

# Potential new transportation funding solutions

## *Insights from around the United States and Europe*

Additional Testimony submitted by Albert LePage, Eugene, Oregon / July 18, 2024  
Based upon Key Questions and Responses Generated by Perplexity.ai

Here are specific potential funding mechanisms, approaches, programs, and strategies that could potentially be implemented to raise more funds for Oregon's statewide transportation system:

### **1. Public-Private Partnerships (P3s)**

Leveraging private sector investment to fund public infrastructure. P3s can attract private capital for transportation projects, sharing both risks and rewards.

### **2. Vehicle Miles Traveled (VMT) Tax**

Implementing a VMT tax can be seen as a fairer way to fund transportation infrastructure, especially as fuel tax revenues decline with the rise of fuel-efficient and electric vehicles. This approach charges drivers based on the distance they travel.

### **3. Toll Roads and Congestion Pricing**

Introducing toll roads and congestion pricing can generate significant revenue while managing traffic congestion. These user fees ensure that those who use the infrastructure contribute directly to its maintenance and improvement.

### **4. Statewide Transportation Improvement Fund (STIF)**

The STIF program, established by House Bill 2017, provides a dedicated funding source for public transportation. Expanding this fund or increasing the payroll tax rate slightly could generate additional revenue for statewide transportation projects[2][4].

### **5. Fuel Taxes**

While increasing fuel taxes might be contentious, indexing the fuel tax to inflation could ensure a steady revenue stream without frequent legislative adjustments.

### **6. Infrastructure Bonds**

Issuing state bonds specifically for transportation projects can provide immediate capital for large infrastructure improvements. These bonds can be repaid over time through dedicated revenue streams like tolls or VMT taxes.

### **7. Federal Funding Leverage**

Maximizing the use of federal funds by ensuring that Oregon meets all eligibility criteria for federal transportation grants and matching funds can bring additional resources into the state[1][5].



## 8. Mileage-Based User Fees

Exploring mileage-based user fees (MBUF) as a replacement for traditional fuel taxes can provide a sustainable funding source as vehicle fuel efficiency improves and electric vehicle adoption increases. Example:

**OReGO is a Pay-by-Mile Program for Passenger Vehicles in Oregon**



## 9. Local Option Transportation Taxes

Allowing local governments to implement their own transportation taxes, such as local sales taxes or property taxes dedicated to transportation, can provide additional funding tailored to local needs.

## 10. Efficiency and Cost-Saving Measures

Promoting efficiency in transportation projects through better project management, procurement practices, and the use of technology can reduce costs and make existing funds go further.

## 11. Freight and Logistics Fees

Implementing fees on freight and logistics companies that use state infrastructure heavily can generate additional revenue while ensuring that those who benefit most from the infrastructure contribute to its upkeep.

## 12. Green Bonds

Issuing green bonds to fund environmentally friendly transportation projects can attract investors interested in sustainable initiatives, providing a dedicated funding source for projects that reduce greenhouse gas emissions.

## 13. Lottery Funds

Allocating a portion of state lottery revenues to transportation projects can provide a steady funding stream without increasing taxes.

## 14. Dedicated Sales Tax

Implementing a small, dedicated sales tax increase specifically for transportation funding can provide a broad-based revenue source. This approach spreads the tax burden across all consumers, not just drivers.

By focusing on these funding mechanisms and strategies, legislators in Oregon can support the development and maintenance of a robust statewide transportation system while aligning with values of fiscal responsibility, economic growth, and efficient use of resources.

Citations:

[1] <https://www.fhwa.dot.gov/tea21/factsheets/statepln.htm>

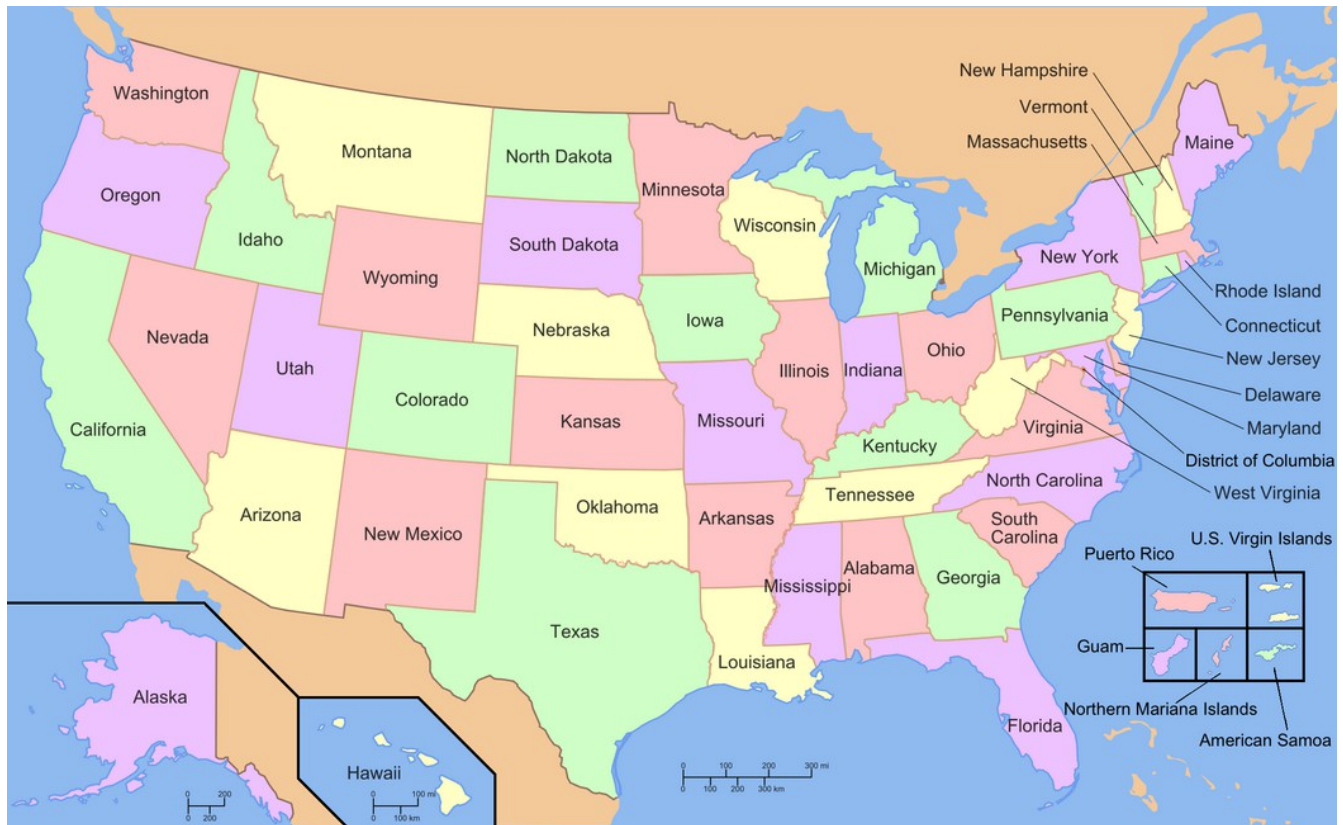
[2] <https://www.oregon.gov/odot/rptd/pages/statewide-transportation-improvement-fund.aspx>

[3] <https://www.ibtta.org/sites/default/files/How%20States%20fund%20transportation%20strategies.pdf>

[4] <https://lanestif.org>

[5] <https://www.oregon.gov/odot/rptd/pages/funding-opportunities.aspx>

Here are some innovative funding mechanisms that have been successfully implemented by other states for transportation infrastructure:



**1. Grant Anticipation Revenue Vehicles (GARVEEs):**

These allow states to issue bonds backed by future federal highway funding, accelerating project timelines. Many states have used this tool successfully.

**2. State Infrastructure Banks (SIBs):**

These revolving loan funds allow states to lend money to local governments for infrastructure projects. As loans are repaid, the funds can be loaned out again.

**3. Public-Private Partnerships (P3s):**

Many states have used P3s to leverage private sector investment and expertise for transportation projects.

**4. Mileage-Based User Fees (MBUF) / Vehicle Miles Traveled (VMT) taxes:**

Some states have piloted or implemented systems where drivers pay based on miles driven rather than fuel consumed.

**5. Transportation Infrastructure Finance and Innovation Act (TIFIA) loans:**

This federal program provides credit assistance for qualified transportation projects.

**6. Private Activity Bonds (PABs):**

These tax-exempt bonds allow private investment in public transportation projects.

**7. Tolling and Congestion Pricing:**

Many states use electronic tolling and congestion pricing to generate revenue and manage traffic flow.

**8. Green Bonds:** These bonds fund environmentally friendly transportation projects, attracting investors interested in sustainability.

**9. Transportation Improvement Districts (TID):** These special taxing districts can fund specific transportation improvements in a defined area.

**10. Transportation Special Purpose Local Options Sales Tax (TSPLOST):** Some states allow local jurisdictions to implement dedicated sales taxes for transportation projects.

**11. Innovative use of federal funds:** Some states have implemented federal fund exchange programs to maximize flexibility in using transportation dollars.

**12. Advanced Construction:** This allows states to begin federally-approved projects using state funds and be reimbursed later with federal funds.



These mechanisms have been used in various combinations by different states to supplement traditional funding sources like fuel taxes and vehicle registration fees. The success of each approach often depends on the specific context, legal framework, and political environment of each state.

Citations:

[1] <https://www.fhwa.dot.gov/ipd/finance/faqs/>

[2] <https://www.asce.org/advocacy/policy-statements/ps496---innovative-financing-for-transportation-projects>

[3] <https://www.hntb.com/implementing-innovative-infrastructure-funding-mechanisms/>

[4] <https://www.ibtta.org/sites/default/files/How%20States%20fund%20transportation%20strategies.pdf>

[5] <https://highways.dot.gov/public-roads/september-2017/accelerating-project-delivery-innovative-finance>

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Here's an overview of how different European countries implement road pricing systems:

### **1. EU Framework:**

The European Union provides a framework for road pricing through the "Eurovignette" Directive (1999/62/EC and subsequent amendments). This directive sets common rules for distance-based road pricing in Europe, but implementation varies by country.

### **2. Types of Road Pricing:**

European countries use various forms of road pricing:

- Tolls: Distance-based charges for road use
- Vignettes: Time-based charges for road use (e.g., daily, weekly, monthly, or annual passes)
- Congestion charges: Fees for driving in specific urban areas during peak hours



### **3. Country-Specific Examples:**

- Germany: Implemented a distance-based toll system for heavy goods vehicles (HGVs) on motorways and federal roads.
- Austria: Uses a combination of distance-based tolls for HGVs and vignettes for lighter vehicles.
- Switzerland: Employs a performance-related heavy vehicle fee based on total weight, emission levels, and kilometers driven.
- United Kingdom: London has a congestion charge for vehicles entering the city center during specific hours.
- Sweden: Stockholm and Gothenburg have implemented congestion pricing schemes.
- Italy: Milan introduced a congestion charge system called "Area C" to reduce traffic and pollution in the city center.

### **4. Implementation Approaches:**

- Electronic Toll Collection: Many countries use electronic systems for efficient toll collection, reducing the need for manual toll booths.
- Differentiated Pricing: Charges often vary based on vehicle type, emission levels, time of day, and specific road sections.
- Revenue Allocation: Countries differ in how they allocate the revenue from road pricing, with some dedicating it to transport infrastructure and others using it for general budgets.

## 5. Considerations for Implementation:

### - Public Acceptance:

Successful implementation often requires clear communication of benefits and transparent use of generated funds.

### - Infrastructure

**Investment:** Revenue is frequently used to improve roads and public transportation alternatives.

### - Environmental Goals:

Many schemes are designed to reduce emissions and promote sustainable transport.

### - Equity Concerns:

Countries must address potential disproportionate impacts on certain groups or regions.

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## 6. Cross-Border Coordination:

The EU framework aims to ensure interoperability and fairness across member states, particularly for international traffic.

## 7. Future Trends:

There's a general trend towards more sophisticated, distance-based systems and increased integration of environmental costs into pricing structures.

Overall, while the EU provides a common framework, the specific implementation of road pricing varies significantly across European countries, reflecting local priorities, infrastructure needs, and political considerations.

Citations:

[1] <https://www.sciencedirect.com/science/article/abs/pii/S0966692313001804>

[2] <http://www.itskrs.its.dot.gov/2011-100565>

[3] <https://climatehealthvidence.org/case-studies/urban-road-pricing-schemes-london-stockholm-and-milan>

[4] <https://edenredbenefits.com/congestion-pricing-3-lessons-we-can-learn-from-europe/>

[5] [https://transport.ec.europa.eu/transport-modes/road/road-charging\\_en](https://transport.ec.europa.eu/transport-modes/road/road-charging_en)

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**RE: *Portland's I-5 bridge replacement and potentially other projects, historically, like the bridge from Astoria to Washington state.***

Toll roads play several important roles in funding transportation systems:

**1. Direct revenue generation:** Tolls provide a significant source of funding for transportation infrastructure. In 2015, toll facilities in the U.S. generated over \$14 billion in revenue annually [2]. This revenue helps fund construction, maintenance, and operations of roads, bridges, and tunnels.

**2. Supplementing other funding sources:** Toll revenues help supplement declining gas tax revenues and insufficient federal/state funding. With the federal gas tax not raised since 1993 and losing purchasing power, tolls provide an alternative funding mechanism [2].

**3. User-based funding:** Tolls establish a direct connection between use of a road and payment for that use. This "user pays" principle is seen as a fair way to fund infrastructure [2].

**4. Financing new projects:** Toll revenue or the promise of future toll revenue can be used to finance construction of new highway, bridge and tunnel projects that may not otherwise be built [1].

**5. Managing congestion:** Tolling can be used to manage traffic congestion through variable pricing [1]. This improves efficiency of existing infrastructure.

**6. Providing dedicated funding:** Unlike gas taxes that go into general funds, toll revenues are typically dedicated specifically to the tolled facility or transportation system [4].

**7. Accelerating project delivery:** The ability to use toll financing can allow projects to be built years sooner than if relying solely on traditional funding sources [1].

However, there are also some criticisms of toll roads as a funding mechanism:

- High administrative costs compared to fuel taxes [4]
- Diversion of revenues to non-transportation uses in some cases [4]
- Inequitable impacts on some users
- Less efficient for funding a national highway system compared to other options [4]

Overall, while not without drawbacks, toll roads play an increasingly important role in supplementing traditional transportation funding sources in the U.S. Their use is likely to continue expanding as states seek new ways to fund infrastructure needs.

Citations:

[1] <https://liberalarts.temple.edu/sites/liberalarts/files/Reason-Foundation-2007.pdf>

[2] [https://www.ibtta.org/sites/default/files/documents/MAF/Talking%20Points\\_2017.pdf](https://www.ibtta.org/sites/default/files/documents/MAF/Talking%20Points_2017.pdf)

[3] <https://utcm.tti.tamu.edu/tfo/highway/tolls.stm>

[4] <https://www.mhlnews.com/transportation-distribution/article/21124194/where-the-toll-money-goes>

[5] <https://arcb.com/insights/the-logistics-of-road-tolls-how-tolling-impacts-the-transportation-industry>

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