

Transportation Funding Outlook

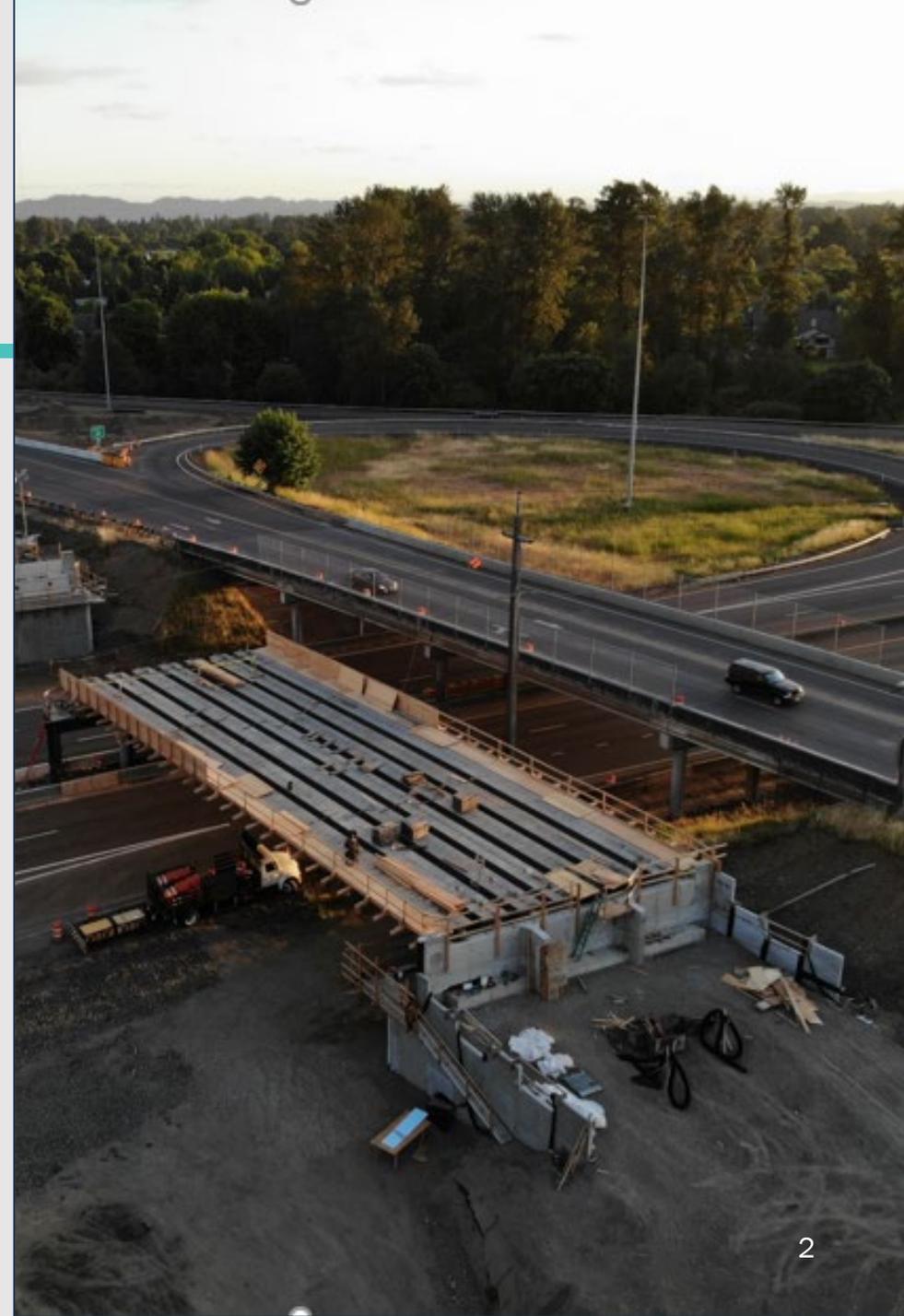
AGC/ODOT Conference | February 2023

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Transportation Funding Challenges

- Inflation erodes most transportation revenue sources
- Growing fuel efficiency will render the fuels tax unsustainable in coming years
- ODOT faces significant shortfall for operations and maintenance
- Federal funding has been flat or declining for more than a decade after adjusting for inflation
- Lack of local options limits funding for cities and counties and makes them heavily reliant on the State Highway Fund
- Public and active transportation funding sources are inadequate



The One-Two Punch Against the Gas Tax

Inflation

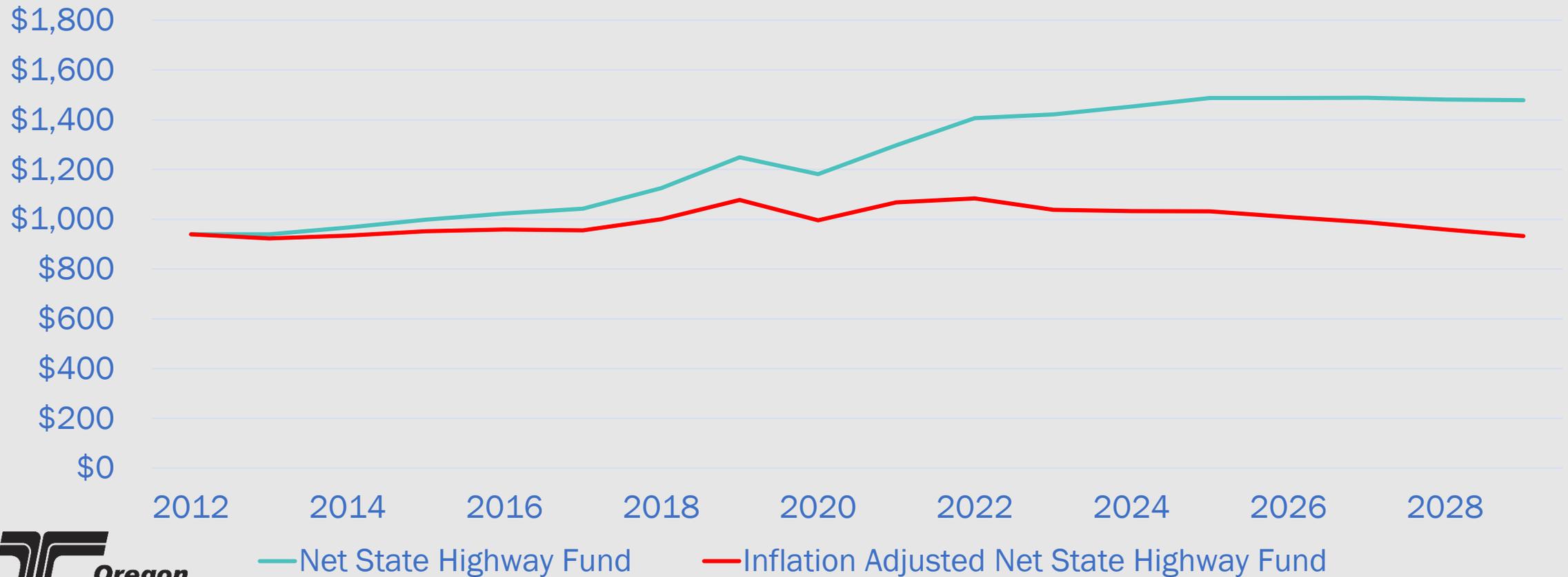
Fuel efficiency

HELLO
MY NAME IS
Gas Tax



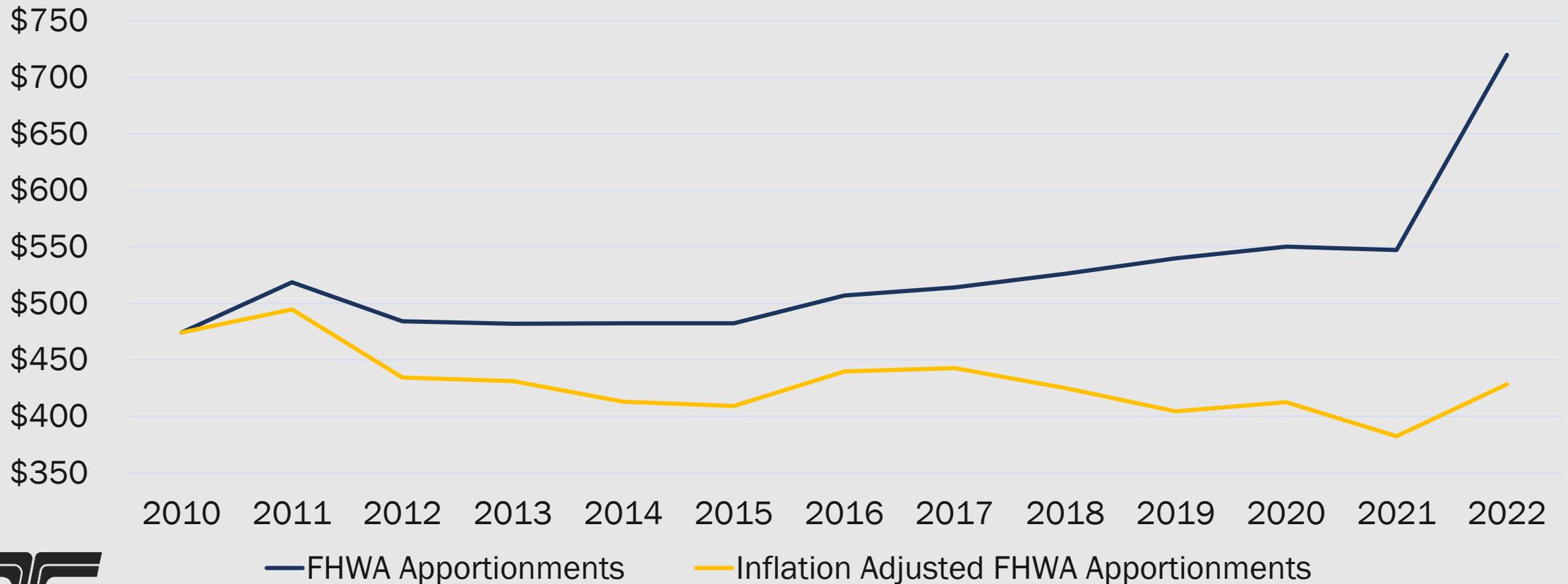
State Highway Fund

Net of transfers and collections cost, in millions of nominal and CPI-adjusted dollars
April 2022 forecast

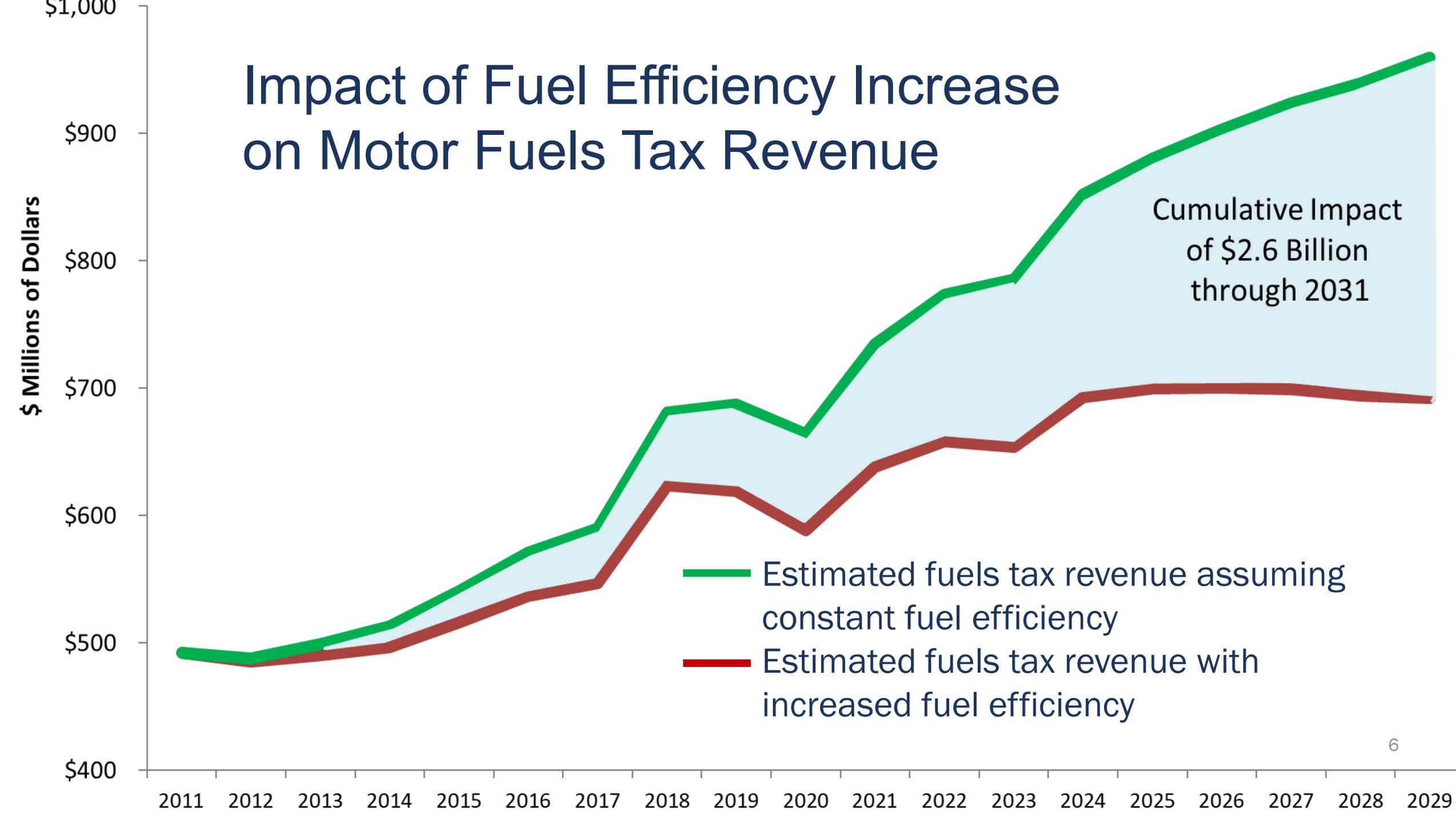


Oregon Federal Highway Apportionments

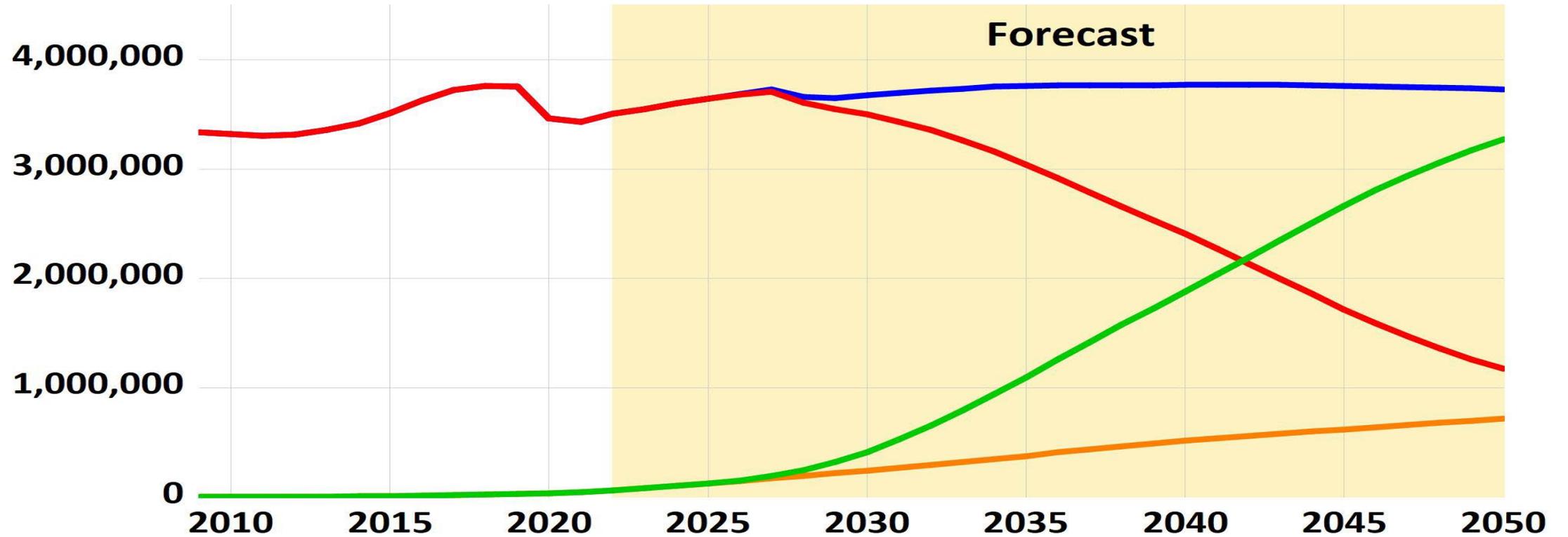
Nominal and adjusted for National Highway Construction Cost Index; In Millions



Impact of Fuel Efficiency Increase on Motor Fuels Tax Revenue



Zero Emission Vehicle Adoption Scenarios



- Stock of Conventional Engine Vehicles - Baseline Forecast
- Stock of Conventional Engine Vehicles - Alternative Forecast
- Stock of Zero Emission Vehicles - Baseline Forecast
- Stock of Zero Emission Vehicles - Alternative Forecast

Paying By the Mile Through OReGO

- First operational RUC program in the world when it went live in 2015
- Vehicles 20 mpg+ can voluntarily participate
- Volunteers pay 1.9 cents per mile, receive credit for fuel tax paid
- Vehicles over 40 MPG don't pay tiered registration fees if they join OReGO
- Volunteers choose among account managers



OReGO



ODOT's Operations & Maintenance Budget Gap

A Tale of Two Budgets



Transportation Projects & Programs

Dedicated federal & state funds for:

- Construction projects
- Grant programs

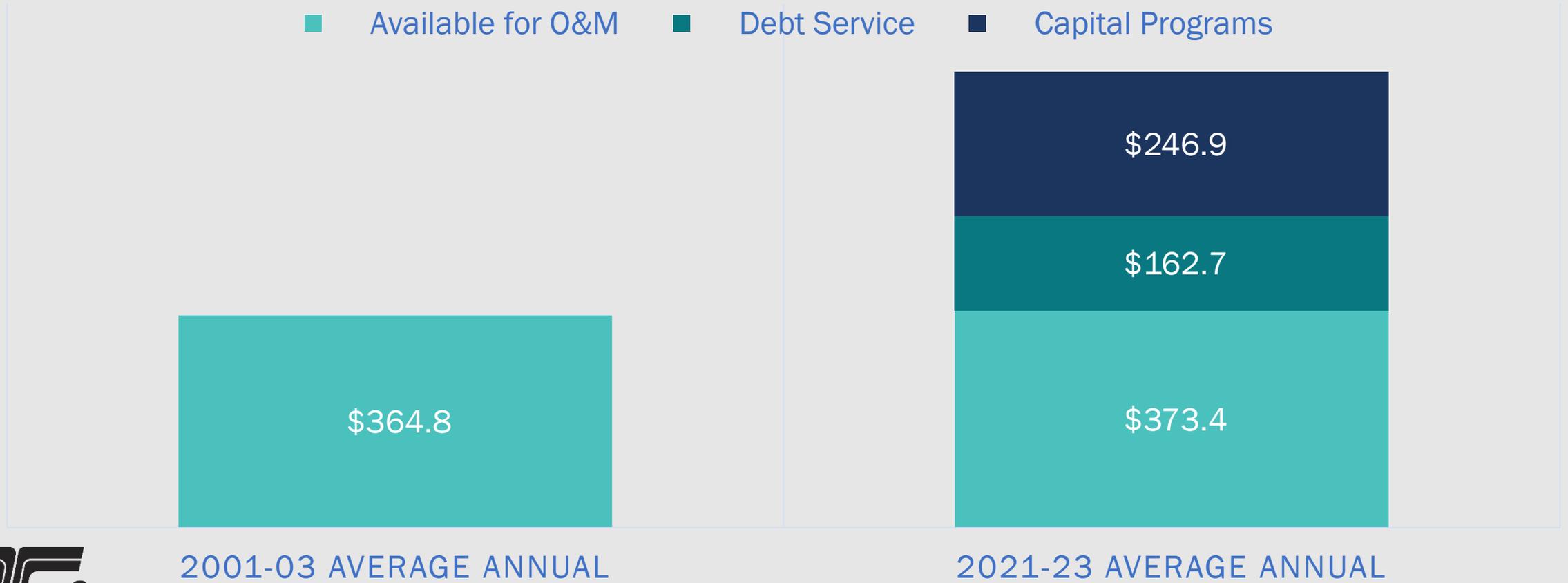


Maintenance & Agency Operations

State Highway Fund dollars available to run the agency:

- Road maintenance
- DMV & CCD
- Central services (IT, HR, etc.)

ODOT's State Highway Fund Resources



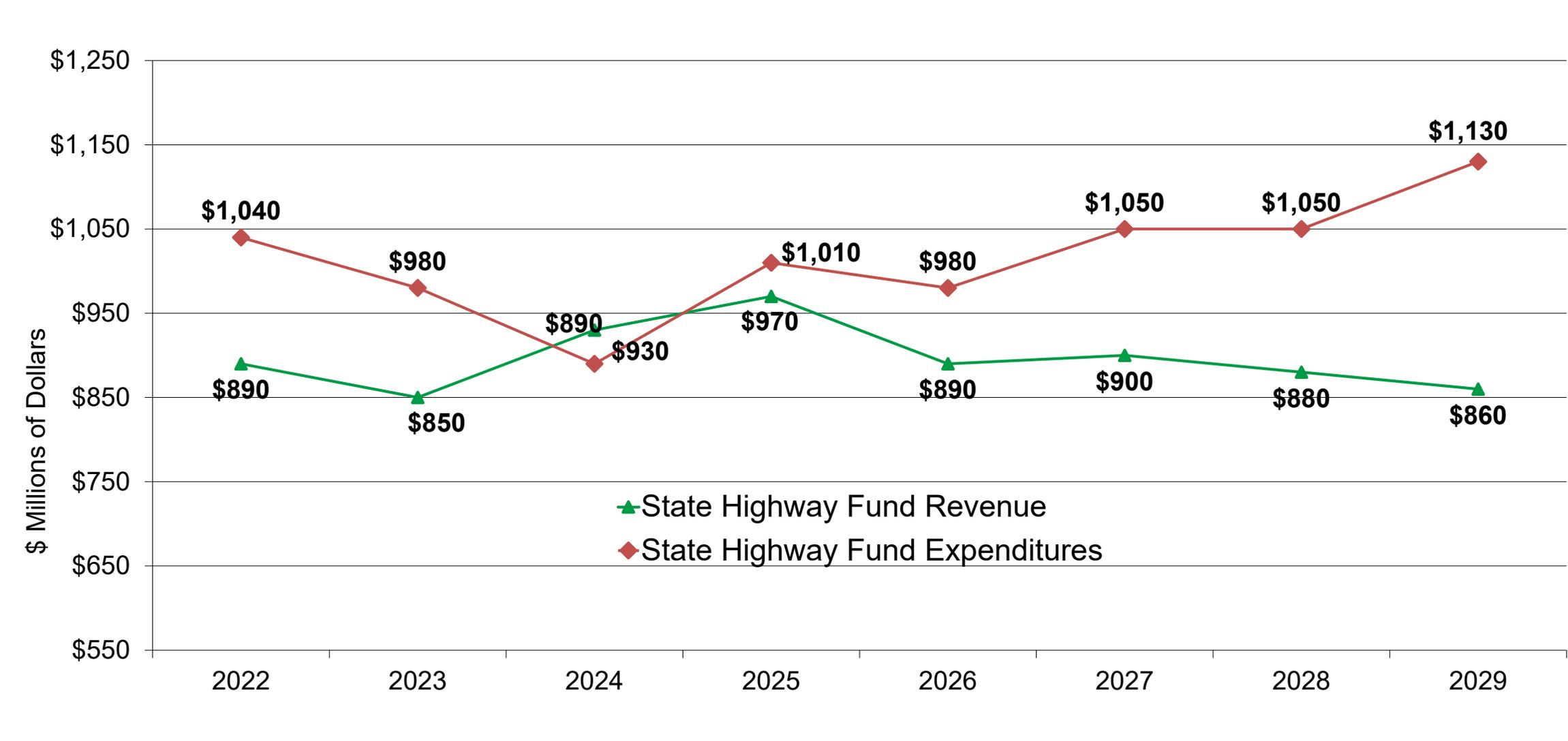
Strategies Implemented to Narrow the Gap

- Cut \$90 million (5%) from maintenance and agency operations in '23-'25 budget
- Cover more O&M costs from other sources, including federal funds & HB 2017

These steps have narrowed the gap and pushed out shortfalls but have not solved the problem

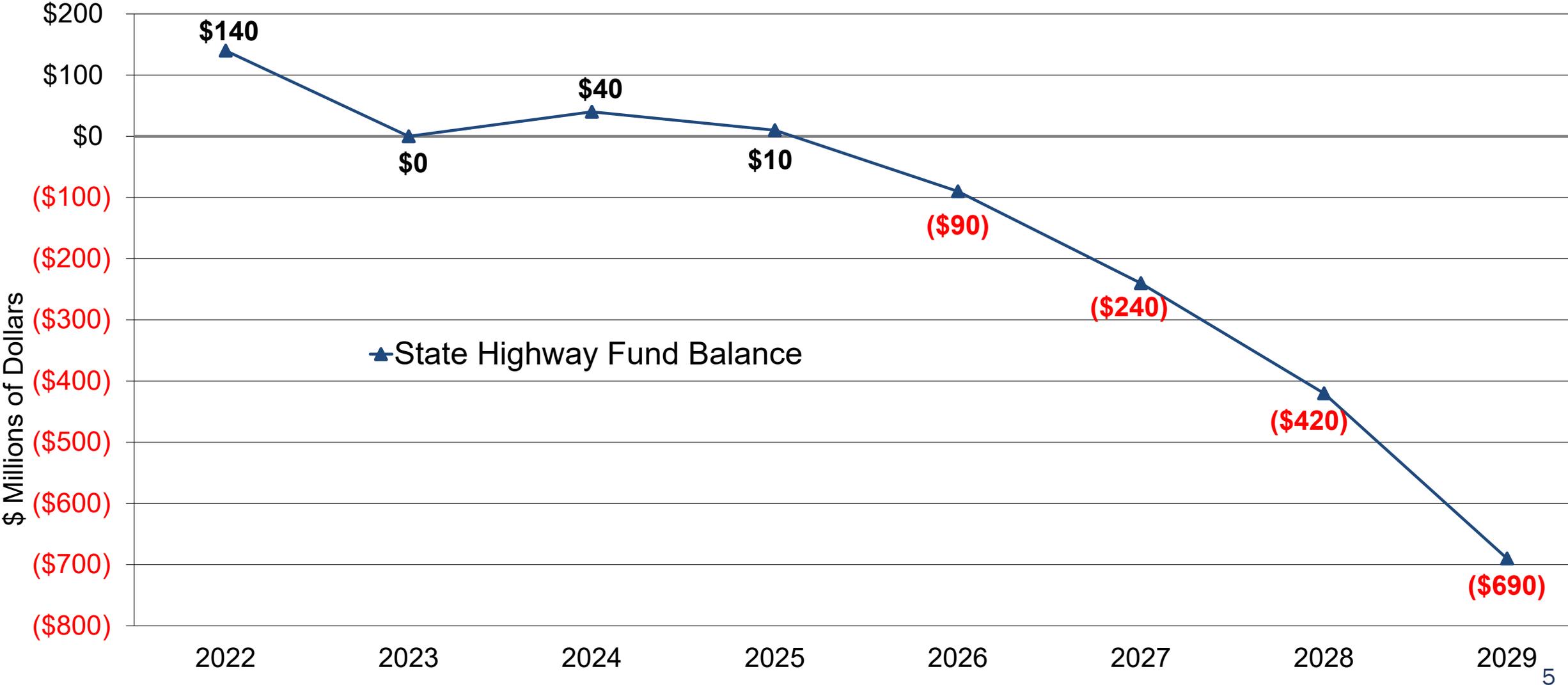


State Highway Fund Revenue and Expenditures



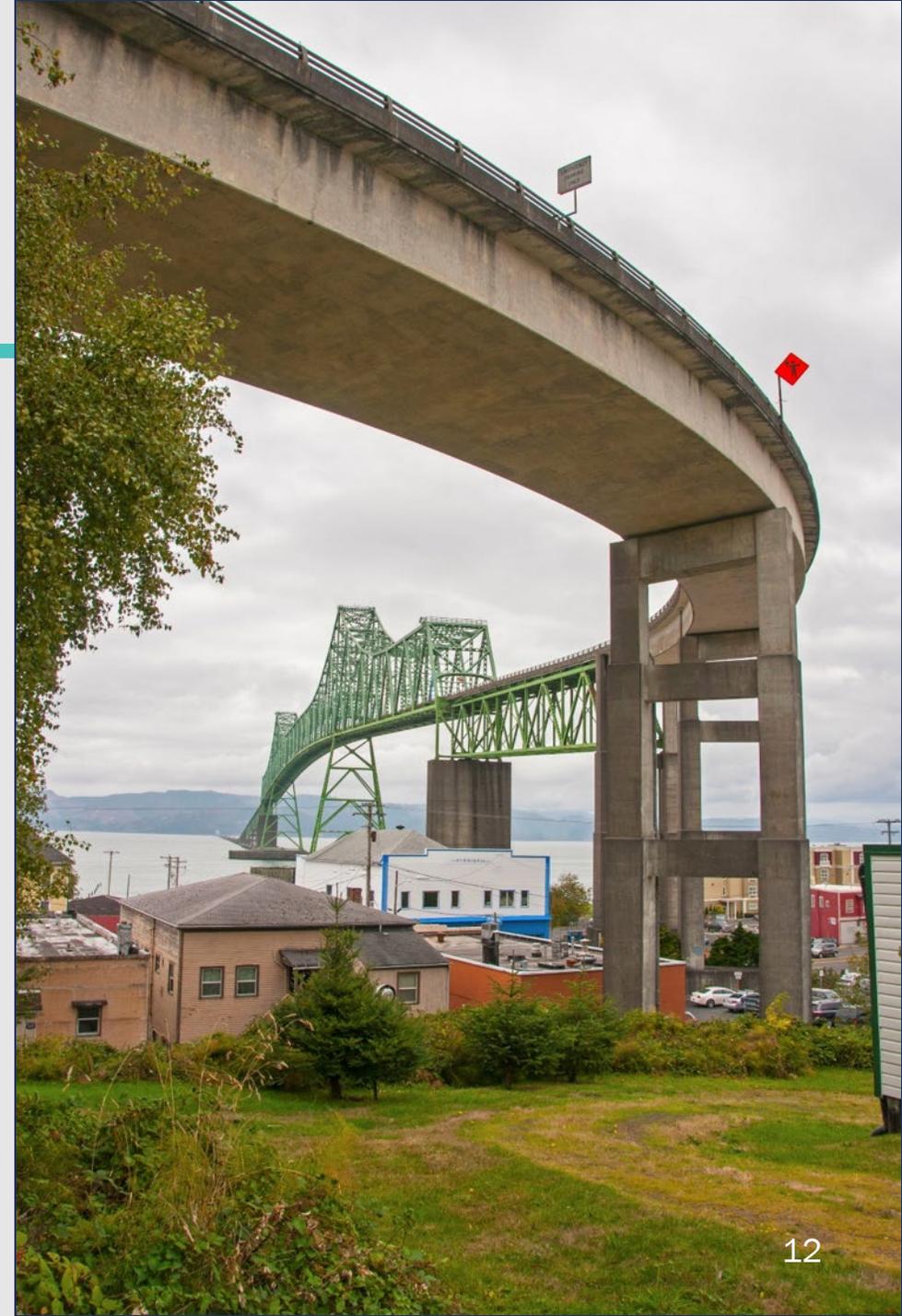
State Highway Fund Cash Balance

Prior to any additional 2023-25 reductions



Four Areas of Action

- Continue shifting O&M costs to dedicated state and federal resources where we can
- Develop additional 10% reduction in O&M budget (on top of 5% already cut from budget)
- Further modifications to local government fund exchange
- Explore new revenue sources/additional revenue



Impacts of Potential 10% Budget Reductions

Road Maintenance

- Fewer maintenance workers to ensure state highways are safe, functional and accessible
- Significant deterioration of pavement on half of Oregon's highways
- Extended closures following major events
- Increased safety risks due to deferred maintenance

Other Parts of ODOT

- Significant reductions to DMV field office workforce and closure of offices will impact customer service
- Reduced agency capabilities impacts ability to deliver for Oregonians



Options for Legislative Consideration

- Increase DMV fees to cover cost of service
- Implement road usage charge for new efficient vehicles
- Increase amount of State Highway Fund going to maintenance
- Index taxes and fees for inflation
- Raise more revenue for O&M



Potential Future Revenue Options

- **Road Usage Charging**– Replace gas tax for efficient vehicles to keep state and local capital and O&M funding from falling from current levels
- **Medium Duty Mileage Tax**– Maintains revenue from growing fleet of medium duty trucks as they go electric
- **Tolling/Congestion Pricing**– Traditionally used for major bridge and highway expansion projects on high-volume facilities; could be used more broadly for preservation
- **Inflation Indexing**– Index major revenue sources to inflation to prevent erosion
- **Carbon Tax**– Provides incentive for fuel efficient vehicles
- **Local/Regional Options**– Provide tools for local governments to raise money & reduce reliance on State Highway Fund
- **Multimodal Funding Sources**– Supplement or increase existing sources like payroll tax, privilege tax, bike excise tax, etc. for public and active transportation



A worker in a red safety suit and hard hat stands on a blue lift bucket, working on a steel bridge structure. The background is a dense forest of evergreen trees. The scene is dimly lit, suggesting dusk or dawn.

Thank you