

Testimony of John A. Charles, Jr.  
Regarding LC 2  
Before the Joint Interim Committee on Transportation Funding  
August 22, 2025

### Summary

My name is John Charles, and I am President of Cascade Policy Institute. Cascade is a nonprofit policy research organization that works to find common sense solutions to policy problems.

We have reviewed LC 2, and have two suggestions related to Sections 16-25:

1. Repeal most statutory restrictions on ODOT's use of SHF revenue; and
2. Begin paying down ODOT's debt service with lottery funds.

### Analysis

In the Governor's *Special Session Transportation Budget Framework*, she defines the problem as an ODOT "budget gap" that needs to be addressed with a "funding solution." Neither of these phrases tell us anything about the causes of ODOT's financial crisis.

The conventional wisdom is that the *cause* is a lack of revenue for ODOT. Legislators, lobbyists, and journalists have described the problem variously as "declining revenue," a "dwindling gas tax," "shrinking returns from the gas tax," or even "nosediving fuel tax revenues."

This analysis is not supported by evidence. ODOT's financial statements [online](#) show that total net revenue for the agency **grew by 30% from 2018 to 2024.**

Revenue from motor fuels taxes, titling and registration of vehicles, driver license fees, business license fees, charges for service, other sales income, and investments all reached **record highs in 2024.**

Since 2011, annual gas tax revenue has gone up from \$389 million to \$652 million.

Lack of funding is not the reason ODOT is about to eliminate 932 positions. The real problem is two-pronged:

- Too many statutory restrictions on existing revenue; and



- Too much debt service on highway user tax bonds.

In prior testimony, ODOT representatives have provided information (attached) showing the spending constraints imposed by the three OTIA programs, JTA, and HB 2017. These restrictions have required ODOT to spend most new SHF revenue on capital projects and modernization, with little available for maintenance.

I suggest you amend LC 2 to unwind those restrictions and allow ODOT to allocate resources to the most pressing needs.

OTIA, JTA, and HB 2017 also authorized the sale of more than \$3.9 billion in highway user tax bonds. The annual debt service on these bonds has ***grown at a much faster rate*** than ODOT's revenue, as shown in the attached graph. Annual debt service has increased from \$70 million in 2007 to \$358 million in 2024 and is forecasted to be \$732 million in the 2025-27 biennium.

To paraphrase Warren Buffett, debt service has become a tapeworm eating the ODOT maintenance budget.

I suggest you begin paying off these bonds with lottery revenues, freeing up ODOT's gas tax funds for services that Oregonians expect and have already paid for.

Keep in mind that lottery revenues are not derived from taxes; they come from people who voluntarily choose to play games of chance. If you refinance the bond debt with lottery funds, ODOT's available gas tax revenue will go up by more than 50% without a tax increase.

### **Transit funding**

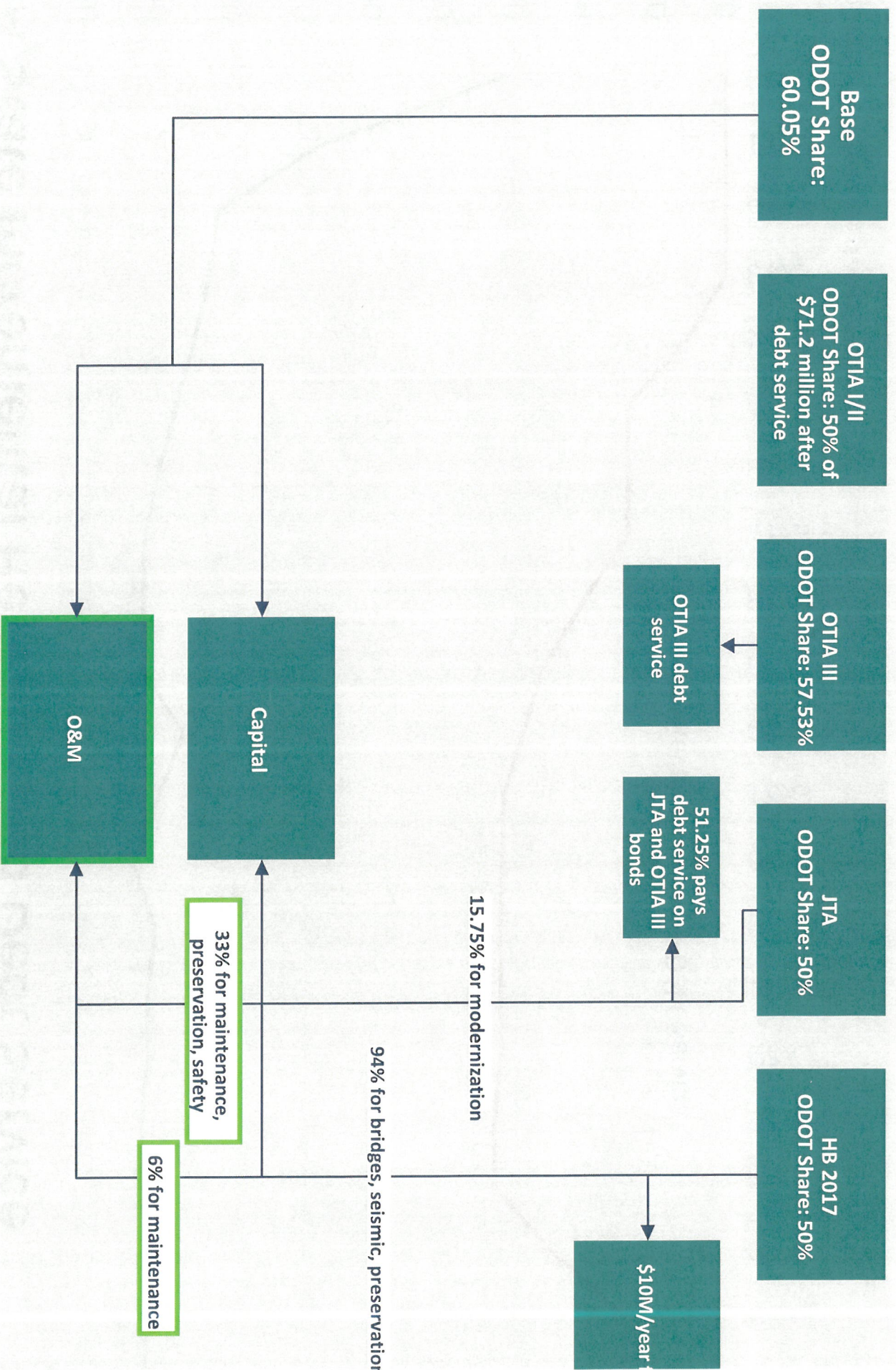
Public transit districts have created another funding myth, namely that they can only survive if the state legislature doubles or triples the statewide payroll tax. But as we show in the attached graphs, the transit funding crisis is largely the result of choices made by districts themselves. They have simply given up trying to contain costs or increase revenue. In fact, a number of smaller districts have stopped charging fares.

It should be obvious that if transit providers are giving away their service for free, there is no subsidy strategy that can work. There is simply not enough of other people's money.

Transit districts need to get their own houses in order before requesting money from taxpayers. My suggestion is that any transit district requesting state assistance be required to cover at least 51% of operating costs from the farebox. If riders are not willing to pay at least half the cost of operations when capital costs are 100% subsidized, then the service itself is not worth providing.

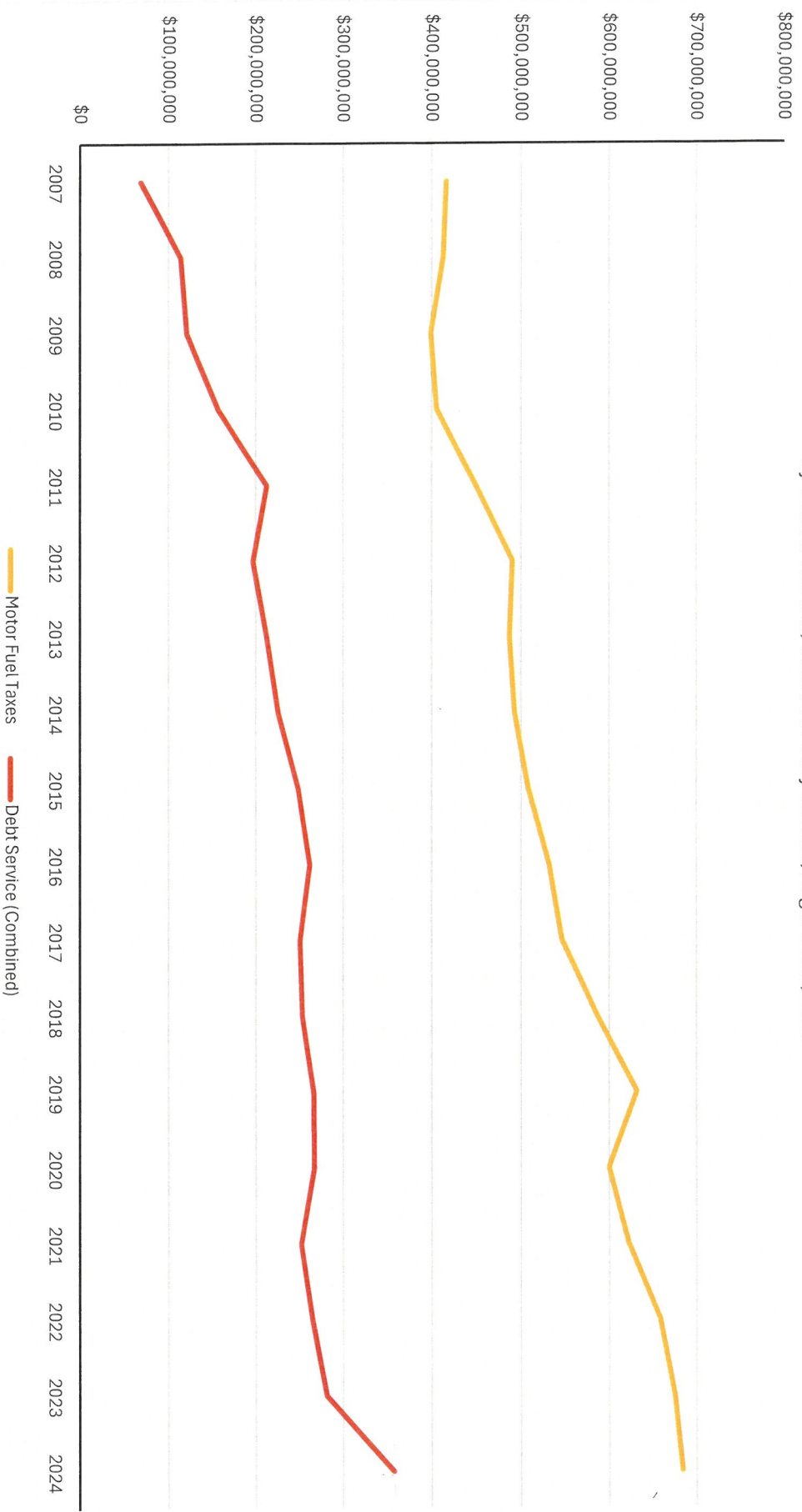


# ODOT's Statutory Uses of State Highway Fund



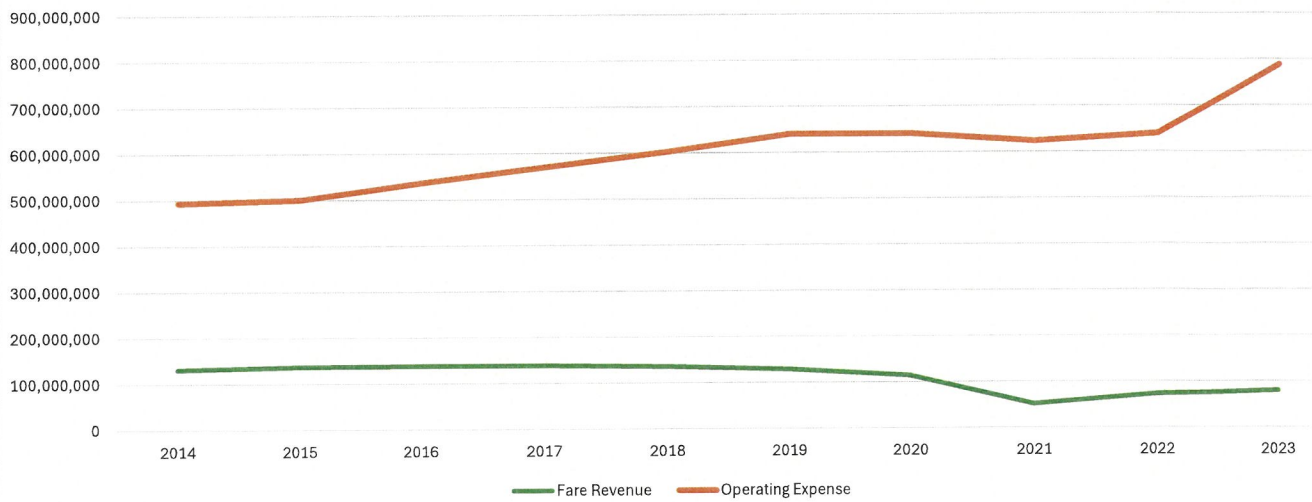
## Gas Tax vs Debt Service

By Connor Roberts, Cascade Policy Institute, August 15th, 2025



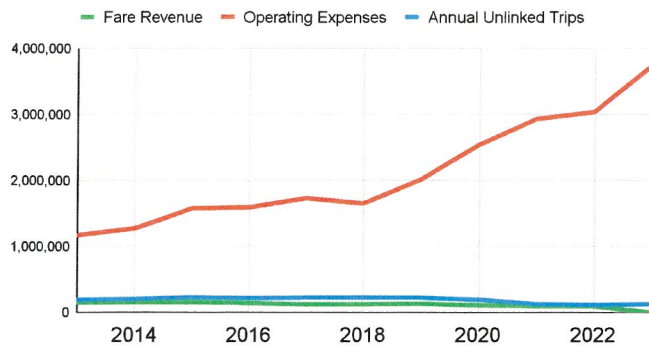
## STIF Recipients >\$1,000,000

By Connor Roberts, Cascade Policy Institute, August 15th, 2025

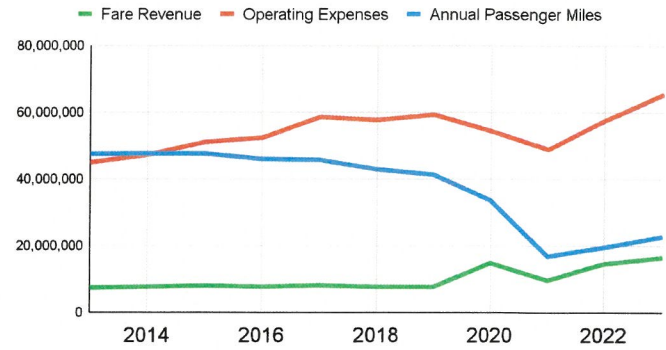




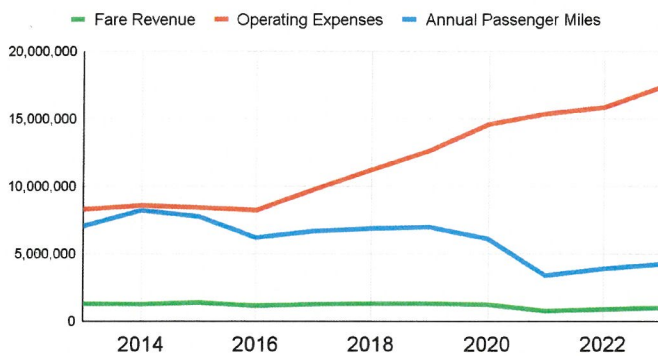
### Josephine County Transit



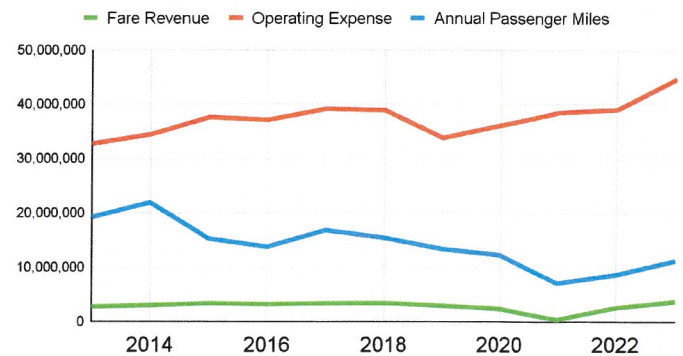
### Lane Transit District



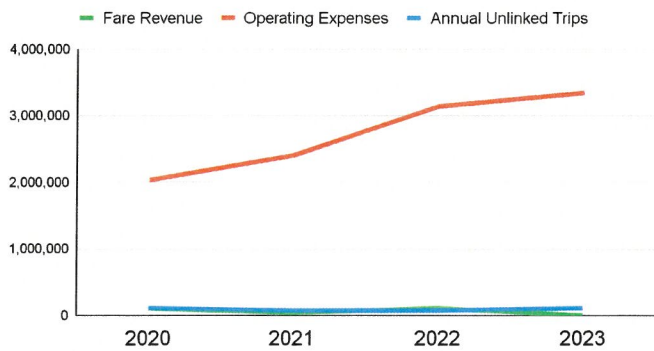
### Rogue Valley Transit



### Salem Area Mass Transit District



### Umpqua Public Transit



### Yamhill County Transit

