**State Highway Fund Apportionments**

The State Highway Fund consists of three primary sources of revenue:

- Fuels tax on gasoline, diesel, and other transportation fuels
- Weight-mile tax and vehicle registration fees on heavy trucks collected by ODOT's Commerce and Compliance Division
- Driver and motor vehicle fees collected by DMV

Net revenue after covering the cost of collecting these taxes and transferring non-highway fuels tax revenue to other agencies and programs is apportioned among ODOT, cities, and counties. While this distribution is often referred to as "50/30/20" because in recent packages revenue has been apportioned 50% to ODOT, 30% to counties, and 20% to cities, the apportionments are more complex than this. They are set by distribution formulas included by the legislature in various transportation funding packages, each setting unique distribution formulas for its incremental share of revenue. This document, and the comments herein, pertain explicitly to the five different, package-specific apportionment formulas/distributions listed below and not to apportionment or revenue-sharing generally.

<u>Apportionments by Funding Package</u>

*Base*
The Base State Highway Fund consists of fuel taxes, weight-mile taxes, and DMV fees in place prior to the passage of the transportation funding packages described below. These funds are the most flexible and can be used to support any eligible use of State Highway Funds. After costs of collection from DMV, CCD, and Fuels Tax are deducted the remaining net revenue is apportioned 60.05% to ODOT, 24.38% to counties and 15.57% to cities.

*OTIA I/II (2001/2002)*
The Oregon Transportation Investment Acts (OTA) I and II (2001, 2002) increased DMV title fees, and authorized the issuance of $500 million in Highway User Tax Revenue Bonds (HUTR) to fund various capital projects throughout the State. Unique to this package, $71.2 million of total State Highway Funds are set aside each biennium and after the payment of debt service the remaining amount of net revenue is split with counties and cities, with 50% going to local governments, and ODOT receiving 50%.

*OTIA III (2003)*
OTIA III further increased DMV title fees and also increased DMV registration fees along with increasing weight-mile and heavy vehicle registration fees. OTIA III authorized the issuance of $1.6 billion in HUTR bonds to fund bridge projects across the State ($300 million of which was sent

directly to local governments). Revenue generated from these increased fees is split with counties and cities, with 42.47% going to local governments, and ODOT receiving 57.53%. In addition, a small set of DMV fees were also increased in this bill, with 100% of the incremental revenue transferred to local governments.

*Jobs and Transportation Act (2009)*

The Jobs and Transportation Act increased fuel taxes for the first time since 1993, as well as weight-mile taxes, DMV fees, and authorized the issuance of $840 million in HUTR bonds to fund the construction of specific projects. After off-the-top dedications of $24 million per year for long-term planning at ODOT, revenues are split with counties and cities, with 50% going to local governments, and ODOT receiving 50%. As part of this package, the Legislature directed ODOT's revenue share to specific purposes, including:

- a portion for maintenance, preservation, and safety
- a portion for state highway modernization
- a portion for debt service and other purposes.

*HB 2017 (2017)*

HB 2017 increased fuel taxes, weight-mile taxes, and DMV fees, and authorized the issuance of $480 million in HUTR bonds to fund construction of specific projects. After off-the-top dedications of $30 million per year to the Urban Mobility Strategy projects and $15 million per year for the Safe Routes to School program, revenues are split with counties and cities, with 50% going to local governments, and ODOT receiving 50%. As with JTA, ODOT's share of revenue can only be used for specific purposes:

1. Debt service on the $480 million in HUTR bonds;
2. $10 million for safety;
3. 70% on bridge/seismic projects;
4. 24% on preservation and culvert projects; and
5. 6% for state highway maintenance.

Table 1 below shows what percentage of funds is apportioned to ODOT at base levels and for each of the transportation funding packages mentioned above. Table 2 summarizes the additional statutory spending direction that applies after apportionment for each of the funding packages.

*Table 1: ODOT Apportionment Percentages*

<table>
<tr><th></th><th>Base<br>60.05%</th><th>OTIA I/II<br>50%</th><th>OTIA III<br>57.53</th><th>JTA<br>50%</th><th>HB 2017<br>50%</th></tr>
<tr><td>Debt Service</td><td></td><td>All debt service is paid before apportionments.</td><td>All debt service is paid first out of ODOT's share.</td><td>51.25% for debt service on JTA/OTIA III bonds.</td><td>All debt service is paid first out of ODOT's share.</td></tr>
<tr><td rowspan="3">Capital</td><td rowspan="4">Base revenues are the most flexible and can be use for capital or O&M.</td><td rowspan="4">Portions of the $71.2 million/year not used for debt service are available for capital and/or O&M.</td><td rowspan="4">After debt service, ODOT's share is available for capital and/or O&M. However, OTIA III revenues are insufficient to cover OTIA III debt service (different is paid w/ JTA funds).</td><td rowspan="3">15.75% for modernization</td><td>40% for bridges</td></tr>
<tr><td>30% for seismic</td></tr>
<tr><td>24% for preservation and culverts</td></tr>
<tr><td>O&M</td><td>33% for maintenance, preservation, and safety</td><td>6% for maintenance</td></tr>
</table>

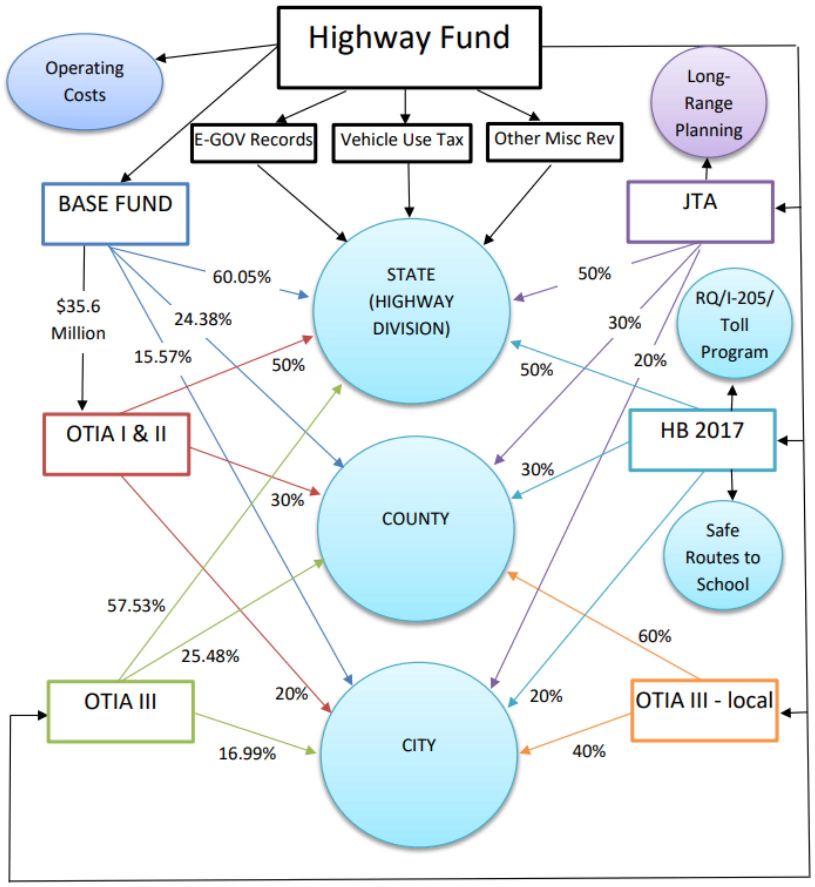
*Table 2: Post-Apportionment Statutory Spending Direction*

| | OTIA I | OTIA II | OTIA III | JTA | HB 2017 |
|---|---|---|---|---|---|
| Year | 2001 | 2002 | 2003 | 2009 | 2017 |
| Legislation | HB 2142 | HB 4010 | HB 2041 | HB 2001 | HB 2017 |
| Bond Authority | $400M | $100M | $1.6B | $840M | $480M* |
| Existing Revenue Sources | Title fees: +$20 | | Title fees: +$25<br>Registration fees: +$12<br>VIN Inspection: +$3<br>Knowledge Test: +$5<br>Weight-mile: +~10% | Fuel taxes: +$0.06<br>Title fees: +$22<br>Registration fees: +$16<br>Trip permits: $+10<br>ID cards: +$10<br>Plate fees: +$10/plate<br>Weight-mile: +~25% | Fuel taxes: +$0.10<br>Weight-mile: +~53%<br>Trip permits: +$2 |
| New Revenue Sources | N/A | | N/A | N/A | Enhanced reg fees<br>Privilege tax<br>Use tax<br>Payroll tax |
| Pre-Apportionment Set-asides | $71.2M | | N/A | $24M/year for long-range planning | $30M/year for UMS<br>$15M/year for SRTS |
| SHF Apportionment % | 50% / 30% / 20% | | 57.53% / 25.48% / 16.99%<br>(60% / 40%) | 50% / 30% / 20% | 50% / 30% / 20% |

**HB 2017 authorizes the use of the UMS $30M for debt service, effectively increasing bond authority by ~$500M, for a total of ~$900 - ~$1B.*

Overall, the total apportionments of net State Highway Fund revenue is approximately 56% to ODOT, 26% to counties, and 18% to cities. The different revenue sharing formulas and dedications for each funding package result in a complicated apportionment process that limits ODOT's flexibility to respond to current needs. Additionally, these funding packages have largely dedicated revenue to new capital investments with few funds remaining for ODOT's operations and maintenance costs, with the exception of the original base funding. Figure 1 is a visual representation of this complicated apportionment formula.

*Figure 1: State Highway Fund Apportionment*




The current apportionment structure creates multiple challenges:

1. It is complex and lacks transparency for legislators, stakeholders, and funding recipients.
2. It requires significant staff time and resources to calculate correctly and is prone to errors which require corrective action.
3. It restricts ODOT's funding to specific uses, limiting ODOT's ability to respond to changing needs.