



Legislative Fiscal Office  
83<sup>rd</sup> Oregon Legislative Assembly  
2025 1st Special Session

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**Bill Title:** Directs the Division of Audits to conduct performance audits of the Department of Transportation.

**Government Unit(s) Affected:** Oregon Liquor and Cannabis Commission, Information Technology, Department of Forestry, Counties, Department of Aviation, Department of Revenue, Judicial Department, Legislative Policy and Research Office, Parks and Recreation Department, Special Districts, Cities, Department of Agriculture, Department of Fish and Wildlife, Department of Transportation, Metro, Secretary of State, Department of Administrative Services, Department of State Police, Marine Board, School Districts, Oregon Military Department, Department of Justice, Employment Department, Department of the State Fire Marshal, Department of Education, Oregon Lottery Commission, District Attorneys, Public Defense Commission, Department of Corrections

**Summary of Fiscal Impact**

| 2025-27 Biennium                       | General Fund      | Lottery Funds | Other Funds           | Federal Funds | Total Funds           | Positions | FTE          |
|----------------------------------------|-------------------|---------------|-----------------------|---------------|-----------------------|-----------|--------------|
| Oregon Department of Transportation    | \$ -              | \$ -          | \$ 204,370,725        | \$ -          | \$ 204,370,725        | 20        | 12.50        |
| Secretary of State                     | \$ -              | \$ -          | \$ 479,446            | \$ -          | \$ 479,446            | 2         | 1.50         |
| Department of Administrative Services  | \$ 500,000        | \$ -          | \$ -                  | \$ -          | \$ 500,000            | -         | -            |
| Legislative Policy and Research Office | \$ 300,000        | \$ -          | \$ -                  | \$ -          | \$ 300,000            | -         | -            |
| <b>Total Fiscal Impact</b>             | <b>\$ 800,000</b> | <b>\$ -</b>   | <b>\$ 204,850,171</b> | <b>\$ -</b>   | <b>\$ 205,650,171</b> | <b>22</b> | <b>14.00</b> |

| 2027-29 Biennium                       | General Fund | Lottery Funds | Other Funds           | Federal Funds | Total Funds           | Positions | FTE          |
|----------------------------------------|--------------|---------------|-----------------------|---------------|-----------------------|-----------|--------------|
| Oregon Department of Transportation    | \$ -         | \$ -          | \$ 356,137,314        | \$ -          | \$ 356,137,314        | 33        | 26.63        |
| Secretary of State                     | \$ -         | \$ -          | \$ 639,263            | \$ -          | \$ 639,263            | 2         | 2.00         |
| Department of Administrative Services  | \$ -         | \$ -          | \$ -                  | \$ -          | \$ -                  | -         | -            |
| Legislative Policy and Research Office | \$ -         | \$ -          | \$ -                  | \$ -          | \$ -                  | -         | -            |
| <b>Total Fiscal Impact</b>             | <b>\$ -</b>  | <b>\$ -</b>   | <b>\$ 356,776,577</b> | <b>\$ -</b>   | <b>\$ 356,776,577</b> | <b>35</b> | <b>28.63</b> |

- There is an additional indeterminate impact for school districts, local governments, and state agencies that have fleets, which will have additional costs due to the changes in vehicle fees, fuel taxes, and the road usage charge under this measure.
- The total fiscal impact for the Oregon Department of Transportation includes both operational costs to implement the measure as well as Other Funds expenditure limitation necessary to expend additional payroll tax revenues deposited in the Statewide Transportation Improvement Fund.

**Measure Description**

This measure makes a variety of changes to regulations related to transportation.

**Transportation Funding**

As of the effective date of the measure, taxes for motor vehicle or aircraft fuel are increased from 40 to 46 cents per gallon. Certain Oregon Department of Transportation (ODOT) vehicle titling fees and vehicle registration fees are also increased.

As of January 1, 2026, the payroll tax is increased from 0.1% of employee wages to 0.2%.

Starting July 1, 2027, a per-mile usage charge begins to phase in for vehicles that are not wholly fuel powered. The per-mile road usage charge (RUC) is 5% of the rate of the per-gallon license tax in effect at the time the charge becomes due. The charge is to be phased in starting with used electric vehicles beginning July 1, 2027; new electric vehicles beginning January 1, 2028; plug-in hybrid and hybrid electric vehicles beginning July 1, 2028; and then all vehicles currently subject to a road use charge before July 1, 2031. In lieu of the per-mile charge, vehicle owners or lessors of vehicles may pay a flat annual fee of \$340. ODOT is currently able to contract for administration and collection of the RUC, but starting July 1, 2030, agreements with certified service providers may not permit the provider to retain more than 10% of RUC revenues collected.

As of July 1, 2027, and July 1, 2029, modifications are made to the weight-mile tax. Certain carrier fees and road use assessments are also changed.

As of July 1, 2029, diesel is added to the list of fuels subject to the motor vehicle fuel tax. Diesel is defined to include biodiesel, renewable diesel, and other diesel fuel blends; dyed diesel is not subject to the tax.

As of January 1, 2030, the measure makes changes to the use of the highway cost allocation study conducted by the Department of Administrative Services (DAS). Under specified circumstances, DAS may adopt rules to adjust the per mile carrier tax rates and the motor vehicle and aircraft fuel tax rates on or after September 1 of each odd-numbered years so that whichever vehicle class is estimated to have an equity ratio of 1.05 or greater will be adjusted to have an equity ratio of 1.045. DAS is to repeal these rules if the Legislative Assembly adjusts revenue sources in line with Constitutional requirements after the rules are adopted.

All revenues generated by this measure, including fee revenues, will be addressed in the Revenue Impact Statement (RIS) produced by the Legislative Revenue Office (LRO).

**Allocation of Funds**

The amounts attributable to the increase in fuel taxes and increased registration and title fees, are to be allocated 50% to ODOT, 30% to counties, and 20% to cities.

Of the amounts provided to counties, 1.37% of the 30% is for distribution to small counties. By July 31 of each year, moneys for small counties are to be distributed proportionally to counties with less than 200,000 registered vehicles based on a ratio of road miles maintained by each county to registered vehicles.

The measure increases the amounts available to small cities, from \$5 million to \$6 million, for use on roads that are within or under the jurisdiction of cities of 5,000 or less people. Of the \$6 million, \$3 million is from the revenues allocated to cities, and \$3 million is from the State Highway Fund.

The amount allocated to the Travel Information Council from the State Highway Fund for roadside rest areas is increased from \$9.16 million to \$12.16 million.

Oregon Department of Transportation Operations and Oversight

The measure specifies that the Director of Transportation is to be appointed by the Governor, where previously the director was appointed by the Oregon Transportation Commission (OTC) in consultation with the Governor.

The measure requires the Secretary of State (SOS) Audits Division to conduct a biennial performance audit on the use of moneys in the State Highway Fund and capital projects carried out by the Department. Audits are to be submitted to an appropriate standing or interim committee of the Legislative Assembly, though the measure does not specify how or when the audits should be reported.

The Legislative Policy and Research Office (LPRO) is to enter a professional services contract for a performance audit of ODOT operations, including ODOT management, and whether and how the Department addresses recommendations from a management review that was conducted under SB 5550 (2025). The measure does not specify how or when the audit should be reported, but the requirement is repealed January 2, 2027.

The membership of the existing ODOT Continuous Improvement Advisory Committee is specified, and the Committee is directed to meet monthly and to report quarterly to OTC and the Joint Committee on Transportation (JCT) on Key Performance Measures and with recommendations on ways the Commission and Department can be more efficient. These requirements take effect January 1, 2026.

JCT's responsibilities are expanded to include legislative oversight of the Oregon Department of Aviation. JCT is also to review transportation project expenditures and perform a quarterly review of changes and budget updates to major projects. The Committee is to make recommendations related to transportation and appropriation of funding to the Joint Committee on Ways and Means, Emergency Board, or Joint Interim Committee on Ways and Means.

JCT is to review requests for certain project scope expansion requests submitted by cities and counties for highway improvement projects after the expansion request has been approved by OTC. These are defined as state highway projects that ODOT may use federal transportation funds for, in which the city or county is not covering the costs of the expanded scope, and the project cost will increase by at least 5% for projects over \$25 million, and at least 10% for projects of less than \$25 million. The Committee may submit recommendations for appropriations to cover the costs of the expanded scope.

The measure modifies ODOT's operations in the following ways as of July 1, 2029:

- Repeals ORS 319.665, requiring a seller of fuel for use in a motor vehicle to collect taxes.
- Repeals ORS 825.486, providing a credit for fuel taxes.
- Permits ODOT to inspect records and equipment of dealers and brokers during business hours, to assess compliance with statutes governing fuel taxes; and to assess civil penalties for noncooperation.
- Authorizes ODOT to deny an international fuel tax agreement license and removes the cap for fees that ODOT may charge for these agreements.
- Permits a weighmaster or motor carrier enforcement officer to arrest or issue citations to persons operating certain vehicles without driving privileges, failing to comply with an international fuel tax agreement, and improper use of dyed diesel.
- Requires out-of-state motor carriers not licensed under an international fuel tax agreement to obtain a valid fuel trip permit from ODOT under specified circumstances and directs ODOT to set the fee for permits by rule.
- Permits ODOT representatives to inspect fuel supply tanks at test or inspection sites.
- Allows assessment of civil penalties by ODOT for failure to adhere to dyed diesel requirements, with revenues going to the State Highway Fund.

- Deposits any sums collected from International Fuel Tax Agreement (IFTA) member jurisdictions into the Motor Carrier Account.

#### Other Measure Elements

The measure directs DAS is to undertake a review of all aspects of the methodology for the highway cost allocation study and may provide recommendations to update the study methodology in order to improve outcomes and ensure proportionate revenue and costs for each class of vehicle. DAS is to submit a report to JCT by June 30, 2026.

The measure repeals the tolling program in ORS 383.150, which authorizes assessment of tolls on Interstates 5 and 205 in the Portland metro area.

As of July 1, 2029, the measure establishes Class A traffic violations and a Class B misdemeanor.

#### **Fiscal Analysis**

The fiscal impact to implement this measure is \$10.2 million total funds, which includes \$800,000 General Fund, \$9.4 million Other Funds, and 22 positions (14.00 FTE) in the 2025-27 biennium. The estimated impact in the 2027-29 biennium is \$17.9 million Other Funds and 35 positions (28.63 FTE). An Other Funds expenditure limitation increase of approximately \$195.4 million in the 2025-27 biennium and \$338.9 million in the 2027-29 biennium will also be necessary to permit ODOT to expend additional payroll tax revenues deposited in the Statewide Transportation Improvement Fund (STIF).

#### Oregon Department of Transportation

The estimated fiscal impact for ODOT to implement the measure is \$8.9 million Other Funds in the 2025-27 biennium and \$17.3 million Other Funds in the 2027-29 biennium. In the 2025-27 biennium, this includes \$3.3 million in personal services, \$264,518 in position-related services and supplies, \$5.4 million in other services and supplies costs, and 20 positions (12.50 FTE). In the 2027-29 biennium, costs include \$6.7 million in personal services, \$535,001 in position-related services and supplies, \$10.1 million in other services and supplies costs, and 33 positions (26.63 FTE). An increase of Other Funds expenditure limitation totaling approximately \$195.4 million in the 2025-27 biennium and \$338.9 million in the 2027-29 biennium will also be necessary to permit ODOT to expend additional payroll tax revenues deposited in the STIF. These amounts only include what is required for implementation of this measure's provisions and do not include existing positions and expenditures within ODOT's budget that will be funded by additional projected revenues generated under this measure.

Other Funds are primarily sourced from the State Highway Fund, though positions associated with administering funding from the payroll tax are also paid for with these funds. Positions administering the RUC will be paid for from State Highway Funds until sufficient RUC funding becomes available.

ODOT's estimated costs are broken down by category below. All positions are permanent and full-time unless noted otherwise.

#### *General Operations*

General Operations costs include two positions (1.50 FTE in the 2025-27 biennium and 1.00 FTE in the 2027-29 biennium) with \$411,680 for personal services and \$32,934 for position-related services and supplies in the 2025-27 biennium and \$312,007 for personal services and \$24,961 for position-related services and supplies in the 2027-29 biennium. Positions include:

- One Operations and Policy Analyst 4 to staff the Continuous Improvement Advisory Committee and support reporting to the JCT on major projects.
- One limited duration Program Analyst 2 to establish a process for local governments to request to expand the scope of a highway improvement project.

*Statewide Transportation Improvement Fund*

An increase of \$195.4 million Other Funds expenditure limitation in the 2025-27 biennium, and \$338.9 million in the 2027-29 biennium, is needed for the distribution of increased STIF funding to qualified entities including mass transit districts, transportation districts, tribes, and counties without mass transit or transportation districts.

Additionally, six positions (4.50 FTE in the 2025-27 biennium and 6.00 FTE in the 2027-29 biennium) and \$1.1 million for personal services and \$85,594 for position-related services and supplies in the 2025-27 biennium and \$1.4 million for personal services and \$114,126 for position-related services and supplies in the 2027-29 biennium are included for STIF administration. Positions include:

- Two Program Analyst 3 positions, one to manage the Discretionary and Intercommunity grants program, and one to serve as a statewide coordinator for STIF work with qualified entities and public transit service providers.
- Two Program Analyst 2 positions, one to ensure compliance with STIF regulations, and one to support reporting, fund management, and process improvement work.
- One Program Analyst 1 to provide STIF program and administrative support.
- One Fiscal Analyst 2 to provide financial management and administer grant contracts related to the increase in STIF revenues.

*Road Usage Charge*

Road Usage Charge implementation costs include 10 positions (5.00 FTE) in the 2025-27 biennium and 17 positions (15.88 FTE) in the 2027-29 biennium with \$1.4 million for personal services and \$109,610 for position-related services and supplies in the 2025-27 biennium and \$3.9 million for personal services and \$315,403 for position-related services and supplies in the 2027-29 biennium. Costs also include \$1.1 million for information technology (IT) costs each biennium, primarily for system development to accommodate program enrollment, as well as \$1 million each biennium for public outreach related to the RUC.

Positions include:

- Two Information Systems Specialist 7 positions to work on IT projects related to the RUC.
- One Business Operations Manager 2 to oversee the road user fee program.
- One Project Manager 3 to manage RUC business programs and projects.
- One Public Affairs Specialist 3 to direct public outreach and communications activities.
- Two Operations and Policy Analyst 3 positions to develop the program and account manager processes, identify and coordinate process improvements, and to coordinate RUC administrative, policy, program, and management operations.
- Two Operations and Policy Analyst 2 positions, one to certify RUC account managers, and one to audit account managers and manage data and reporting for the RUC.
- One Compliance Specialist 2 and one Compliance Specialist 3 to support revenue collection and compliance processes for the RUC.
- Two Program Analyst 1 positions to provide customer service support for the RUC.
- One Accounting Technician 2 and one Accountant 2 to administer RUC funds.
- One Fiscal Analyst 2 to provide financial reporting and analysis.
- One Executive Support Specialist 2 to provide program administrative support.

*Diesel Tax*

Diesel Tax administration costs include two positions (1.50 FTE) in the 2025-27 biennium and 14 positions (8.00 FTE) in the 2027-29 biennium with \$454,751 for personal services and \$36,380 for position-related services and supplies in the 2025-27 biennium and \$1.7 million for personal services and \$136,223 for position-related services and supplies in the 2027-29 biennium. There are also estimated costs of \$2.9 million in the 2025-27

biennium and \$7.9 million in the 2027-29 biennium to replace the current Carrier Information Computer System and develop a new Commercial Vehicle Information Exchange Window for reporting related to the IFTA; current systems are unable to connect to IFTA systems as required for participation in the IFTA.

Positions include:

- One Business Operations Manager 3 to manage IT updates related to the diesel tax.
- One Operations and Policy Analyst 3 to assist with IT updates related to the diesel tax.
- Four limited duration Transportation Service Representative 2 positions, one permanent Transportation Service Representative 2, and one limited duration Transportation Service Representative 1 position to support increased development, testing, and implementation of the diesel tax system, and to provide ongoing customer service support.
- Six Motor Carrier Enforcement Officer 1 positions to conduct roadside compliance checks for fuel tax evasion.

#### *Weight-Mile Tax*

Weight-Mile Tax simplification includes both IT costs, as well as savings with a projected reduction in positions:

- \$400,000 in the 2025-27 biennium and \$95,000 in the 2027-29 biennium for contract costs to reprogram the agency's weight-mile tax system.
- A reduction of five positions (4.25 FTE) in the 2027-29 biennium, which is estimated to reduce costs by a total of \$752,099, due to the measure's simplification of the weight-mile tax system and corresponding anticipated reduction in customer service calls, allowing for elimination of three Transportation Service Representative 1 positions, and two Office Specialist 2 positions.

A total of \$639,263 is estimated in the 2027-29 biennium to pay for the SOS performance audit, which is included in the SOS section of this fiscal impact statement.

Additionally, ODOT vehicles and equipment would be subject to the fuel tax increases under this measure. There could be additional costs for ODOT due to these increased prices, though the amount is indeterminate at this time. There is also the potential for increased contract costs, though it is not possible to estimate the degree of this impact.

While the measure directs an audit of ODOT's progress in implementing recommendations from a recent management review, the measure does not explicitly direct ODOT to implement these recommendations. Any associated costs with implementation of those recommendations are not included in this fiscal analysis.

The scope and magnitude of the IT components of the measure may require ODOT to comply with the state's IT investment oversight policies, procedures, and process. The estimated fiscal impact of this component is therefore preliminary and subject to change when the agency begins this process, which requires the following steps: (1) analysis of business requirements; (2) business case development; (3) establishing a project management team or other professional staff resources; and (4) developing foundational project management plans and updated cost estimates. Depending on various cost or risk factors, including but not limited to the scope and complexity of the IT work or contract(s) that may be required, ODOT may also be required to contract for additional independent quality management services in compliance with ORS 276A.223.

#### Secretary of State

SOS costs are estimated at \$479,446 Other Funds in the 2025-27 biennium, and \$639,263 Other Funds in the 2027-29 biennium. The agency would hire two full-time, permanent positions (each 0.75 FTE in the 2025-27 biennium and 1.00 FTE in the 2027-29 biennium), a State Senior Auditor and a State Principal Auditor. These positions would complete the biennial ODOT performance audit directed under this measure with assistance from other auditors.

Other Funds in the 2025-27 biennium will be sourced from statewide government service charges that are paid by all state agencies, as well as some direct charges to ODOT. SOS is limited in the amount that can be directly charged to ODOT in the 2025-27 biennium since that amount is capped biennially. In subsequent biennia, SOS will likely directly charge ODOT for the full costs of the required audits.

#### Department of Administrative Services

Costs for the DAS review of the methodology for the highway cost allocation study are estimated at \$500,000 General Fund in the 2025-27 biennium based on DAS' past experience with contracting for this type of work. DAS is to submit a report to JCT by June 30, 2026. Given the scope of work required, it may be difficult for DAS to contract for and complete this study within the required time frame.

There may be additional costs related to the increase in fuel taxes and vehicle fees under this measure, which are discussed in more detail below.

#### Legislative Policy and Research Office

LPRO costs to contract for a performance audit of ODOT operations and management are estimated at \$300,000 General Fund in the 2025-27 biennium. This amount assumes that LPRO will be reporting to the Legislature on the performance audit in December 2026, as the measure does not specify when or how LPRO is to communicate the results of the performance audit. This amount could vary based on the vendor proposals received, or if LPRO is expected to report on the outcomes of the performance audit earlier in 2026.

#### Other Entities

There is an indeterminate fiscal impact for school districts. The State School Fund (SSF) is one of the state's largest General Fund expenses. The SSF Transportation Grant reimburses school districts 70% of eligible transportation costs. As of the 2024 school year, there were 15,942 buses statewide, with 10,158 running on diesel, 3,965 on gas, and 1,699 on propane. The remaining 120 buses were either electric or hybrid electric. School districts will have increased costs due to the increased fuel taxes, as the majority of school buses statewide are diesel-fueled. Most costs would occur in the 2029-31 biennium when fuel taxes for diesel take effect, which is beyond the two biennia scope of this fiscal impact statement. Any increase in school district's transportation costs related to bus routes or academic travel would directly impact the State School Fund, and consequently the General Fund. Increased fuel expenses related to travel for sporting events and non-academic fieldtrips will directly impact school district budgets. There is an additional indeterminate impact due to the increases in some fees under this measure.

Other state agencies and local government entities with substantial fuel use or large fleets may be impacted by the increase in fuel taxes and title fees, as well as the new RUC. Government-owned vehicles are exempt from the registration fee increases. While costs for these agencies are anticipated to be absorbable at present, they may be reflected in future budgetary adjustments. These agencies include DAS, which provides vehicles for most state agencies and anticipates purchasing 600 vehicles next biennium that would be subject to increased title fees, any additional costs due to the increase in fuel taxes, and the new RUC for certain fleet vehicles. The Oregon Department of Forestry (ODF) has a large number of vehicles and other fuel-powered equipment and is likely to be impacted by increased fuel costs, though the exact impact is indeterminate at this time and will partially be driven by variable fire season costs. Other agencies with substantial fuel use, such as Oregon State Police (OSP), could also have budgetary impacts due to the increase in fuel taxes. Numerous other agencies have their own fleets and could be impacted by the taxes and fees under this measure. However, these fleets are generally on a smaller scale than DAS, and with relatively less fuel usage than agencies such as ODF and OSP. These include the Oregon Department of Fish and Wildlife, Oregon Department of Agriculture, Oregon Department of Education, Department of Corrections, Oregon Military Department, Department of the State

Fire Marshal, Oregon State Lottery, Oregon Parks and Recreation Department (OPRD), and other agencies that may use DAS services only in part for their fleet needs.

There is an indeterminate impact for the Oregon Liquor and Cannabis Commission (OLCC). OLCC contracts with private companies that deliver distilled spirits. Increased weight-mile and fuel costs may impact contract costs for delivery.

There is an indeterminate revenue impact for the Oregon State Marine Board and OPRD. Both agencies receive a portion of fuel tax revenues based on the amount of fuel used for recreational boating and the number of all-terrain vehicle permit holders.

There is an indeterminate, but anticipated to be minimal, impact for the Oregon Judicial Department (OJD), district attorneys, and the Public Defense Commission. There will be one-time costs for updates to OJD's case management system. There will also be additional cases filed in circuit courts due to new and expanded infractions under this measure, as well as the potential for additional liens on vehicles that violate fuel tax requirements. Increases in licensing and vehicle fees may result in more traffic violations in circuit courts. A minimal number of additional tax court appeals, and Court of Appeals case filings may also occur.

There is minimal fiscal impact for the Department of Revenue and Department of Justice.

There is no fiscal impact for the Department of Aviation and Oregon Employment Department.

**Relevant Dates**

The measure takes effect on the 91st day after the 2025 special session of the 83rd Legislative Assembly adjourns sine die.

Other dates are included in the Measure Summary.