public Transportation Division, by \$60,000,000 for the 2023-25 biennium.



Oregon

Tina Kotek, Governor

Department of Transportation

Office of the Director

355 Capitol St. NE

Salem, OR 97301

December 4, 2023

Senator Elizabeth Steiner, Co-Chair
Representative Tawna Sanchez, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairs:

NATURE OF THE REQUEST

The Oregon Department of Transportation's Public Transportation Division requests \$60,000,000 in additional Other Funds expenditure limitation to distribute the 2023-25 beginning balance and higher than forecasted 2023-25 transit payroll tax revenues from the Statewide Transportation Improvement Fund (STIF).

AGENCY ACTION

The Oregon State Legislature made significant investments in transportation during the 2017 Regular Session with the passage of HB 2017. Among these investments, the bill established the Statewide Transportation Improvement Fund (STIF) and its dedicated revenue source, a 0.1 percent payroll tax.

Funds are distributed from the STIF to public transportation service providers, which include counties, mass transit districts, transportation districts and federally recognized Indian tribes, for the purpose of improving Oregon's Statewide Transit Network by providing dedicated and predictable funding for general public transit. These funds help increase bus frequency, expand bus routes, reduce fares to better serve areas with a high percentage of low-income households, fund procurement of low or no-emission buses particularly in urban areas, improve frequency and reliability of coordinated services between service providers and regions and reduce fragmentation in the provision of transportation services.

Due to rapid post-pandemic economic recovery and continued wage growth, the department received more revenue from the transit payroll tax collected during the 2021-23 biennium than forecasted when developing the budget in 2020, which resulted in a significant carryforward beginning balance in the 2023-25 biennium. Additionally, the department is anticipating the 2023-25 transit payroll tax collection to be higher than forecasted in the 2023-25 Legislatively Adopted Budget. The requested increase in Other Funds limitation will allow the Public Transportation Division to make all its forecasted STIF disbursements to transit providers in the current biennium.

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ACTION REQUESTED

ODOT requests that the Interim Joint Committee on Ways and Means increase Other Funds expenditure limitation for Public Transportation by \$60,000,000.

LEGISLATION AFFECTED

Amend section 2(9), chapter 363, Oregon Laws 2023, to increase the Public Transportation Other Funds expenditure limitation by \$60,000,000 for the 2023-25 biennium.

Sincerely,



Kristopher W. Strickler
Director