

Supplemental Testimony of Section 2 C.F.R. Watcher
Before the Joint Interim Committee on Transportation Funding
Oregon State Legislature
Hearing on LC 2
August 25, 2025 — Hearing Room F, Oregon State Capitol
Submitted by:
Section 2 C.F.R. Watcher
Public Commenter

Exhibit A— Transportation Revenues: Federal Compliance-Bound vs. State Discretionary (2024–2025)

Exhibit A – Transportation Revenues

This exhibit compares Oregon’s federal transportation revenues, which are subject to strict compliance requirements, with state-collected revenues, which are politically managed and far less constrained. Federal awards under the Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) impose binding duties through 2 C.F.R. Part 200, Title VI of the Civil Rights Act, the Americans with Disabilities Act (ADA), and related statutes. These dollars cannot be diverted without risking audit findings or clawback.

By contrast, state revenues collected through gas taxes, payroll taxes, registration fees, and lottery transfers total many billions annually but lack explicit compliance hooks until braided into federal match. Officials routinely present new state tax proposals as necessary to “fund roads,” without disclosing that those same dollars serve primarily as match for already abundant federal funds.

Exhibit A lays out the actual funding picture, demonstrating that Oregon is not facing a shortage of dollars, but rather a shortage of transparency and accountability in how federal and state streams are explained and managed.

Exhibit A-1: Federal Transportation Revenues (Compliance-Bound)

Revenue Source	Approx. Annual Amount	Compliance / Conditions
FHWA Highway Planning & Construction (ALN 20.205)	~\$700M	Restricted to highways; performance, audit, clawback obligations. ¹
FTA Transit Formula Grants (ALN 20.507, 20.526, 20.521)	~\$150M	Restricted to transit; equity, ADA, Title VI, and match obligations. ²

Revenue Source	Approx. Annual Amount	Compliance / Conditions
IIJA/BIL Federal Flexible Funds	~\$412M (one-time) + ~\$1.4B (2022–26)	Project-specific restrictions; performance reporting. ³
USDOT Discretionary Grants (66 active awards)	~\$3.15B (multi-year)	Megaprojects (I-5 Rose Quarter, Interstate Bridge, EV charging); federal procurement standards. ⁴
<u>Total Federal</u>	<u>~\$1.0–\$1.2B annually</u>	<u>All compliance-bound; subject to federal audit and clawback.</u>

Oregon legislators and agencies frequently claim there is “not enough money for roads.” Yet public records show Oregon receives **\$1.0–\$1.2 billion in federal transportation funds annually**, bound by strict compliance requirements under **2 C.F.R. Part 200** and program statutes (23 U.S.C. for highways; 49 U.S.C. for transit). These funds are subject to performance objectives, internal control requirements, audits, and remedies for noncompliance, including clawback.

Exhibit A-2: State Transportation Revenues (Taxpayer-Funded)

Revenue Source	Approx. Annual Amount	Compliance / Conditions
Gas Tax	~\$670M	State constitutional dedication to roads. ⁵
Payroll Tax (Transit match, statewide)	~\$5.25B (biennium \$10.5B)	Used for match; no federal compliance until braided. ⁶
Vehicle Registration Fees	~\$433M	State dedication to roads; not federally tethered. ⁷
Lottery Transfers	~\$1B (biennium \$2B)	Politically directed; sometimes used for bonds or match. ⁸
<u>Total State</u>	<u>~\$7B annually</u>	<u>Politically managed; minimal compliance unless braided into federal match.</u>

At the same time, Oregon collects **approximately \$7 billion annually in state transportation taxes and fees** from Oregonians. While marketed as “for roads,” these dollars primarily serve as the required match for federal awards. Unlike federal dollars, state tax revenues are politically managed and lack explicit federal compliance hooks, leaving taxpayers with minimal accountability assurances.

Narrative Testimony

This comparison **shatters the illusion of scarcity**. ODOT and state officials are not transparent: **federal funds are abundant but compliance-bound, while state taxes are heavy but treated**

as discretionary. By not disclosing this relationship, officials obscure the compliance obligations attached to both streams, denying taxpayers full accountability for how their dollars are used.

Footnotes

1. 23 U.S.C. §§ 101–168; 2 C.F.R. §§ 200.301, 200.303, 200.339.
2. 49 U.S.C. §§ 5307, 5310, 5337; 2 C.F.R. Part 200.
3. Pub. L. 117-58 (Infrastructure Investment & Jobs Act, 2021).
4. 2 C.F.R. §§ 200.317–326; ODOT federal grant tracker, 2025.
5. Oregon Constitution, Article IX, § 3a.
6. ORS 320.550; 49 U.S.C. § 5307 (match requirement).
7. ORS 803.420; Or. Const. Art. IX, § 3a.
8. ORS 461.540.