

# Financial Services

## Update

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### GREETINGS FROM FINANCIAL SERVICES:

October brings changes as we prepare for the pre-implementation of the integrated system. Some FSB managers and staff prepare to assume new roles. Deb Tennant, Maureen Bock and Joe Bonawitz will move to the integrated system's program office. As part of Joe's and Deb's temporary moves, Shari Boedigheimer and Clay Flowers will respectively move to assume their responsibilities. Karen Krill temporarily assumes Clay's position. As Maureen has moved to the Program Office, Doug Kleeb and David Nemchik assume a greater role in the Fuels Tax Unit.

I want to thank each of these individuals for their efforts on the integrated system.

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### State Highway Fund Revenues Apportioned to Cities and Counties

The Oregon State Highway Fund depends primarily on three major sources of state revenues:

- Motor Vehicle Fuel Taxes
- Weight-Mile Taxes and Fees
- Motor Vehicle Registration Taxes and Fees

The Oregon Constitution (Article IX, Section 3a) states that the use of revenue from taxes on motor vehicle use and fuel shall be used exclusively for the construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads, streets and roadside rest areas in the state. The exclusive use of State Highway Fund revenues applies to the state, cities, and counties.

Prior to fiscal year 2001, there was a single formula in the Oregon Revised Statutes (ORS) used to allocate these revenues between the State Highway Fund and Oregon cities and counties. The moneys transferred to cities and counties are often referred to as the city and county apportionments. The original monthly allocation process was straight-forward based on the net revenues (gross receipts, minus refunds, minus collection costs) transferred into the State Highway Fund from the taxes and fees collected by Driver and Motor Vehicle Services, Motor

Carrier Transportation Division and the Fuels Tax Group of Financial Services Branch.

Total net revenues to the State Highway Fund from these sources were allocated using the following percentages: the state received 60.05 percent, counties 24.38 percent and cities 15.57 percent. Each county and city in the state receives a proportional share based these laws:

- ORS 366.764 provides that each county receive a share in proportion to the number of vehicles, trailers, semi-trailers, pole trailers and pole or pipe trailers registered in each county, to the total number of such vehicles registered in the state as of December 31 of the preceding year, as indicated by motor vehicles registration records.
- ORS 366.805(2) provides that each city receive a share of the moneys as its population bears to the total population of the cities as reported by the State Board of Higher Education.

Then the Oregon Transportation Investment Acts (OTIA) was enacted. The 2001 and 2003, Legislature approved tax and fee increases to finance the OTIA Programs, enabling the Department to issue highway-user revenue bonds to fund projects today and repay the debt service with these additional revenues.

#### State Highway Fund Revenue Apportionment Formula's

Year	Original 1985	OTIA I & II 2001	OTIA III 2003	Misc Fees 2003
Law/Bills	ORS 366.524	HB 2142	HB 2041	HB 2041
<b>State</b>	60.05%	50.00%	57.53%	0.00%
<b>Cities</b>	15.57%	30.00%	16.99%	40.00%
<b>Counties</b>	24.38%	20.00%	25.48%	60.00%
<b>Total</b>	100.00%	100.00%	100.00%	100.00%
Current ORS's	ORS.366.739	ORS 366.742	ORS 366.744	ORS 366.747 ORS 366.749
	Formula 1	Formula 2	Formula 3	Formula 4



# Financial Services Vision

To be recognized by customers and stakeholders as the most accountable, responsive and innovative finance organization in Oregon state government

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Have you felt the need to recognize your co-workers?

Have you received great customer service recently and wanted others to know?

Please remember the **Caught-in-Character** award is *there* just for those reasons. It makes it a great place to work when you know you are appreciated for the work you do. hard work we do here for ODOT.

### FSB Trivia:

What is the smallest city that received an apportionment?

Submit [Answer](#) to Kate Black by 10/31/07 and the winner will be announced in the November FS Update.

- During the 2001 legislative session, House Bill 2142 was enacted increasing title, registration and driver license fees to raise revenue. (OTIA I and II).
- The 2003 Legislature enacted House Bill 2041 that increased the weight-mile tax for commercial vehicles over 26,000 pounds by nearly 10 percent. The Legislature also earmarked some of the revenue raised by these increases for maintenance and preservation of county roads and city streets. (OTIA III)

The passage of these two bills made the monthly State Highway Fund revenue apportionment process much more complex. Today there are four separate formulas with different percentages for specific revenue increases as shown in the charts below. These distribution formulas are contained in ORS [Chapter 366 — State Highways and State Highway Fund](#). Here is how the monthly State Highway Fund revenue apportionment calculations are prepared today:

First, the amounts in the monthly net revenues transferred into the State Highway Fund attributable to the specific incremental tax and fee increases passed by the Legislature are identified. These incremental revenue increases are deducted from the total net revenues to arrive at the amount that is to be apportioned according to the original Formula 1.

Second, the debt service requirements for the OTIA I and II bonds are then deducted from available fees to determine the amount of funds available for distribution under Formula 2.

Third, the OITA III taxes and other miscellaneous fee increases available for distribution under Formula 3 and Formula 4 are calculated.

Fourth, once the amounts available for distri-

bution under each of the four formulas have been determined, to the available funds are distributed into three distribution buckets based on the formulas for the counties, the cities and the state in the chart above.

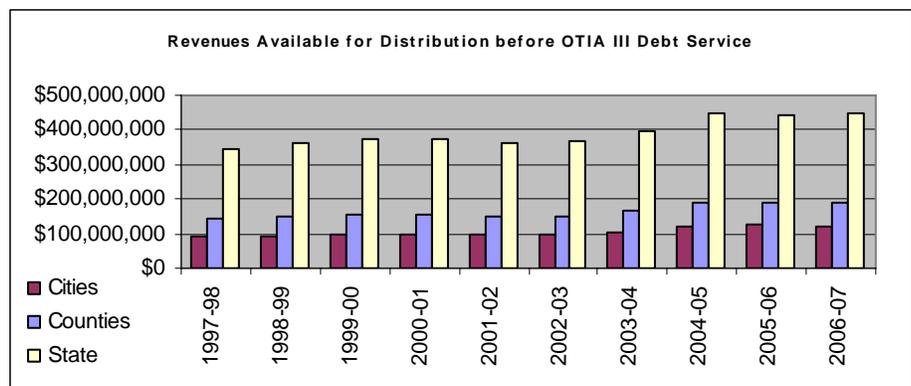
Then, after all four formulas have been applied and the total amount to distribute to the counties and cities is known, the amounts due to each county and city are calculated as follows:

Counties—Deductions are made for the counties portion of the OTIA III debt service and Special County Allotment under ORS 366.772 to arrive at the total amount available for distribution to counties. Each county then receives a proportional amount based on the number of vehicles registered in their county.

Cities—Deductions are made for the cities portion of the OTIA III debt service and Special City Allotment under ORS 366.805 to arrive at the total amount available for distribution to cities. Each city receives a proportional amount based on their city's population versus total population in Oregon.

Finally, on completion of the calculations for all cities and counties share of the monthly revenues, a file is up-loaded into TEAMS. Either a check will be issued, or an electronic funds transfer to cities and counties bank account or to their Local Government Investment Pool account at Oregon State Treasurer's Office is completed.

This is a high-level description of the process performed monthly to distribute shared State Highway Fund revenues with the counties and cities. The attached link is to the [Actual Highway Revenue Apportionments](#) posted on the Internet.



### July Trivia Answers:

First largest bond sale was in 1985 when Vets issued \$740 million in GO Bonds. Second largest bond sale was in 2003 when Pension obligation bonds issued \$2.1 Billion.