

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: HB 2101 A**

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

Prepared by: Tim Walker
Reviewed by: Amanda Beitel, Michelle Deister
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Measure Description:

Directs Department of Transportation to establish local transportation program to provide state funding in exchange for federal surface transportation funding available to cities and counties.

Government Unit(s) Affected:

Cities, Counties, Department of Transportation

Summary of Fiscal Impact:

Costs related to the measure are anticipated to be minimal at this time - See explanatory analysis.

Analysis: The measure directs the Department of Transportation, each year, to determine the amount of funding necessary to fund transportation projects specified by law by the Legislative Assembly, matching sums of money needed to spend federal funds, highway maintenance, programs more efficient to operate using state money, and other purposes for which federal funds cannot be used. The measure also specifies that, from state funds remaining after setting aside the above, the Department shall allocate \$35 million per year from revenue derived through HB 2017 (2017) to counties, cities with populations of 5,000 or more located outside of a metropolitan planning organization, metropolitan planning organizations with a population of less than 200,000, the League of Oregon Cities or the Association of Oregon Counties. ODOT must backfill any such transfer to local governments with federal surface transportation funding. If, after the sufficiency analysis, it is determined that this amount is unavailable, ODOT must allocate federal funds for the difference, in an amount of up to \$35 million, to local governments.

ODOT has historically operated a fund exchange program that provides cities and counties the option to exchange (or trade) federal funds they receive for State Highway Funds. This arrangement, known as the “local government fund exchange,” resulted in a variable exchange rate, most recently about \$0.90 for every \$1.00, though rates have fluctuated according to total federal funds awarded to Oregon each year. This has allowed local governments to avoid federal funding requirements but has also resulted in fewer State Highway Funds available over time to ODOT for operations and maintenance. ODOT anticipates that operations and maintenance expenses will exceed available State Highway Fund revenues available for operations and maintenance in the 2025-27 biennium; thus, ODOT sought to end the program to retain as much operations and maintenance funding as possible. The measure would require ODOT to undertake revenue transfers of \$35 million per year out of ODOT’s HB 2017 (2017) revenues after determining the amounts needed to support transportation projects, federal match, maintenance, and other uses specified in the measure. This amount is roughly equivalent to what ODOT has recently been providing under the local government fund exchange program. Since there is no change to ODOT’s relative fiscal position compared to current practice, the fiscal impact of this measure to be minimal.