

# HB 3991: Budget Impacts, Implementation, and Outcomes

Travis Brouwer, ODOT Deputy Director

Daniel Porter, Finance and Budget Division Administrator

Joint Committee on Transportation

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# HB 3991 Overview

- Provides ODOT resources to avoid layoffs and other deep reductions in 2025-2027 biennium
- Increases local government funding by about 30%
- Provides a temporary boost to public transportation funding
- Makes major policy changes to how we fund transportation and how we tax trucks
- Improves accountability for outcomes through more audits and oversight



# Revenue Sources

## State Highway Fund:

- 6 cent/gallon gas tax increase
- \$42 increase in base registration fee
- \$30 increase in supplemental registration fees for 40+ mpg vehicles
- \$139 increase in standard title fee
- Per-mile road usage charge for EVs and hybrids starting in July 2027—starting with existing EVs, followed by new EVs then hybrids/plug-in hybrids

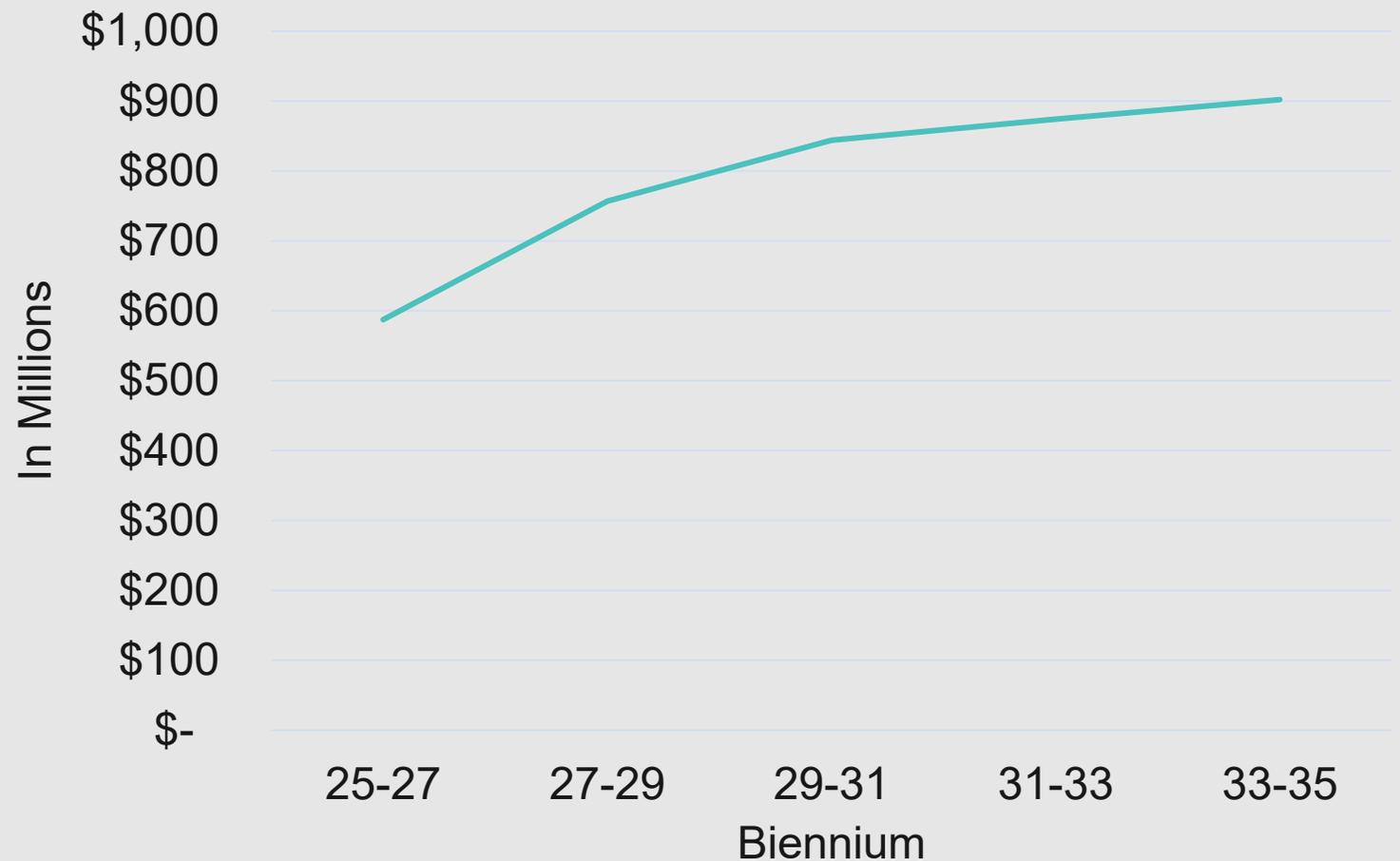
## State Transportation Improvement Fund:

- 0.1% increase in payroll tax for public transportation with sunset



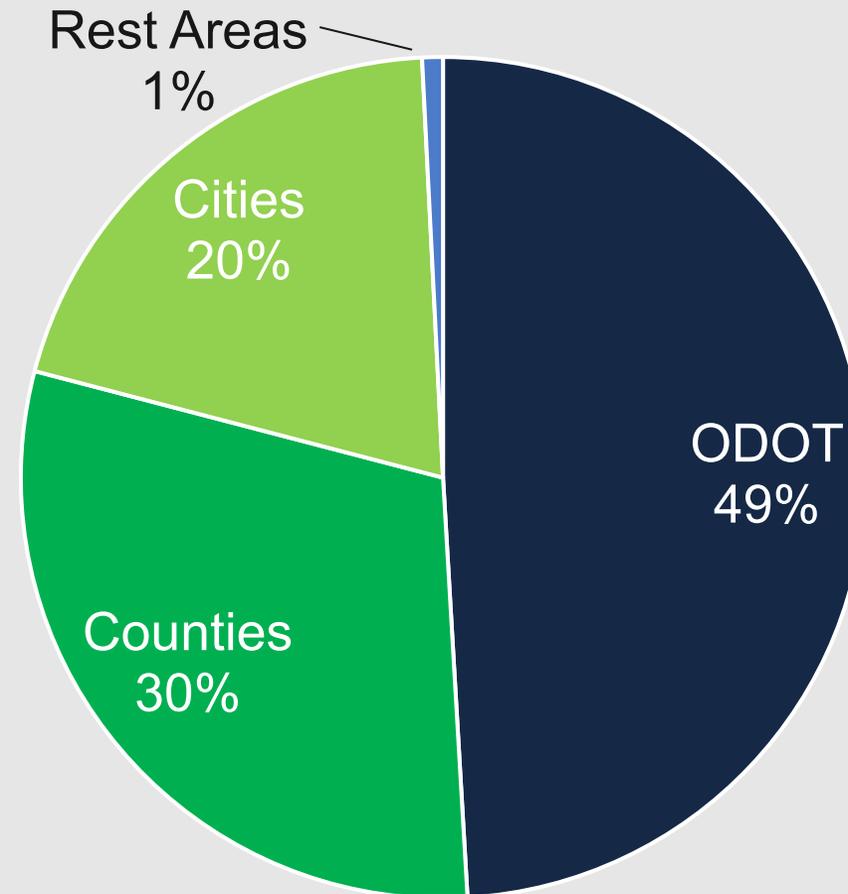
# HB 3991 Total State Highway Fund Revenue by Biennium

- Revenue increases available in January
- Revenue increases through 29-31 as new revenue sources come online and then flattens



# HB 3991 Distribution of State Highway Fund Revenue

- Funds generally distributed by typical 50/30/20 formula
- Local governments get about 30% increase in funding
  - 1.37% of county share goes to small counties
  - Small Cities program increased by \$1M split between ODOT and city share
- \$3M from ODOT's share goes to Travel Information Council annually to avoid service reductions at rest areas



# Impacts on ODOT

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- All State Highway Funds will go to operations and maintenance
- ODOT is rescinding current layoffs which will prevent deep reductions in O&M spending
- Legislatively Adopted Budget includes budget and position reductions this biennium that build on past reductions—about \$150 million total in 2025-2027 compared to past levels



# ODOT Departures

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Agency employee departures increased:

- **60 percent** over 2024 levels (June 27 – Sept. 18)

<b>June 27 – Sep. 18</b>	<b>2024</b>	<b>2025</b>
Total Employee Resignations	131	<b>206</b>
Resignations on Layoff List	N/A	<b>54</b>
Total Retirements	31	<b>55</b>

# Hiring

- ODOT is beginning to recruit vacant frontline maintenance positions to ensure effective winter operations
- Next wave of recruitment will focus on DMV frontline customer service staff and critical vacancies across the agency
- Hiring will be phased over many months and may leave some positions vacant



# Operations & Maintenance Outcomes in Short Term



## Vacancy Hires

- Vacancy hires will **prioritize frontline maintenance, operations, and DMV customer service staff**



## Incident and Event Response

- **Maintains traffic control measures** to clear incidents quickly and ensures continued **emergency traffic control during wildfires** and other emergencies



## Maintenance Personnel and Facilities

- **Saves 382 jobs** and **prevents closures** of 12 maintenance facilities



## Project Delivery

- Saves jobs needed to **deliver hundreds of projects** on state highways and local roads



## Winter Maintenance

- **Targeting continuation of 2024-25 winter season level of service:** hiring timelines present challenges.
- Keeps critical **mountain passes open**, clears Sno-Parks, and performs edgeline striping on low-volume roads



## DMV Services

- Allows DMV to fill vacant jobs in field offices to **reduce wait times, keep offices open, and better serve customers**



## Litter and Graffiti Clean Up

- Allows for continued partnership with the City of Portland and contractors to **keep state highways in the metro region clean and safe**



## Administrative Support

- Ensures ODOT has the IT staff to **maintain computer systems** that serve millions of customers at DMV

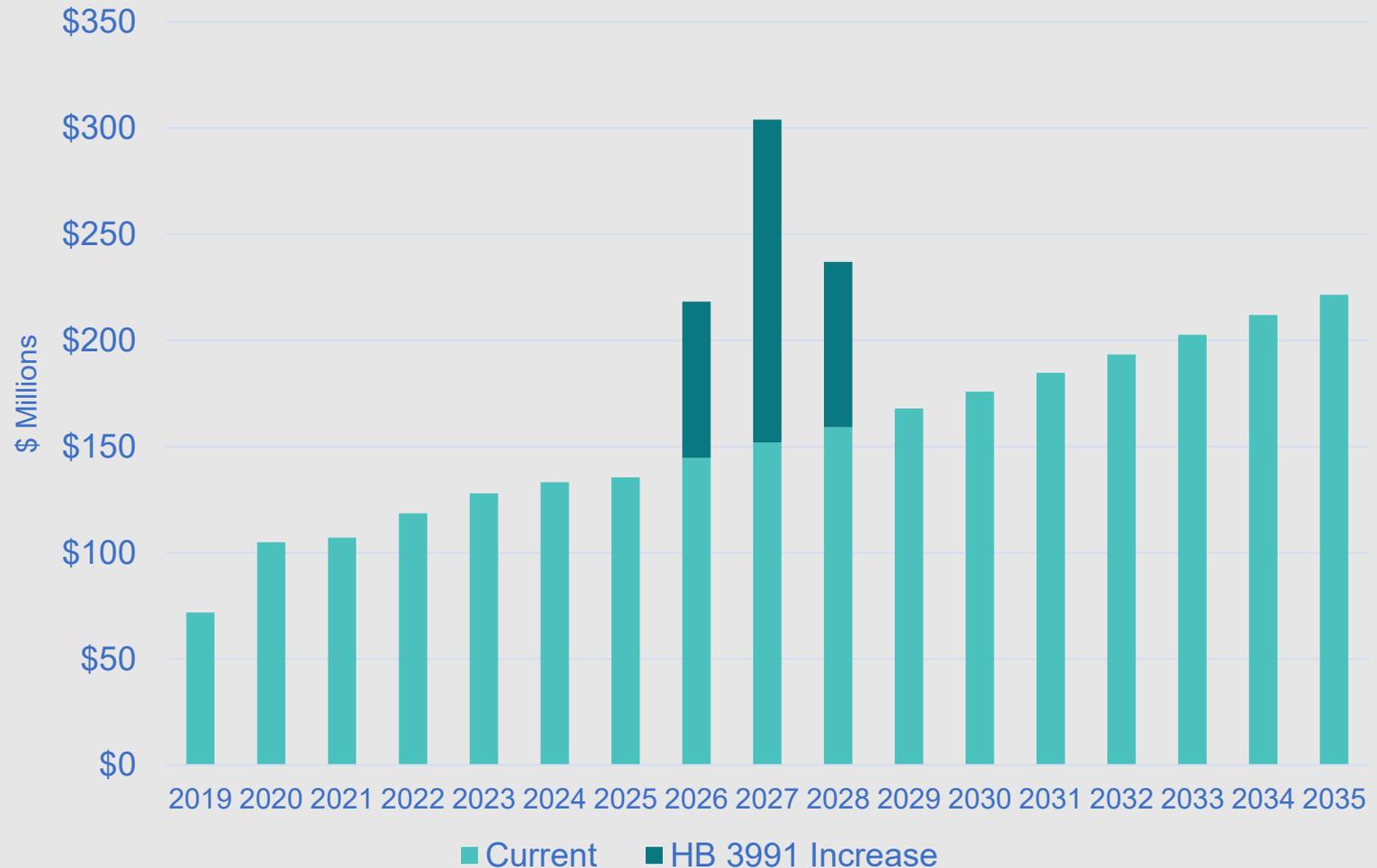


## Budget Implications of HB 3991 Over the Coming Biennia

- **2025-27:** Most ODOT funding restored, but some additional reductions made in LAB (on top of reductions in 23-25 LAB)
- **2027-29:** Inflation likely to outpace growth in revenue, so additional spending reductions may be necessary
- **2029-31:** ODOT likely to be back into budget-cutting mode

# Public Transportation

- Increases payroll tax from 0.1% to 0.2% January 1, 2026
- Reverts to 0.1% on January 1, 2028
- Funding will flow to 42 Qualified Entities (and from there to transit providers) starting July 1, 2026





# Road Usage Charge

- Oregon becomes just second state (after Hawaii) to implement mandatory road usage charge for efficient vehicles
- Rate set at 2.3 cents per mile to ensure efficient vehicles pay their fair share
- Existing EVs start paying per mile charge when they come up for renewal after July 1, 2027
- New EVs join starting January 1, 2028
- Hybrids join starting July 1, 2028
- Participants will have opportunity to opt out of sharing mileage by paying \$340 annual flat fee
- Implementation will be through account managers who offer a range of options



# Cost Responsibility and Highway Cost Allocation Study

- Changes to tax rates for light vehicles will address inequity between light vehicles and heavy vehicles
- DAS will review HCAS methodology
- If light vehicles and heavy vehicles are out of equity by more than 5%, DAS can adjust rates downward to achieve equity beginning in 2030

# Truck Taxation



## July 1, 2027 Weight-Mile Tax Simplification

10 tax rates down from 80+  
Flat fees adjusted  
Administrative savings



## July 1, 2029 Commercial Vehicle Registration System

Commercial vehicle registration  
with IRP/IFTA  
IFTA statute/enforcement  
Dyed diesel enforcement  
Improved safety oversight



## July 1, 2029 New Hybrid Model Implemented

New hybrid model for improved  
cost responsibility  
Heavy vehicles pay fuels tax and  
reduced WMT rates  
Electric trucks pay WMT  
Flat fees adjusted

OARs, Policies and Procedures, Communications

# Improving Accountability and Oversight

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- Biennial audit by Secretary of State
- Legislative Policy and Research Office review
- Hiring and retention of ODOT Director shifts to Governor
- Greater oversight of major projects by CIAC and Joint Committee on Transportation
- Review of project budget/scope additions from local governments by OTC and JCT



# Improving Major Project Oversight and Delivery

- CIAC and JCT will provide greater accountability and oversight on major projects over \$250 million
- CIAC will include Commissioners, ODOT Director, Chief Engineer, and experts in NEPA and major projects
- CIAC will meet monthly and:
  - Report quarterly to the OTC and JCT on status of performance measures
  - Report quarterly to OTC and JCT on ways ODOT and OTC can execute their duties more efficiently
- JCT will:
  - Review scope, schedule, and budget of major projects on a quarterly basis
  - Review local requests for project scope expansion



# Implementation Reporting, Transparency, & Accountability

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ODOT is developing an implementation tracking and reporting system for OTC, the Legislature, stakeholders, and the public.

Key workstreams include:

- DMV fee and fuels tax rate changes
- CIAC modifications
- RUC implementation
- WMT simplification implementation
- Diesel point of taxation change
- Distribution of STIF Funds

A blue bus is driving away from the viewer on a two-lane asphalt road that curves through a hilly, arid landscape. The terrain is covered in dry, yellowish-brown grass. In the distance, a prominent mountain peak with a snow-capped summit is visible under a clear, bright sky. The overall scene is captured from an elevated perspective.

Questions?