

## TRANSPORTATION FUNDING IN OREGON 2002 (Overview by Oregon Environmental Council)

### Background and Needs

#### *Road Funding Gaps*

ODOT estimates that the state should be spending \$136 million per year to preserve road surfaces, but is spending only \$100 million to \$123 million. Likewise, only \$53 million to \$75 million is being spent on bridge preservation each year while ODOT estimates that the real need is around \$93 million. Cities and counties are also falling behind.

Inflation, improved fuel economy, reduced taxes on heavy vehicles, and increased costs all contribute to these funding gaps. Because of these problems, the 2001 Legislature created a task force, the Road User Fee Task Force, to study and recommend alternative finance mechanisms.

#### *What Are the Costs of Driving?*

- Cost of constructing, operating and maintaining roads and parking spaces
- Cost of productivity losses and reduced economic competitiveness because millions of hours and dollars are wasted as workers and goods are delayed by congestion
- Health-related and economic costs of air pollution and global warming

#### *Who Pays?*

The cost of providing automobile infrastructure is not paid for solely out of fees paid by drivers. About 83% of what Oregon spends on constructing, maintaining and operating state, county and local roads is derived from user fees, but the rest comes from sources that have nothing to do with using the roads.

Drivers are subsidized even more significantly from another vantage point – the money to clean up the damage that cars do to the environment and the community must come from somewhere. These “external” costs of transportation are not paid for directly by the driver who imposes the costs. The burden of payment falls elsewhere in society – through higher insurance premiums, lower yields from agriculture, delays imposed on other drivers, and so on.

#### *The Heart of the Problem*

- Current transportation funding system isn't working. Current road funding mechanisms – fuel tax, registration fee and title fee – don't accurately reflect the costs of driving.
- Price signals are incorrect. We make choices – about when to travel, how to travel, even what kind of car to buy – without the benefit of clear price signals.
- Result is too much road damage, congestion and pollution. The disconnect between the price we pay and the actual costs we incur results in more road damage, more congestion and more air pollution than any of us want.
- Simply adding money will not fix our transportation problems. The system must move away from the gas tax to fees that more accurately reflect the costs of roads and driving.
- Accurate fees would give drivers more control over their costs, manage demand for roads in ways more creative than pouring concrete, reduce driving and reduce environmental impacts.

## **Philosophy**

Raise adequate revenue: We should raise enough money to meet transportation needs.

Charge fair, individualized fees: The funding system should reflect the full costs and benefits of using the transportation system and reinforce the relationship between user fees and the uses of revenues. Only when we've made an explicit choice to subsidize a certain mode or certain population should we do so.

Manage demand: Transportation demand management increases the capacity of existing transportation infrastructure. Fair, individualized fees are the most effective way to manage demand.

Make efficient and effective investments: We should fund the most effective and efficient improvements in a given situation, regardless of mode or jurisdiction. The funding system must be flexible enough to fund the most appropriate technical solutions, including transportation demand management projects.

Preserve transportation assets: Just as a homeowner fixes his or her roof before building a new addition on the house, we should maintain and preserve our existing transportation assets.

Support common social goals: Our transportation system should support a sustainable economy and environment. How we raise funds and what we invest in are integral to meeting these goals. We should meet the transportation needs not only of those with physical and financial resources, but also the needs of our youth, our elderly, our disabled, and our low-income populations.

## **Policy Ideas**

### *Raising Money*

1. Base road repair fees on actual damage to roads: Road maintenance, operation and preservation costs should be covered through a Vehicle Miles Traveled (VMT) fee on light vehicles, a weight mile tax on heavy vehicles that do the most damage to roads, and a studded tire fee. The VMT fee should be set high enough to cover the costs of maintaining less-traveled roads in remote and rural areas of Oregon, as well as the cost of traffic-related law enforcement.
2. Relieve congestion and reduce unnecessary road building with value pricing: An extensive highway and road system links all of Oregon's communities, but excess traffic on certain segments harms the economy and frustrates travelers. Value pricing (tolls that vary by time of day) is used successfully on highways around the world, including California, to discourage discretionary travel on the busiest roads at the busiest hours. During peak hours on congested routes, tolls can be raised to account for the cost of congestion and lowered at less congested times. Drivers who pay the higher toll experience a faster, easier, less stressful trip. Others shift their trips to off-peak to avoid the additional charge, switch to less congested roadways, take transit, or participate in carpools or vanpools. Because value pricing reduces congestion, it reduces the need to build expensive new capacity.

3. Make polluting vehicles pay: Pollution from cars harms human health, contributes to global warming, and damages the environment. The VMT fee should reflect the air pollution characteristics and fuel economy of each vehicle. In other words, highly polluting, gas-guzzling vehicles should pay a higher per-mile rate, while clean, fuel-efficient vehicles should pay a lower per-mile rate. The fee should also be set high enough to cover the costs of water pollution from road and highway runoff. A hazardous substances tax on petroleum and a tire disposal fee would round out the picture.
4. Reduce “one-size-fits-all” taxes: By implementing fair, individualized fees on transportation, the state could reduce the registration fee; cities and counties could reduce property taxes; and general funds could be redirected from cleaning up car pollution to other important needs, like schools.
5. Give drivers more control over costs: There are several policy options for converting the existing fixed costs of driving into variable costs, giving drivers the ability to save money by driving less. The most effective of these policies is mileage-based auto insurance. Driving even one mile less is a sure way of reducing accident risk, and ought to be a sure way to reduce an insurance premium. The state should provide auto insurance companies with an incentive to offer drivers this option.

### *Spending Money*

1. Allow vehicle-related fees to be spent on the best transportation solutions: The current constitutional restriction on the use of gas tax and other vehicle-related taxes (which requires these funds to be spent on roads alone) makes it difficult to fund the most effective transportation solutions. Congestion relief can often be achieved very cost-effectively through a package of solutions, including small road improvements, increased transit service, and programs that give travelers more transportation choices, reducing the need to drive alone.
2. Fix roads before building new ones: The state should have the discretion to spend dollars where the needs are greatest and should therefore repeal the law that requires the Oregon Department of Transportation (ODOT) to spend a certain amount each year on road expansion when existing roads are falling apart.
3. Give drivers incentives to purchase cleaner and more fuel-efficient vehicles: OEC recommends a grant or rebate program coupled with incentives like preferential parking and access to high-occupancy vehicle lanes. Driver fees should also incorporate pollution-related costs; this will provide the strongest incentive to switch to cleaner cars.

### **Facts & Examples**

⇒ See OEC’s “Goodbye Gridlock: Improving the Way Oregon Funds Transportation” for more information. ([http://www.oeconline.org/publications/pubs-reports/document\\_view](http://www.oeconline.org/publications/pubs-reports/document_view))

Excerpts from OEC’s “Goodbye Gridlock: Improving the Way Oregon Funds Transportation”  
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