

Executive Summary

House Bill 2017 -3 amendment

Oregon last enacted a transportation funding package in 2009, with the passage of House Bill 2001, the Jobs and Transportation Act. Since that time, Oregon, like many other states, has experienced the effects of a growing gap between the cost of maintaining and improving the state's transportation infrastructure and the revenue streams that are used to fund the maintenance and improvements. Lack of federal leadership on transportation funding has placed increased pressure on states to address the issue on their own. And Oregon continues to struggle with identifying ways to provide stable, reliable funding for non-roadway infrastructure, multimodal transportation infrastructure, and funding public transportation operations.

At the end of the 2016 Session, the Legislative Assembly created the Joint Committee on Transportation Preservation and Modernization (JTPM) to begin the process for developing a transportation policy and funding package for introduction during the 2017 Session. The JTPM Committee spent five months holding hearings across the state to take testimony from the public and local elected officials and to tour transportation facilities in preparation for assembling the legislation. Once the 2017 Session began, the Committee created five work groups to develop recommendations in highway preservation, traffic congestion, public transit, public safety, multimodal transportation and accountability. Those concepts have been assembled into the -3 amendment to House Bill 2017.

Accountability

The Accountability section of House Bill 2017-3 restructures the Oregon Transportation Commission (OTC) to provide more oversight and accountability to the Oregon Department of Transportation (ODOT).

- The Director of ODOT is appointed by the commission, in cooperation with the Governor, and serves at the pleasure of the commission.
- The commission has the responsibility to appoint all subordinate offices and employees of the commission, prescribe their duties, and fix their compensation.

- The commission shall develop and maintain state transportation policies related to the management, construction, and maintenance of highways and other transportation systems, including but not limited to aviation, ports, and rail.
- The commission shall develop and maintain a comprehensive 20-year long-range plan of projects that are capable of being accomplished using the resources reasonably expected to be available.
- The commission shall conduct studies concerning the transportation needs of Oregon and prescribe administrative practices.
- The commission shall review and approve proposed transportation packages described in the Statewide Transportation Improvement Program (STIP).
- The commission shall appoint a Continuous Improvement Advisory Committee to advise the commission on ways to maximize the efficiency of the department and develop key performance measures.
- The commission shall develop standard, in coordination with cities and counties, for the consistent measurement of the condition of the state transportation infrastructure.
- The commission shall develop a website to include all projects on the STIP, descriptions of projects and benefits, costs and estimated completion dates, periodic updates on project status, and project close-out information, such as whether the projects were under or over the proposed budget and estimated completion date.
- Establishes an Internal Auditor to conduct financial, performance, and external audits as directed by the commission. The Internal Auditor reports directly to the commission.

In addition, the measure establishes a Joint Committee on Transportation staffed by the Legislative Policy and Research Office. The committee is responsible for transportation-related policy, all measures, concepts and budget recommendations related to transportation, and general oversight of the Department.

Highway Maintenance, Preservation, and Seismic Upgrades

The maintenance, preservation, and seismic upgrades program will be financed through a gradual increase in the motor fuels tax and motor vehicles registration and titling fees. Registration and titling fees will be increased \$15 in year one and an additional \$5 per year every other year until 2025. Registration fees will also be

tiered, starting in 2021, to acknowledge that vehicles with different mile-per-gallon (MPG) ratings pay differing levels of motor fuels tax. The tiers are 0-19 MPG, 20-39 MPG, 40+ MPG, and electric vehicles. Likewise, this methodology will apply to titling fees.

The motor fuels tax will be increased by six cents per gallon starting on January 1, 2018 and will increase two cents per gallon in even-numbered years until 2026. The weight/mile tax is calculated separately based on the cost responsibility model and will reflect the various increases in the motor fuels tax.

The distribution of the proceeds from the titling and registration fees and motor fuels and weight/mile tax will be distributed 50% to ODOT, 30% to counties, and 20% to cities. From the amount distributed to ODOT:

- \$10.0 million will be distributed to the Safe Routes to Schools program
- \$16.5 million will be distributed to ODOT Region 1.
- \$107.95 million will be distributed to Region 2
- \$35.0 million will be distributed to Region 3
- \$25.0 million will be distributed to Region 4
- \$23.9 million will be distributed to Region 5
- \$10.0 million to a joint project between Regions 4 and 5.

Of the amount remaining, 40% will be dedicated to bridges, 30% to seismic improvements related to highways and bridges, 24% to replacement and maintenance of highway pavements and culverts, and 6% to state highway maintenance, preservation and safety improvements.

In addition, \$5.0 million will be redirected to a fund to provide additional resources to small cities and \$5.0 million will be distributed to counties with fewer than 200,000 registered vehicles based on a ratio of registered vehicles to road miles maintained by each county.

Multimodal Transportation

(Connect Oregon)

The measure directs the Department of Administrative Services, in consultation with the ODOT and the State Treasurer, to authorize lottery bonds in an amount to yield \$71.9 million in proceeds to be deposited in the Connect Oregon Fund to finance multimodal transportation projects. The measure also removes public transit

from the Connect Oregon program and establishes it as a stand-alone program funded through a separate revenue stream (Section 122). For the purposes of Connect Oregon, public bodies will be required to provide a 30% match and private entities will be required to provide a 50% match for funds provided by the program.

Connect Oregon has been modified and divided into Connect Oregon Part One and Connect Oregon Part Two. Connect Oregon Part One consists of transportation projects that involve, air, marine, rail, and bicycle and pedestrian projects. Connect Oregon Part Two consists of projects of statewide significance and enhance or maintain air, marine, Class I or Class III railroads.

Under Connect Oregon Part One, the commission may only award grants to bicycle and pedestrian projects that expand or improve commuter routes for nonmotorized vehicles and pedestrians. For transportation projects within Connect Oregon Part One, 47% of the funds will be used for aviation, marine, or rail projects. Seven percent will be dedicated to bicycle and pedestrian transportation projects. One percent will be appropriated to ODOT for administrative costs in support of the program. 45% of the funds will be allocated to transportation projects under Connect Oregon Part Two, and 10% percent of the funds will be allocated to each of the five ODOT regions. In addition, \$4.0 million will be transferred from the State Parks and Recreation Department to ODOT for the purposes of providing grants for bicycle and pedestrian transportation projects consistent with Connect Oregon Part One.

(Dredging)

Section 86 establishes the Marine Navigation Improvement Fund within the Oregon Business Development Department for the purposes of funding a portion of the cost of maintenance dredging projects undertaken with equipment owned by the state and used on publicly-owned ports and marinas. The fund will be established through a two-cent-per-gallon fuel tax that would normally be transferred to the Oregon State Marine Board. The amount transferred to the Marine Navigation Improvement Fund is anticipated to be approximately \$275,000 per year.

Traffic Congestion Relief, Freight Mobility, and Connect Oregon

(Revenue)

The measure establishes a privilege tax on the privilege of engaging in the business of selling taxable motor vehicles and bicycles. The privilege tax on motor vehicles is 0.75% on new and used vehicles and is capped at \$3,750. The privilege tax on bicycles with 26-inch or larger wheel sizes and retail values of at least \$500 is three percent. A use tax of 0.75% on new vehicles purchased out-of-state for use within the state is established. 10% of the proceeds of the privilege tax on motor vehicles will be deposited in the Connect Oregon Fund, and 90% will be deposited in the Congestion Relief Fund for the exclusive use of projects designed to improve freight mobility, relieve congestion, and generally improve the transportation infrastructure. 100% of the proceeds from the privilege tax on bicycles will be deposited in the Connect Oregon Fund. All proceeds from the use tax will be deposited in the State Highway Fund.

(Congestion Relief Districts)

Congestion Relief Districts are established in the following locations: Portland Metropolitan area, Salem-Keizer, Albany, Corvallis, Central Lane, Bend, Medford, and Grants Pass. The Congestion Relief Districts are governed by the Metropolitan Planning Organizations (MPOs) established in geographic areas affected by proposed projects. The measure allows the Metro MPO to impose a three-cent-per-gallon gas tax and an increase of five dollars on title and registration fees for the purposes of the following projects:

- I-5 Rose Quarter Project \$338.0 million
- I-205 Abernathy Bridge Project \$152.0 million
- I-205 Freeway Widening Project \$188.0 million
- OR-217 Northbound Project \$54.0 million
- OR-217 Southbound Project \$44.0 million

Additional projects that may be considered by the Metro MPO:

- OR-217 Project Phase II, \$50.0 million
- Boon Bridge and Lanes Project, \$120.0 million

The governing body of the MPO may impose the fuel tax increase and the increases on title and registration fees through a majority vote of the governing body. The measure also establishes a Metro Congestion Relief District sub-fund within the Congestion Relief Fund for the projects outlined above. Funding of each project will be accomplished by taking advantage of federal funds, then revenues from any tolls, and by equal shares from the Congestion Relief Fund and the Metro Congestion Relief District sub-fund. This structure will provide a methodology for other Congestion Relief Districts to propose congestion relief projects within their districts. The following projects have been identified as having the potential to be financed through this methodology:

- Salem-Keizer River Crossing Project;
- Albany I-5 Auxiliary Lanes Project;
- Central Lane Delta Highway and Territorial Road Project;
- Bend North Highway 97 Improvement Projects, Phases I and II;
- Rogue Valley Southern Oregon Seismic Triage Project; and
- Yamhill County Yamhill Parkway Dundee Bypass Project.

The commission will approve of proposed projects based upon consistency with state transportation plans and policies established by the commission. Projects approved by the commission will be submitted to the Legislative Assembly as a recommendation for legislation.

(Traffic Congestion Relief Program)

The commission will establish a congestion relief program to implement value pricing and tolling on the following locations:

- I-205 beginning at the Washington state line and extending to the intersection with I-5; and
- I-5 beginning at the Washington state line and extending to the intersection with I-205.

The commission may authorize preconstruction tolling, if required to receive federal matching funds, for the widening of I-205 from Stafford Road to Oregon City and replacing the Abernathy Bridge.

(Task Force on Mega Transportation Projects)

The purpose of the task force is study how the State of Oregon selects and approves projects over \$500 million in estimated cost.

Public Transportation and Public Safety

(Public Transit)

The measure establishes a payroll tax on one-tenth of one percent on wages paid to employees. Proceeds from the payroll tax will be deposited in the Statewide Transportation Improvement Fund. Proceeds of the fund will be distributed to counties without a mass transit district or transportation district, mass transit districts, transportation districts, and federally recognized tribes. 85% of the funds will be distributed the qualified entities, 10% on a competitive grant process established by the commission, four percent to improve public transportation services between two or more communities, and one percent to ODOT to provide a technical resource center to provide support to rural areas. To be eligible to receive distributions under this program, entities must submit a public transportation improvement plan to the commission. Distributions from the fund are to be used to: increase the frequency of bus service to communities with a high percentage of low-income households, purchase buses powered by natural gas or electricity, reduce fares in communities with a high percentage of low-income households, and expand bus routes and services to reach communities with a high percentage of low-income households. The funds may not be used for light rail.

(Safe Routes to Schools)

The commission may provide matching grants for eligible projects under the Safe Routes to Schools program providing a cash match of at least 40% and may reduce the cash match amount to at least 25% if the school is in a city with a population of less than 5,000 or reduces hazards within a safety corridor. The commission will prioritize projects located within one-quarter mile of a school that serves students in prekindergarten, K - 8, or a school serving K - 12. The program will be funded with an additional \$10 million per year from the State Highway Fund.

(Roadside Rest Areas)

Transfers responsibilities for the following roadside rest areas from ODOT to the Oregon Travel Information Council:

- Suncrest, I-5, near MP 22;

- Deadman Pass, I-84, near MP 229;
- The Maples, State Highway 22, near MP 35;
- Sunset, US Highway 26, near MP 29;
- Cow Canyon, US Highway 97, near MP 69;
- Beaver Marsh, US Highway 97, near MP 207; and
- Midland, US Highway 97, near MP 282.

Transfers responsibilities for the following state parks from the Oregon Parks and Recreation Department to the Oregon Travel Information Council:

- Van Duzer Corridor State Park, State Highway 18, near MP 10;
- Ellmaker Wayside State Park, US Highway 20, near MP 32; and
- Peter Skene Ogden State Park, US Highway 97, near MP 113.

Requires the Council to develop a plan for transitioning the rest areas from ODOT to the Council and provide a report to the Joint Committee on Transportation. The measure also allocates State Highway Funds to the Council for capital improvements over an eight-year period starting in 2018.

Transportation Generally

Resolves issue of funds left over after the City of Damascus was dissolved by the 2015 Legislative Assembly and directs Clackamas County to expend the funds on road maintenance and repair within the corporate boundaries of the City of Damascus as they existed upon dissolution.

The measure transfers jurisdiction for Southeast Powell Boulevard from ODOT to the City of Portland, the jurisdiction of Territorial Highway from ODOT to Lane County, jurisdiction of Delta Highway from Lane County to ODOT, and jurisdiction of Cornelius Pass Road from Multnomah and Washington County to ODOT.

Directs ODOT to use road salt, under certain circumstances, to address snow accumulation in cities with a population greater than 160,000. Directs Oregon Community Power to fund transportation electrification efforts as long as the funds do not exceed 25% of total funds collected through the public purpose charge.