

August 26, 2025

TO: Joint Committee on Transportation Funding

FR: Duke Shepard, Oregon Business & Industry

RE: LC2

Co-Chairs Fahey and Wagner, Co-Vice Chairs Bonham and Drazen and Members of the Committee:

OBI is a statewide association representing businesses from a wide variety of industries and from each of Oregon's 36 counties. In addition to being the statewide chamber of commerce, OBI is the state affiliate for the National Association of Manufacturers and the National Retail Federation. Our 1,600 member companies, more than 75% of which are small businesses, employ more than 250,000 Oregonians.

Functioning, modern transportation infrastructure is necessary for economic health. It's the basis for the efficient, safe movement of people and goods. This is why OBI has maintained a desire to support smart, effective transportation investments. We entered the 2025 session eager to see a back-to-basics transportation package that we could support. That did not materialize. And now, as conversations have moved from a more robust transportation package to a shorter-term operations and maintenance package, we again find ourselves unable to support the proposal.

LC 2 is overly broad and inconsistent with OBI's adopted [Transportation Policy Principles](#).

There are four main areas we wish to address.

First is the bright spot. OBI is pleased to see the Legislature at long last taking steps to adhere to its constitutional duty regarding cost allocation. We urge lawmakers now, and in the future, to continue to prioritize policies that comply with the Constitution and to protect against policies that require specific industries or vehicles to pay more than their fair share.

Second, there is no mention of how ODOT will finally bring to completion the projects promised to Oregonians in 2017. Revenue was raised on the premise of those uncompleted projects.

Third, while LC 2 makes attempts at improved accountability, the proposal does not in fact inspire confidence that Oregonians will see improved results or follow-through. The Continuous Improvement Committee lacks operational and fiscal expertise. This omission is a serious flaw. Audits are informative but only provide after-the-fact accountability, if they are even acted upon. The bill emphasizes process over results, leaning heavily on retrospective reports, with no measurable outcomes or real-time accountability. Further, the National Environmental Policy Act (NEPA) expertise requirement is undefined and contains no safeguards against potential conflicts of interest.

Fourth, but most important—and most troubling—is the proposal to double the statewide transit payroll tax on working Oregonians. The special session was premised on preventing cuts in ODOT staffing and preserving maintenance and hazard response on roads. Governor Kotek stated, "The special session will be focused on critical near-term solutions to stabilize basic functions at ODOT and local governments.

This is just the first step of many that must be taken to meet our state's long-term transportation needs." A *doubling* of the statewide payroll tax for transit does not meet this threshold. Oregonians are struggling with high costs of living and increasing this payroll tax will exacerbate this problem. Job reports and economic forecasts are not good...and getting worse. Now is not the time to impose increased costs on Oregonians, particularly when nothing is done to address issues of utilization and ridership. The Legislature's own listening sessions brought forth data that belies an increase—let alone a doubling—of this tax: Ridership across the largest systems has been trending down, some systems do not charge a fare and some haven't raised them for more than a decade, and other systems have woefully low fare recovery ratios. Doubling a payroll tax as Oregonians continue to struggle with lingering effects of a multi-year inflationary spiral requires greater justification than is contained in LC 2 and greater proof of ROI for all those who pay it.

As a final note, while we may be facing an emergency now, it was predictable, avoidable and manageable. The process to develop a transportation infrastructure package was convoluted and lengthy, but without real attention to economic realities, public trust, or diverse stakeholder input. Beyond that, there was sufficient lead time to plan for the lowest risk reduction in services if cuts were in fact required after no package was passed earlier this year.

We do not like to see layoffs and job losses, period. We would urge state leaders to demonstrate the same sense of urgency about private sector job losses. After all, a healthy private sector (and the wages, income, philanthropy and taxes it provides) is, ultimately, what generates increased revenue for government services.

Thank you for the opportunity to provide testimony regarding LC 2. To reiterate, OBI supports transportation infrastructure investments, which are necessary for economic prosperity. However, for the reasons outlined above, OBI urges opposition to LC 2. We look forward to the opportunity to contribute to a more balanced, bipartisan proposal that includes appropriate feedback from key stakeholders and provides a more accountable and focused approach to transportation funding.

Contact: Sharla Moffett at sharlamoffett@oregonbusinessindustry.com
 Duke Shepard at dukeshepard@oregonbusinessindustry.com