The Construction Industry's Outlook on a Transportation Package for Oregon

For two decades, the Oregon Legislature's pattern has been to talk about transformative transportation packages but not do anything transformative. For example, Oregon was one of the first to implement a vehicle miles traveled program, but the program has returned no meaningful revenue. More of the same will not work – Oregon needs a new model to fund transportation infrastructure.

What are the numbers?

Approximately $1,767 million is distributed from the State Highway Fund each year. About $942 million goes toward collection costs, cities, and counties, leaving $825 million for ODOT. Of this, $171 million is allocated to debt service, leaving $654 million in available funds. From this amount, roughly $200 million is used for maintenance (which requires around $450 million annually), with the rest going to preservation, capital projects, federal match requirements, operations, and other functions. Overall, this results in ODOT having between $700 and $800 million annually in available funds, while the need is around $2 billion—similar to other states. ODOT also receives roughly $600 million in federal funding each year. Most of this federal funding must be spent on specific programs, with approximate allocations as follows: seismic bridge issues (5.8%), natural disaster programs (2.7%), fix-it programs (3.8%), ARTs (7.7%), rail crossings (0.5%), community paths (1.7%), trails (0.2%), Safe Routes to School (0.2%), planning for future transportation (0.4%), transit (0.28%), Great Streets (3.5%), bond repayments (17%), ADA curb ramp program (16%), local programs (20%), carbon reduction (2.4%), local agency bridges (5.2%), transportation growth management (0.8%), ICAP (6.6%), bridge inspections (1.3%), and specific projects (3%). This highlights ODOT's limited discretion in spending federal funds.

After the federal money gets allocated, ODOT has about $727 million per year to spend on capital projects, preservation and maintenance, operations, and other non-federal programs (e.g., Safe Routes to School).

Oregon law (HB 2017) mandates that ODOT complete projects, including the Abernathy Bridge ($815 million), I-5 Rose Quarter ($1,900 million), I-205 Phase 2 ($800 million), and the I-5 Boone Bridge ($725 million). These estimates are based on current dollars and initial planning; as is generally known, the initial estimates were much lower but based on no planning, no permitting, and pre-pandemic pricing, with the 2017 projects largely serving as earmarks required by legislators. It is difficult to estimate the money needed each year, but the total cost for those capital projects is about $4,240 million (likely an underestimate), which over 8 years is about $530 million per year.

ODOT needs $1,050 million per year for pavement and bridge preservation. The ADA Program costs between $150-200 million per year, with obligations somewhat complicated because so much of the money comes from federal bonds that must be repaid over time. Safe Routes to School costs $15 million per year, and $8.3 million per year is needed for legislatively mandated bicycle and pedestrian infrastructure. Additionally, ODOT must fund maintenance at an additional $450 million per year and operations at another $450 million per year. Adding it all up, ODOT needs about $2,678.3 million per year. The amount ODOT needs dwarfs what it gets.[1]

More of the same won't work.

Prior funding bills and proposals follow the same theme – new programs and requirements with no meaningful revenue. HB 2017 was sold as a "transformative investment" and had accountability through mandating specific capital improvements. The capital investments, however, were to be funded by tolling and other revenue sources that were later postponed indefinitely by the executive branch, making it impossible for these projects to pencil out without other revenue sources.

The ADA Program follows the same theme. The Program is required pursuant to a settlement agreement negotiated by the Oregon Department of Justice. The settlement agreement requires ODOT to complete significant ADA ramp work – costing about $150-200 million per year in repayments for federal bonds – with no additional revenue.

Oregon needs to put its money where its mouth is and provide funding at a level that meets basic preservation and maintenance needs and continues to fund the projects needed across the state.

[1] The amount ODOT needs seems high when compared to what it gets, but the amount aligns with annual Department of Transportation budgets in states with similar populations similar: Utah ($2.5 billion), Kentucky ($3.6 billion), Oklahoma ($2.5 billion), and Connecticut ($5.2 billion). There is no perfect comparison because states vary by population, lane miles, the number of bridges, and other important factors, but the budgets in the other states indicate that the amount ODOT needs is not unusual.

Solutions that matter.

- **Supplement the fuels tax with a revenue source that generates the same magnitude of revenue as the fuels tax.** Utah, for example, raises about $942 million per year from fuels taxes and vehicle-related fees, and about $1,278 million through sales taxes – in other words, Utah generates significantly more revenue for transportation infrastructure from sources other than fuels taxes. We are not suggesting Oregon adopt a sales tax, other states use tolls or general fund transfers to supplement their fuels taxes. The bottom line is that states like Oregon that rely primarily on fuels taxes cannot meet their transportation funding needs without supplementation.
- **Fund the ADA Program from the General Fund or another revenue source.** We agree with the goals of the ADA Program, but a settlement that was reached by the Attorney General needs to be funded from the General Fund. It will take over a decade to pay off the bonds utilized to fund the ADA Program, which means we will see fewer projects funded over the repayment period.
- **Preservation and Maintenance of Existing Pavements and Bridges is critical.** Good roads cost money, and bad roads cost more. Pavements and bridges deteriorate over time and performing the work timely saves money because it keeps projects minimal. Additionally, the cost to use rough roads is higher than the cost to use smooth roads and there is a corresponding carbon emissions increase associated with rougher roads. There is no financial or environmental downside to funding preservation and maintenance of existing infrastructure, and Oregon needs to ensure that preservation and maintenance is funded sufficiently.