TRANSPORTATION INVESTMENT ADVOCACY CENTER

Oregon’s 2015 Legislative Campaign to Increase Transportation Funding

Title of Bill: House Bill No. 2550

Purpose: Would have increased fuel and motor carrier taxes.

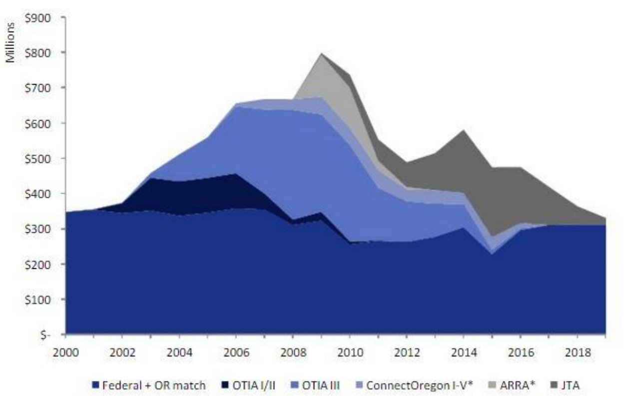
Status of Amendment: Failed upon legislative adjournment (July 6, 2015).

History

Oregon Department of Transportation’s (ODOT) Budget

Revenue from motor fuel taxes is the largest source of income for ODOT. The Department estimates that the gas tax will account for about 23 percent of the revenue between 2015 and 2017. Federal Funds is the next highest at 18 percent. Revenue for the Department is also collected from the General Fund, lottery proceeds, and other vehicle licenses and fees.[i] Oregon’s state gas tax is currently 30 cents-per-gallon and was last increased in 2009. The federal gas tax last increased in 1993 and stands at 18.4 cents-per-gallon.[ii] Truck drivers also pay a tax based on weight and miles traveled.[iii]

The revenue collected by ODOT is allocated to different divisions and sectors such as Public Transit, safety, debt service, and the Highway Division. A majority of the revenue is spent through the Highway Division. However, the amount spent on highways has decreased over time, as shown by data from a December 2014 audit released by then-Secretary of State (and current governor) Kate Brown. In addition, debt service— paying off transportation bonds from previous years— has increased over time.



Source: Highway Budget Office – Updated September 30, 2013. Includes actuals through June 2013; projections are not adjusted for inflation.

*ConnectOR is a state lottery bond based transportation funding initiative. ARRA (American Recovery and Reinvestment Act), commonly known as stimulus funding, provided federal funding to states and local governments to aid in economic recovery.

Figure 1: ODOT Construction Funding[1]

Vehicle-Miles Traveled (VMT) Tax Pilot Program

Beginning July 1, 2015, the state began a pilot program to test vehicle-miles traveled as a method to increase transportation funding. Through OReGO, volunteer participants will pay 1.5 cents for each mile they drive and will be reimbursed for the Oregon gasoline tax they will pay at the gas station. The program offers five different methods to collect participants’ mileage, including an alternative to GPS technology that studies odometer readings. [iv] OReGO was approved through Senate Bill 810, signed into law on August 14, 2013. It was approved by the Senate on July 6 with a vote of 24-6, and by the House on July 7 with a vote of 47-13.[v]

VMT Pilot Program Challenges:

While the program has gained slightly more than 1,000 participants (as of April 2016)[vi], the goal of the pilot program is to recruit 5,000 volunteers with a combination of high, medium, and low fuel efficiency from different areas of the state.

A Mason-Dixon poll released June 3, 2015 found that a majority of Oregon residents oppose the VMT plan, with 56 percent of respondents against the mileage tax and 32 percent were in favor. While the program is designed to ensure all drivers— including operators of electric and hybrid vehicles, who purchase less motor fuel and therefore pay less in state motor fuel taxes— pay their fair share of road usage, some believe the proposition disproportionally affects residents in rural areas or low-income drivers due to longer distances to obtain basic services as well as lengthy commutes to work.

Many are also concerned with privacy. Some of the devices installed in the cars use GPS to track how many miles are driven by that vehicle. It is a concern for residents that the government or companies would have access to where they drive around the state. In response to these claims, OReGO has assured that the information will be destroyed after 30 days and the data may not be accessed unless a judge confirms it is needed. There are also devices that track mileage without GPS, but then users will be charged for miles driven outside the state.

Additionally, environmentalists expressed concern that the VMT tax decreases incentives to invest or buy electric vehicles. Jessica Leber from CO.EXIST states that cars with 20 miles per gallon pay roughly the same amount whether a gas tax or the VMT tax is used.[vii]

Shortfall

Despite the state gas tax increase, USA Today quoted an Oregon state official as saying, "In 2009, the Legislature raised the tax from 24 cents to 30 cents per gallon, but that's not enough to avert shortfalls."[viii] An ODOT report released in 2014 concluded that an additional $405 million per year is needed in order to prevent deterioration of the state's transportation infrastructure.[ix] Several factors contributed to this growing transportation funding gap.

Debt Service: Starting in 2001, ODOT heavily utilized bonds in order to fund transportation construction programs stemming from the Oregon Transportation Investment Act of 2001 and 2003 as well as the Jobs and Transportation Act of 2009. [x] In the 2013-2015 biennium, proceeds from these bonds make up approximately 40 percent of the state's $1.9 billion transportation construction program budget. By

2017, ODOT estimates the cost of debt service for these bonds will reach over $180 million, or one-third of the department's budget.[xi]

Rising Construction Costs: In its 2014 review, ODOT reported that in the past decade construction costs had increased by nearly 90 percent.[xi] Even with the increase in state motor fuel taxes, transportation revenue could not keep up with the rising costs.

Federal Funding Uncertainty: The 2014 review also concluded that the State Highway Fund is fully committed to "debt service, highway maintenance work and agency operations". Highway construction projects were being paid for primarily by federal funds. However, several short-term federal transportation funding extensions severely limited the state's ability to implement long-term plans.[x]

Reduced state highway fund revenue projections: While ODOT's June 2009 revenue forecast predicted $6.9 billion over the next five years, the June 2014 forecast anticipated $507 million less for the same time period.[xi]

Aging Infrastructure:

- *Bridges*: According to a report released by ODOT in September 2015[xii], more than half of Oregon's bridges were built before 1970 and will need major repairs by 2020. While state highway bridges have a 100 year life cycle, ODOT explains that the agency is only able to replace an average of three per year, well shy of the 27 bridge replacements per year necessary to keep up with the aging infrastructure. The analysis estimates that $240 million per year over the next two decades is necessary to maintain the deteriorating bridges, with an additional $180 million for state highway bridges.
- *Roads*: A January 2016 Oregon update by TRIP[xiii] found that 16 percent of the state's major roads are in poor condition, at a cost of $967 million per year in vehicle repairs and operating costs to motorists. Additionally, 42 percent of Oregon's major urban highways are congested.

Summary of Legislation

House Bill (HB) No. 2550

This bill would have increased motor carrier and the state motor fuel taxes. There would be scheduled increases every five years. Oregon's gas tax (on motor vehicles) would increase initially by 5 cents-per-gallon (from 30 to 35 cents-per-gallon). This tax would then increase by five additional cents on January 1, 2021 and continue at that rate on January 1 every five years. If passed, this tax increase would have become effective 91 days after the legislature adjourned.

Currently, the gas tax covers aircraft and motor vehicle fuel. However, if HB 2550 had passed, the tax on aircraft fuel would have remained at 30 cents per gallon.[xiv]

HB 2550 Status

The bill was introduced by Representative Mitch Greenlick January 12, 2015 and was referred to the House Revenue Committee four days later. The bill failed in the committee when the Oregon legislature adjourned on July 6th *sine die*.[xv]

Path through the Legislature

Going into the 2015 legislative session, Gov. Kate Brown (D) and several bipartisan legislative leaders entered into discussions to increase the state gas tax in order to raise needed transportation revenue.

However, complications quickly arose when Gov. Brown and Democratic lawmakers signed into law on March 12 Senate Bill 324, a measure to reauthorize a clean fuels program that would reduce greenhouse gas emissions. The program initially took effect in 2009 with passage of House Bill 2186.[xvi] The bill set to reduce Oregon's carbon footprint from transportation fuels by ten percent over a ten year period. Part of this process is providing cleaner transportation fuels to vehicles.[xvii] While a precise estimate of the effect this legislation would have on the state gas tax wasn't produced, the Oregon Department of Environmental Quality referred to a California study on a similar measure that estimated the Golden State's impact anywhere from 4 cents-per-gallon to 19 cents-per-gallon[xviii][xix]

Republicans fought against the legislation, stating that it was a 'hidden gas tax' and arguing that passing a state gas tax increase the same year as the clean fuels program would result in 'double-charging' residents, especially the rural population, and stated that passage of this bill meant they would not support a gas tax increase during the 2015 legislative session.

As a compromise between both parties, an alternative plan to reduce carbon emissions was proposed as a component of legislation to increase the state gas tax, with the understanding that SB 324 would be repealed upon approval. However, the deal fell through after a June 24 revelation by Oregon Department of Transportation (ODOT) director Matt Garrett that easing traffic congestion would not produce the estimated decrease in emissions.[xx] Once this information was revealed, the bill's two major supporters—Governor Kate Brown (D) and Senate President Peter Courtney (D-Salem)—withdrew their support.

Without a solid piece of legislation to move forward, the goal to pass a transportation funding package fell through in the 2015 session.[xxi] Due to 2016 being a shorter session for Oregon, passing a transportation funding package is expected to be a top priority heading into Oregon's 2017 Legislative session.

Supporters

<u>Arguments:</u>

- A higher gas tax would decrease some of the revenue shortfall due to less gasoline being sold. The cost of construction increases each year with inflation.[xxii] Therefore, raising the gas tax would allow the state to allocate more money to much needed construction projects of maintaining and repairing roads and bridges. Indexing the gas tax would ensure that revenue generated would keep up with the rising cost of construction. Tammy Baney, chairwoman of the Oregon Transportation Commission, agrees and states, "We'll either pay now or we'll pay later."[xxiii]
- Portland is the 12th most congested city in the country. This congestion costs residents $1,273 a year from wasted time and fuel. A study by the Economic Impacts of Congestion showed that if transportation funding did not increase then residents would be stuck in an extra 69 hours of traffic a year by 2040.[xxiv]
- The added congestion and lack of funding could also have effects on the economy. A 2014 report by ODOT analyzing the cost of inaction found that without additional revenue, 100,000 jobs and $94 billion in cumulative Oregon Gross Domestic Product could be lost by 2035, with Portland and coastal communities impacted the most. Other affects include increasing costs to Oregon drivers and truck freight due to vehicle repairs and detours to avoid weight-restricted bridges.[xxv]

Bill Sponsors:

- Rep. Mitch Greenlick (D-District 33)
- Rep. Chris Gorsek (D-District 49)
- Rep. Rob Nosse (D-District 42)
- Rep. Barbara Smith Warner (D-District 45)[xxvi]

Oregon Transportation Forum

The Oregon Transportation Forum (OTF) is a coalition of advocacy organizations, construction industry professionals, public officials and businesses within the state who support increased investment in multimodal transportation development.

Prior to the start of the 2015 legislative session, OTF released a 'Transportation Funding and Policy Package'[xxvii], recommending the state increase the gas tax and index it to inflation for highway maintenance, as well as raise transportation-related fees and increase general fund revenue for non-highway transportation infrastructure.

Gov. Kate Brown (D)

"These investments will support the strong business sector Oregon needs to keep our economic engines humming."[xxviii]

President of the Oregon Senate, Peter Courtney (D)

"If the Legislature doesn't act, our bridges and our economy will collapse … A major transportation plan must be our top priority in the 2017 session. Our safety depends on it. Our economy depends on it."[xxix]

Opponents

Arguments:

- Due to the fact that the clean fuels legislation would result in a gas tax increase, Republicans did not want to pass a state gas tax increase that would generate transportation revenue because it would be too much of an increase in one year and would burden residents, particularly rural residents.

Key Players:

Oregon House Republicans

"From unsustainable fuel blending standards to food security and GMO concerns to unchecked increases in fuel prices to a federal criminal investigation, SB 324 is the latest costly government boondoggle imposed upon Oregonians. Additionally, the passage and signing of this bill has squandered away any chance of a bipartisan transportation package that would've fixed roads and bridges and improved infrastructure and public safety across the state. It's unfortunate that Governor Brown today chose to ignore the voices of middle-class and rural Oregonians." — House Minority Leader Mike McLane (R- Powell Butte)[xxx]

Why the Bill Failed to Move Forward

On paper, there were several factors that should have contributed to the success of a transportation funding measure.

- Gov. Brown was adamant going into the legislative session that the state's transportation funding shortfall needed to be addressed as quickly as possible.
- Bipartisan discussion began early on in an attempt to find a solution.
- Eight states throughout the country increased motor fuel taxes in 2015, including neighboring Washington State and Idaho. National momentum and unwillingness to lose the competitive advantage of good infrastructure can be a powerful catalyst for increasing transportation funding.

However, that bipartisan compromise quickly disintegrated after the clean fuels program was passed by Democrats and signed into law. Republicans refused to support a gas tax increase at the same time that Oregon's clean fuels program was renewed, and Democrats insisted that the clean fuels program was essential and could be passed at the same time as a gas tax increase.

Additionally, although the need for increased revenue was clearly documented and acknowledged by legislative leaders, a major transportation funding initiative (the state's VMT pilot program) had been passed two years prior and was going into effect that summer.

Furthermore, the divide between urban and rural needs created additional tensions in the state legislature.

Gov. Brown and legislative leaders have repeatedly said they intend to address the transportation funding shortfall during the 2017 legislative session. Lawmakers are reportedly already in discussions on the best way to reach a compromise.

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The Transportation Investment Advocacy Center ™ (TIAC) is a first-of-its kind, dynamic education program and Internet-based information resource designed to help private citizens, legislators, organizations and businesses successfully grow transportation investment at the state and local levels through the legislative and ballot initiative processes.

The TIAC website, www.transportationinvestment.org, helps transportation investment advocates to mount successful campaigns. It exists to put in one place—and promote the sharing of—strategies… sample political and communications tools… legislative and ballot initiative language… and information on where to obtain professional campaign advice, research and help. To receive free, regular email updates from the TIAC blog, subscribe here.

TIAC staff produces regular research reports and analyses, hosts an annual workshop in Washington, D.C. (scheduled for July 13, 2016), and holds ongoing webinars for transportation investment advocates featuring case studies, best practices, and the latest in political and media strategies. State and local chamber of commerce executives, state legislators, state and local transportation officials, “Better Roads & Transportation” group members, industry and labor executives, and leaders of state and local chapters of national organizations who have an interest in transportation development programs are welcomed to participate.

The Center’s program of work is also guided by a Transportation Investment Advocates Council, a national network of business professionals and public officials who share a common interest in building support for transportation infrastructure investments in their state or local community— roads, bridges, public transit, pedestrian walkways and cycling paths, airports, waterways, ports and rail facilities.

TIAC is a project of the American Road and Transportation Builders Association’s “Transportation Makes America Work!”™ (TMAW) and supported through voluntary contributions and sponsorships.

To become a sponsor or to make a contribution, contact TIAC Manager Carolyn Kramer. Also contact Ms. Kramer if you have questions or comments about any reports or case studies published through the TIAC, or would like more information on the program and the Council.

ARTBA American Road & Transportation Builders Association

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