Highway Cost Allocation Study

Oregon's Constitution has a requirement for cost responsibility between heavy and light vehicles. It also requires that every two years the Department of Administrative Services (DAS) Office of Economic Analysis runs a biennial Highway Cost Allocation Study (HCAS) to evaluate the proportionality of costs and revenues by light vehicles (those under 10,000 pounds) and heavy vehicles (all vehicles over 10,000 pounds). DAS has been empowered by state law (ORS 366.506) to complete the study to ensure objectivity, and they hire a consultant to conduct the study; ECONorthwest has been the consultant for many years. DAS and the consultant are responsible for the study methodology and analysis, using data provided by ODOT. A Study Review Committee including road owners, organizations representing motorists and truckers, and others provides input to DAS and the consultant. Results are presented to the Legislature to adjust rates to ensure proportionality.

HCAS analyzes projections of future revenues attributable to each class of vehicle and compares it to the share of projected expenditures attributable to each class of vehicle. Revenue is assigned to light or heavy classes based on the fee or tax source. Expenditures are assigned to work types (68 total) and summed into four main categories:

- Modernization
- Preservation[1]
- Maintenance and Operations
- Other – Administration, Bike/Ped, Safety, Preliminary Engineering, Right of Way acquisition

Each work type has a specific allocation for how much of the expenditure is allocated to light versus heavy vehicles. Changes in the mix of investments across these four categories impact cost responsibility due to the different allocations by work type—for example, more "Preservation" investment shifts costs to heavies; more "Other" shifts toward lights.

Vehicle Class	Modernization	Preservation	Maintenance & Operations	Bridge	Other
Light Vehicles (1 to 10,000 lbs.)	83%	25%	65%	64%	85%
Heavy Vehicles (10,001 lbs. and up)	17%	75%	35%	36%	15%

[1] Oregon Department of Transportation : Low Volume Roads : Construction : State of Oregon, Oregon Department of Transportation : Common STIP Questions : Statewide Transportation Improvement Program : State of Oregon

2023-2025 HCAS Results

In the 2023-2025 HCAS, light vehicles provided 63.9% of revenue while being responsible for 72.7% of expenditures, producing an equity ratio of .88. Heavy vehicles provided 36.1% of revenues while being responsible for 27.3% of expenditures, for an equity ratio of 1.32. In other words, light vehicles are underpaying while heavy vehicles are overpaying. The 2021-2023 HCAS also showed heavy vehicles overpaying, and a recent “look back” cost allocation study for the 2021-2023 biennium that analyzed actual revenues and expenditures, rather than projections as in the HCAS, found that trucks overpaid more than originally projected.

There are several reasons this has occurred.

- ***The mix of investments have changed.*** Light vehicles are responsible for most of the costs for project types like bicycle paths because they are the largest segment of vehicle fleet, and expenditures in this area have increased due to legislative, congressional, and commission decisions. Conversely, heavy vehicles are responsible for a very large share of pavement costs because of the impact their weight has on pavement, and these expenditures have decreased.
- ***Revenues have shifted.*** Registration and fuel sales for light vehicles remain below pre-pandemic levels while trucking activity experienced a surge during the pandemic. We are seeing signs of a reduction in trucking activity that could contribute to reducing disparities.
- ***We have better information on pavements.*** New data has improved traffic count estimates and more granular estimates across vehicle classes and road types were incorporated into the study, which also shifted costs away from heavy vehicles toward lights.

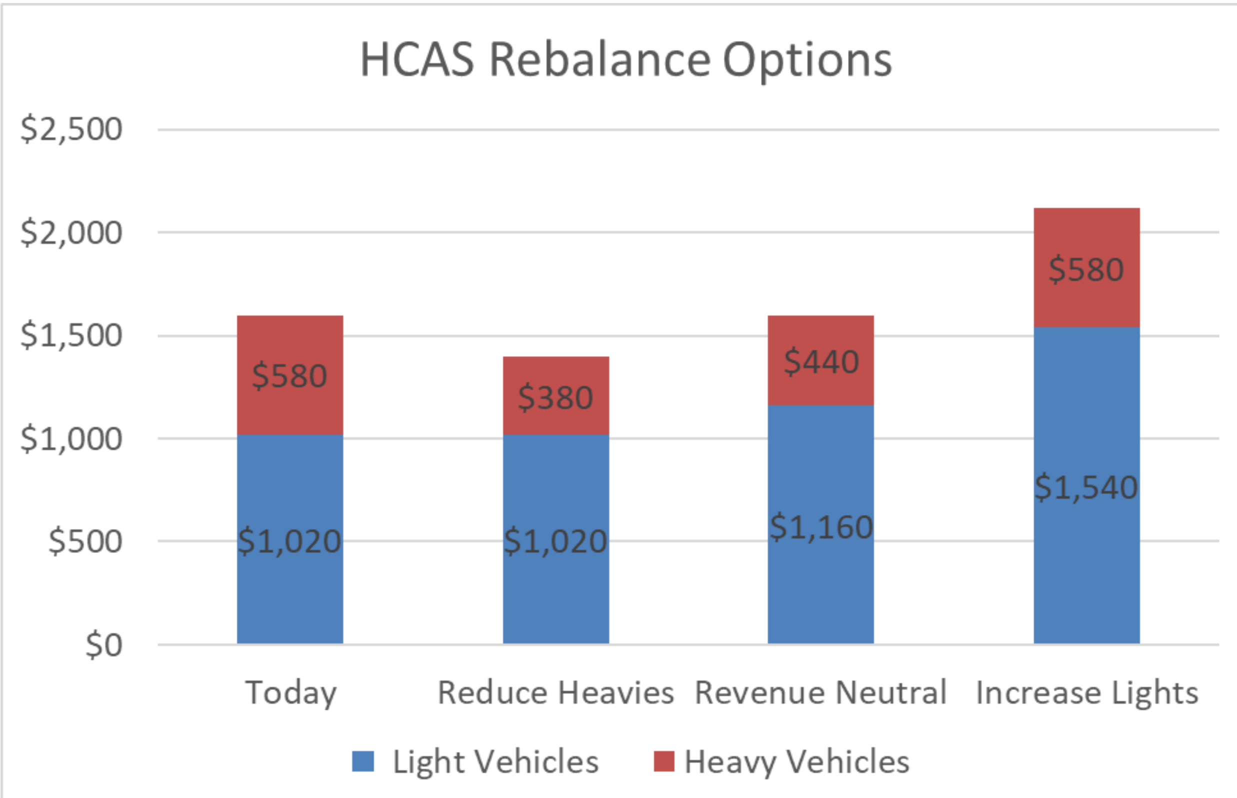
Legislative Options

Please note: ODOT is deliberately and explicitly an external party in HCAS to ensure objective analysis, and DAS and the Legislature are ultimately responsible for analyzing options and determining how to rebalance cost responsibility. The analysis below is provided by ODOT for illustrative purposes *only* and does not in any way constitute the final, official analysis or a proposal to adjust revenue to achieve cost responsibility. Rather it is intended to provide a general sense of the options and size of the revenue adjustments needed.

The Legislature has three basic options to act on the imbalance shown in the 2023-2025 HCAS. These options and amounts will change based on the results of the 2025-2027 HCAS that will be completed in early 2025.

- ***Cut heavy vehicle rates.*** Heavy revenue would have to come down about $200 million per year to achieve cost responsibility, which is a significant impact for ODOT and local governments.

- ***Reduce heavies and increase lights.*** In a revenue neutral option, heavies would need to come down about $140 million per year and lights would have to increase by the same amount.
- ***Increase light vehicle rates.*** Light vehicles would have to increase their contribution by more than $500 million per year—a revenue increase equivalent to the size of HB 2017, borne exclusively by light vehicles.



As it has in the past, ODOT is prepared to evaluate the impact of legislative action on its operations and provide fiscal analysis for any proposed legislation.