

Financing Roads in Oregon

Road user fees

The money that pays to preserve, improve and operate Oregon's road system comes from state, federal, county and city sources. Oregon funds its road system through "road user fees" based on these principles:

- Those who use the roads pay for them;
- Road users pay in proportion to the road costs for which they are responsible; and
- Road user fees are used for constructing, improving and maintaining roads.

The State Highway Fund

The money raised by taxes and fees on the ownership, operation or use of motor vehicles or on the fuel they use is constitutionally dedicated in Oregon to the State Highway Fund. These funds, which come from the following sources, must be used on roads, bridges or rest areas.

1. *Driver license fees and fees relating to obtaining a driver license* (covering the fixed costs of providing the highway system), effective July 1, 2008:

- \$31 - \$74.50: issuance and renewal of driver license and commercial driver license
- \$22.50: instructional permits
- \$5 - \$70: tests and special endorsements

2. *Registration and title fees* (covering the fixed costs of providing the highway system):

Registration fees

- \$27 per year: cars and light vehicles
- \$169 - \$375 per year: vehicles less than 26,000 pounds gross vehicle weight
- \$184 - \$636: vehicles over 26,000 GVW

Title fees

- \$55: cars
- \$90: heavy vehicles

3. *Fuel taxes* (covering the travel-related costs of cars and other light vehicles):

- 24 cents per gallon of gasoline, diesel or equivalent natural gas or propane: vehicles less than 26,000 GVW

4. *Weight-mile taxes* (covering the greater responsibility of trucks and other heavy vehicles — fees are based on weight and distance traveled):

- 4 cents – 18.51 cents per mile: vehicles between 26,001 and 105,500 GVW
- 5.7 cents per equivalent single axle mile: exceptional loads

Sharing State Highway funds

The State Highway Fund is a shared revenue source. The net revenues from the taxes and fees listed above are distributed to the state, counties and cities using the following formula:

- State: 60 percent
- Counties: 24 percent, based on vehicle registrations
- Cities: 16 percent, based on population

The OTIA III program shares revenue using a slightly different formula:

- State: 57.5 percent
- Counties: 25.5 percent
- Cities: 17 percent

Federal funds

There are two major sources of federal road revenue:

- *The Federal Highway Trust Fund.* These monies are shared by the state, counties and cities.
- *Federal forest revenues.* These funds are distributed to counties and earmarked for road purposes.

Local funds

City and county local road funds come from property tax levies, local fuel taxes, local improvement district assessments, traffic impact fees, bonds, general fund transfers, parking meters and fines, receipts from other local governments, and miscellaneous sources like fines, permit fees and private contributions.

Oregon's 24 cents per gallon fuel tax was last raised in 1993.

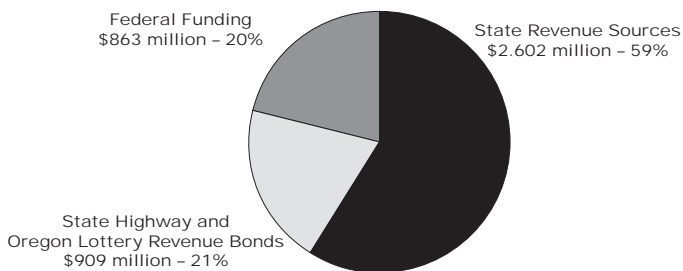
Oregon's Transportation Revenue Sources

Oregon Department of Transportation Revenue Sources 2007 - 2009	\$ Millions
Beginning Balance	391
Motor Fuels Taxes	890
Driver and Vehicle Licenses and Fees	67
Weight-Mile Tax	506
Transfers to the Department	136
State General Funds	4
Oregon Lottery Proceeds	46
All Other Revenue	39
Sales and Charges for Services	22
Subtotal State Funds	2,602

Federal Funds	863
State Highway and Oregon Lottery Revenue Bonds	909
TOTAL REVENUE	4,374

Source: 2007-2009 Legislatively Adopted Budget

2007 - 2009 Legislatively Adopted Budget Total Revenue Sources = \$4,374 million



Oregon's Transportation Revenue Uses

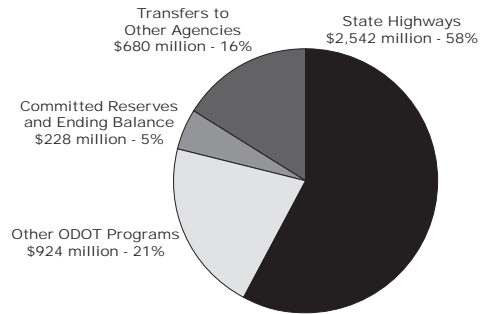
State Highway Program	\$ Millions
Maintenance	352
Preservation	242
Bridge	932
Highway Safety	52
Operations	49
Modernization	397
Special Programs	257
Local Government Assistance	261
Subtotal State Highways	\$2,542

Other ODOT Programs	\$ Millions
Transportation Safety	27
Public Transit	63
Rail	39
Transportation Program Development	167
DMV	148
Motor Carrier	58
Central Services	157
Debt Service	232
Loan Funds	33
Subtotal Other Programs	\$924

Committed Reserves and Ending Balance	228
Transfers to Other Agencies	680
TOTAL	\$4,374

Based on 2007–2009
Legislatively Adopted Budget

2007 – 2009 Legislatively Adopted Budget Total Uses = \$4,374 million



Transfers to Local Governments and Other State Agencies

- Cities \$247 million
 - Counties \$361 million
 - Other Agencies \$72 million
- Subtotal \$680 million**

Federal Funding Overview

Motor fuel taxes and other transportation taxes and fees finance federal highway and transit programs. These taxes and fees are deposited in a federal Highway Trust Fund.

The federal Highway Trust Fund has two accounts:

- Highway
- Mass Transit

Aviation, rail, waterways and other transport modes are financed through other federal taxes and fees.

Trust Fund distribution

- Congress authorizes the amount of federal funding states receive each year and how those funds may be used by passing a multiyear transportation law (see SAFETEA-LU information below).
- Congress passes annual appropriations bills to limit how much federal money states may spend each federal fiscal year.

The president signed the latest authorization bill in 2005. It covers federal fiscal years 2005-2009 and provides historic levels of funding for highway and transit programs. It is commonly known as SAFETEA-LU.

SAFETEA-LU — The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users

- SAFETEA-LU continues the former federal authorization (the Transportation Equity Act for the 21st Century) concept of guaranteed minimum levels of federal funding for highway and transit programs.
- In addition, all Highway Trust Fund revenues are dedicated to transportation. In the past, part of the trust fund was used to offset deficits in other parts of the federal budget.

Federal fund limitations

- ODOT receives federal funds to reimburse state funds and other funds spent on projects approved by the federal government.
- Federal funds must be matched with state and local funds.
- With few exceptions, the amount of federal funds Oregon receives is less than the full cost of projects.
- State taxes or other non-federal funds must be used to close the gap.
- Federal funds for highway and transit projects must be used for specific purposes — they are not block grants.
- There are more than 120 highway and transit programs through which states receive federal funds; each federal program has its own rules and restrictions.
- Transit funds are distributed almost exclusively to local transit providers and local governments.
- Less than 10 percent of annual transit funding is managed by ODOT.



George H. Armitage, an early Lane County settler, operated the first ferry across the McKenzie River. He also served as postmaster at the McKenzie post office, est. on Jan. 21, 1854 near the present site of Armitage State Park. The office was discontinued in Oct. 1859.

**Estimated Average Annual
Federal Funding for Oregon
and ODOT
Federal Fiscal Years 2005-2009
(Dollars in Millions)**

	Highways	Transit
Average Annual Obligation Limitation set by Congress	\$408.2	\$90.5
Projects earmarked by Congress	(\$56.5)	(\$25.8)
Dedicated programs	(\$26.4)	(\$2.9)
Local programs	(\$77.2)	(\$52.9)
Federal Funds available to ODOT	\$248.1	\$8.9

Annual obligation limitation for highways based on an expected limitation rate of 92 percent for federal fiscal years 2006-2009. Annual obligation limitation for transit based on an expected limitation rate of 100 percent for federal fiscal years 2006-2009.

Important terms to know:

- **Obligation Limitation** — The limit set by Congress each year on the amount of federal funds states can spend.
- **Earmarked Projects** — Funding set aside for special projects sponsored by the Oregon Congressional Delegation.
- **Dedicated Programs** — Highway and transit programs whose funding is restricted by federal law for specific purposes. Examples include highway safety, recreational trails, planning and research, or rural transportation services for people who are elderly or disabled.
- **Local Programs** — Federal highway and transit programs designed especially for local governments and transit providers. Examples include local bridge program, safety, transportation enhancements, high risk rural roads, safe routes to schools, Surface Transportation Program set-aside for cities and counties, or transit funds for urbanized areas.



Early Oregon residents stand by the entrance to a toll road.

Federal Highway User Fees

The first federal tax for highways began in 1917, when the federal government created a three percent tax on the manufacturer's sales price for automobiles, motorcycles, buses and trucks.

Congress has created a variety of highway-related taxes and fees on motor vehicles, motor fuels and related products.

- Most federal revenue raised from highway use is dedicated to the Highway Trust Fund for highway and transit programs.
- In most cases, farm use and other non-highway uses are exempt from federal highway taxes and fees.

Federal highway fees and taxes include:

- motor fuels taxes;
- tire tax;
- heavy truck and trailer sales tax; and
- annual heavy truck use tax.

Federal tax history

- After the first tax is levied in 1917, it is increased and repealed over the years. Only the retail sales tax on heavy trucks and trailers remains.
- In 1932, a federal gasoline tax of one cent per gallon is established.
- Federal taxes on diesel and other fuels used in vehicles registered for highway use are then introduced over time.

The table below shows the federal fuel tax rates currently in effect and distribution among federal trust fund accounts.

Fuel Type	Total Tax per Gallon	Highway Account	Mass Transit Account	Leaking Underground Storage Tank Trust Fund
Gasoline	18.40	15.44	2.86	.10
Diesel and Kerosene Fuel	24.40	21.44	2.86	.10
Gasohol	18.40	15.44	2.86	.10

Special Fuels				
Liquified Petroleum Gas	18.30	15.44	2.86	
Liquified Natural Gas	24.30	21.44	2.86	
M85 (from Natural Gas)	9.25	7.72	1.43	.10
Compressed Natural Gas	18.30	15.44	2.86	
Other Special Fuels*	18.40	15.44	2.86	.10

*Other special fuels include benzol, benzene, naphtha, liquefied petroleum gas (propane, butane, casing head and natural gas) or any liquid used as fuel in a motor vehicle except gasoline, diesel, kerosene, gas oil, fuel oil or other products taxable under the fuel tax provisions.

When the Pacific Highway (U.S. 101) was completed in 1923, Oregon became the first state west of the Mississippi to have a paved highway the entire length of the state.