



Cost Responsibility Principles Through Highway Cost Allocation Process

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Principles of Oregon Highway Finance (System)



Public Finance (Government owned) system



Financed through taxes and fees, Simulating Road user fee.



Revenue are constitutionally restricted to be only used for constructing, improving, and maintaining roads.



Road users (weight classes) are required constitutionally to pay in proportion to the costs for which they are responsible.

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**.

Cost Responsibility, 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.**"*

Highway Cost Allocation Study(HCAS)

- 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
- 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.
- Constitutionally required every two year (IX section 3a).
- ORS 366.506(4) requires a report on the results of the study or examination of data shall be **submitted to the legislative revenue committees** and the legislative committees with primary responsibility for transportation by January 31 of each odd-numbered year.

Highway Cost Allocation in Oregon

For almost 80 years, Oregon has based the financing of its highways on the principle of cost responsibility:

- 2025 is Oregon's 24th study; the first was in 1937 by Conde McCullough
- Since 1999, Oregon's constitution requires a study biennially, and adjustment of rates if necessary (IX section 3a, ORS 366.506)
- The 2023 session required 3 biennia lookback study which was conducted by OSU College of Engineering. (2017,19,21)
- The 2023 session also changed requirements to have lookback and forward
- The 2025 HCAS study is being prepared by ECONorthwest.

All studies are conducted under the guidance of a Study Review Team comprised of stakeholders and experts.

Basic Approach of Study

Oregon's traditional HCAS is prospective, with equity ratios predicted for upcoming biennium based on:

- Vehicle miles traveled (VMT) forecasted by ODOT as part of their revenue forecasting process
- Expenditures as forecasted by agency budget requests and STIP
- Revenue forecast, which assumes current-law instruments and rates
- Allocate projected expenditures (responsibilities) to vehicle classes.
- Attribute projected revenues (tax payments) to vehicle classes.
- Calculate equity ratio $= (\text{revenue forecast} / \text{expenditures allocated})$ for each class or group of vehicles:
 - Ratio < 1 : Underpayment
 - Ratio $= 1$: Class pays its "fair share"
 - Ratio > 1 : Overpayment
- (2023 Study) 1.358 Heavy, and 0.878 light

Equity Ratio over time

Equity Ratio, Full-Fee		
	Basic	Heavy
2011	1.00	1.01
2013	0.99	1.01
2015	1.00	1.00
2017	1.01	0.99
2019	0.98	1.03
2021	0.93	1.16
2023	0.88	1.32

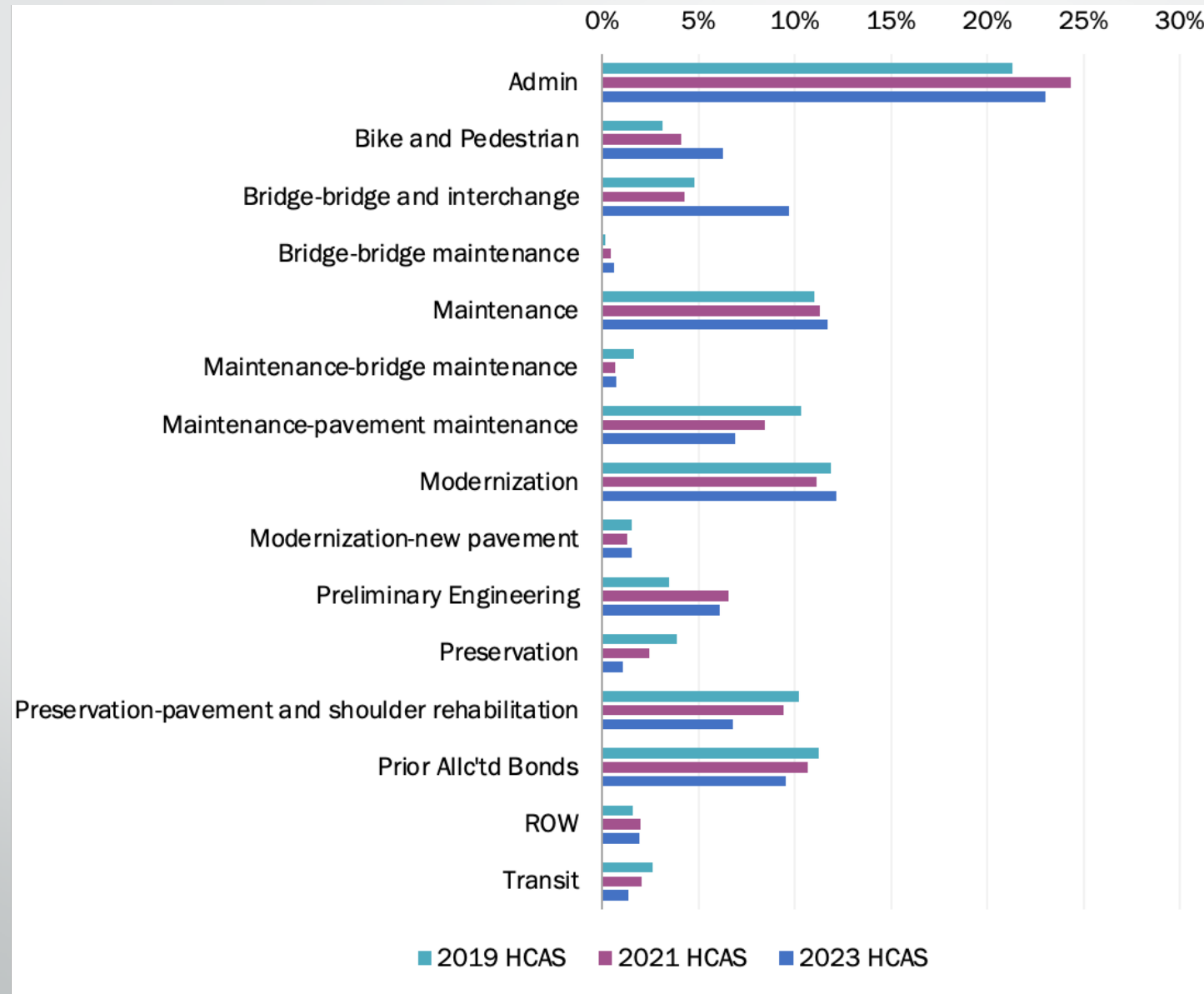
Basic vehicles – Under 10,000 lbs.
Heavy vehicles – Over 10,000 lbs.

Change in Cost Shares in the last three studies

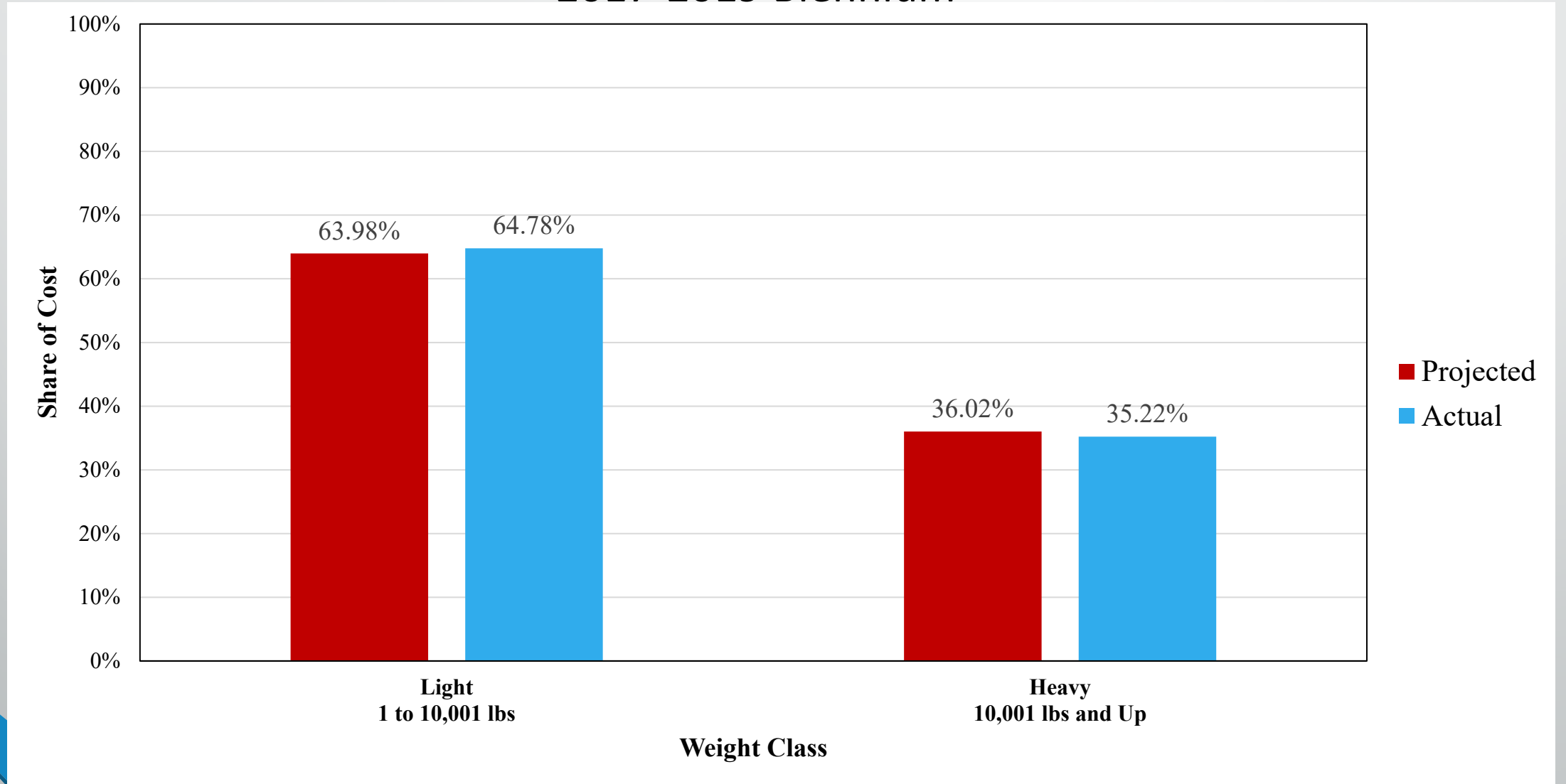
Share of Cost Responsibility			
Declared Weight	2019	2021	2023
1 to 10,000	67%	70%	72%
10,001 to 26,000	4%	4%	3%
26,001 and up	29%	27%	24%
Total	100%	100%	100%

Cost responsibility for basic vehicles has grown over time.

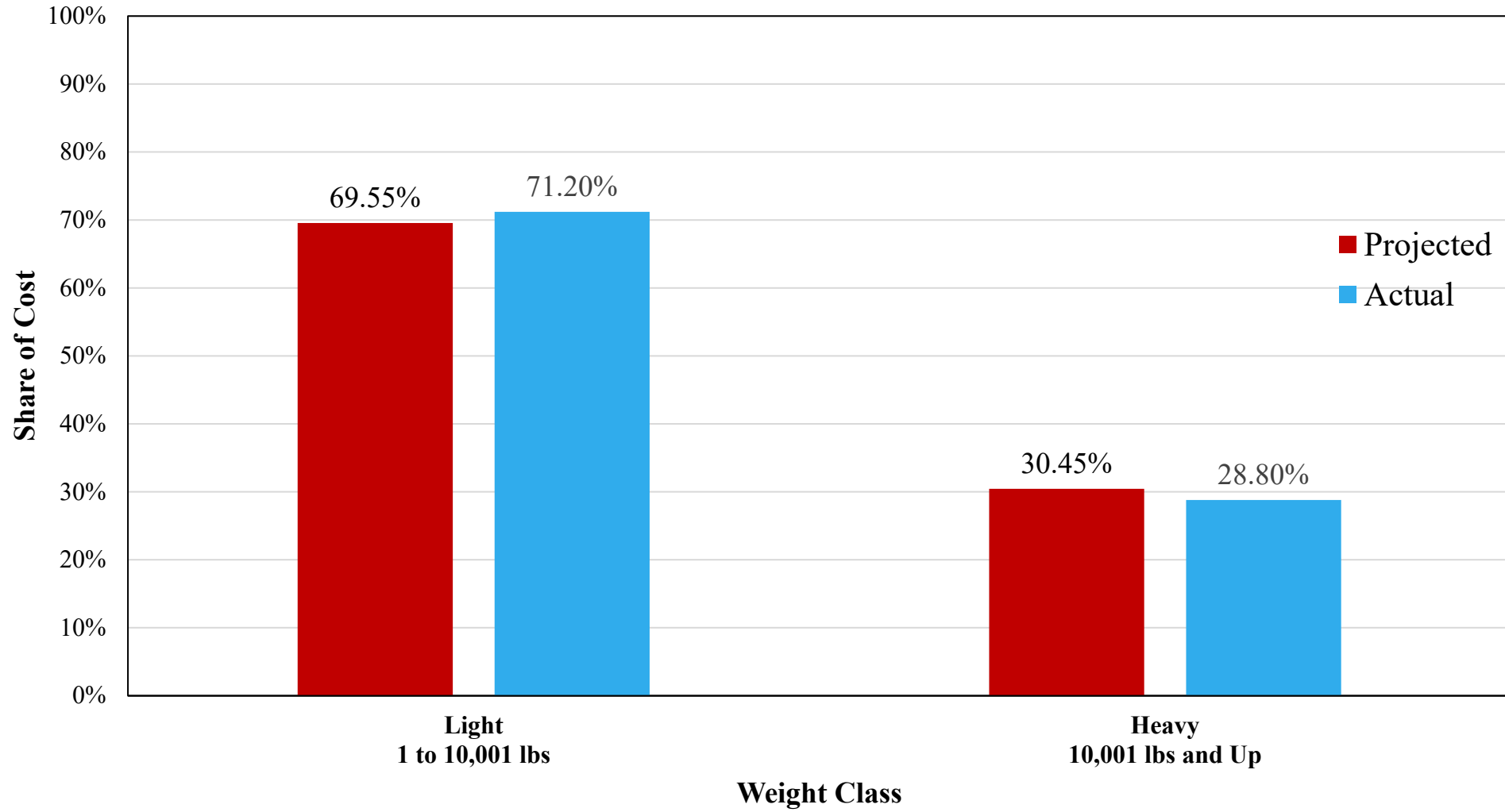
Costs by Work Type 2019-2023



3 BN study Share of Cost (Full-Fee) 2017-2019 Biennium



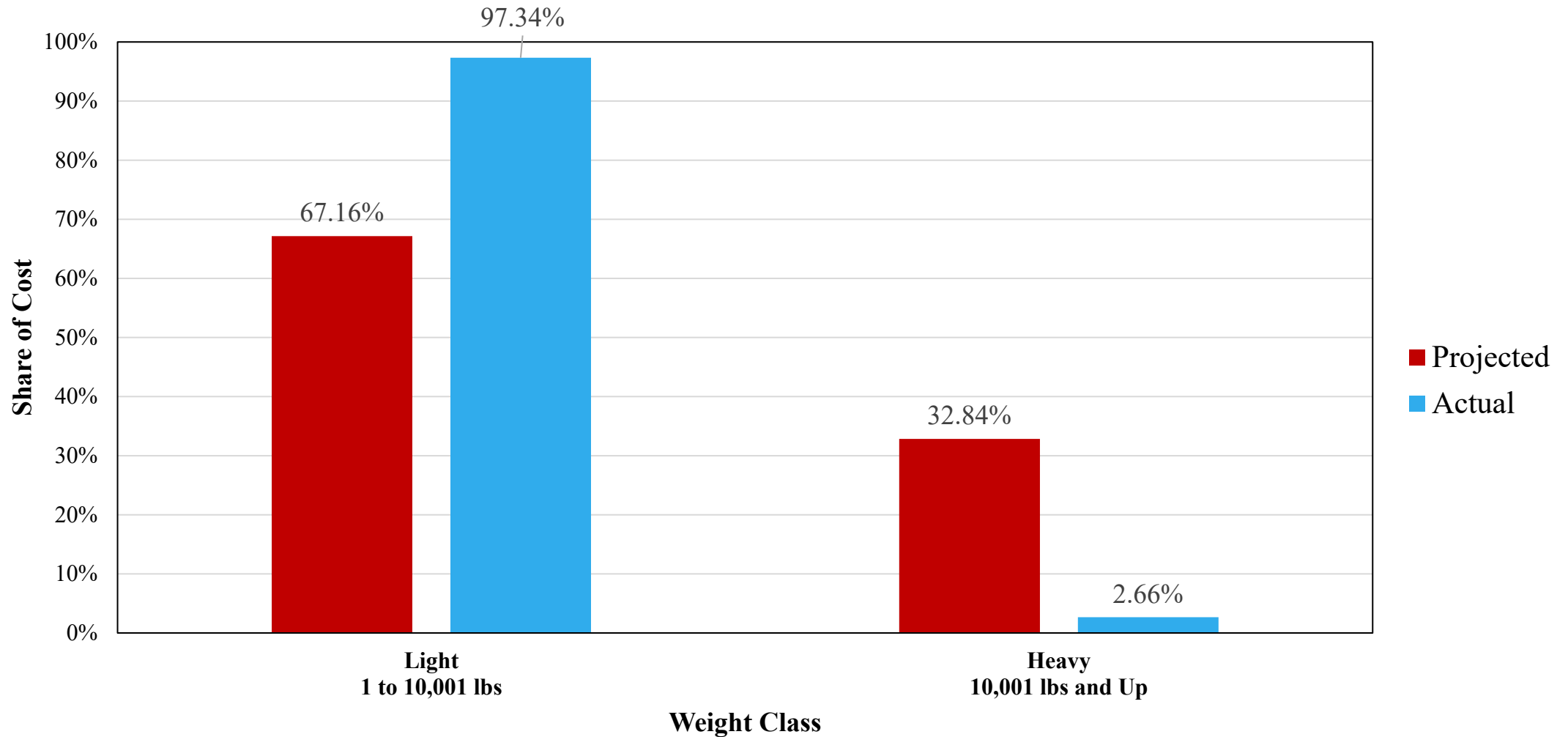
3 BN study Share of Cost (Full-Fee) 2021-2023 Biennium



3 BN study

Share of Cost (Full-Fee)

2019-2021 Biennium



Questions

