



Oregon Department of Transportation



# Oregon's Experiments in Closing the Transportation Funding Gap

Presented to

*Focus Georgia*

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**Partnerships and Alternative Funding**





## Oregon's Road Revenues Under Stress

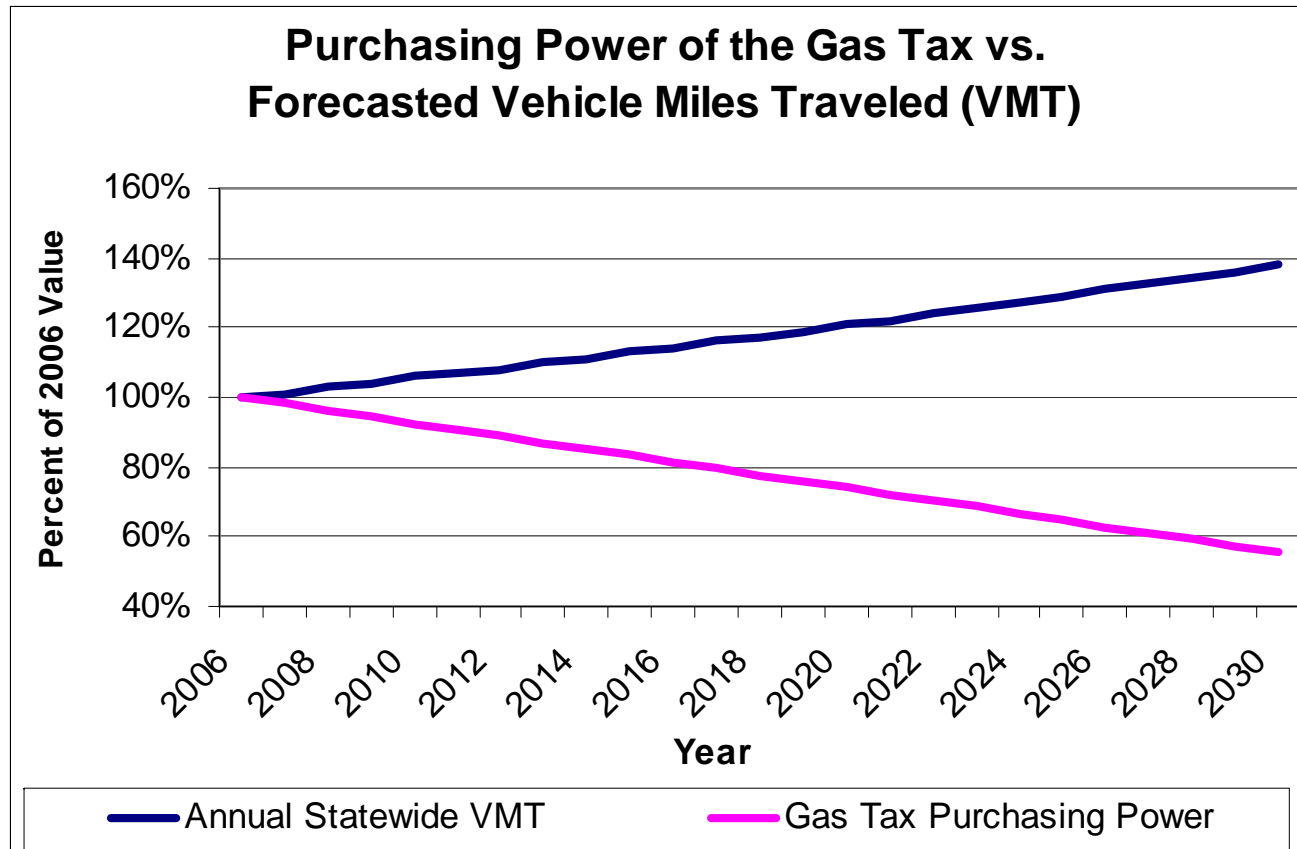
- Oregon last raised gas tax in 1993, to 24 cents
- Oregon's license and vehicle registration fees are among the lowest in the nation
- Concerns about ability to raise gas tax to levels necessary to fund major projects across Oregon.
- More than \$10 billion in unmet modernization needs





## Growing Vehicle Miles Traveled and Funding Gap

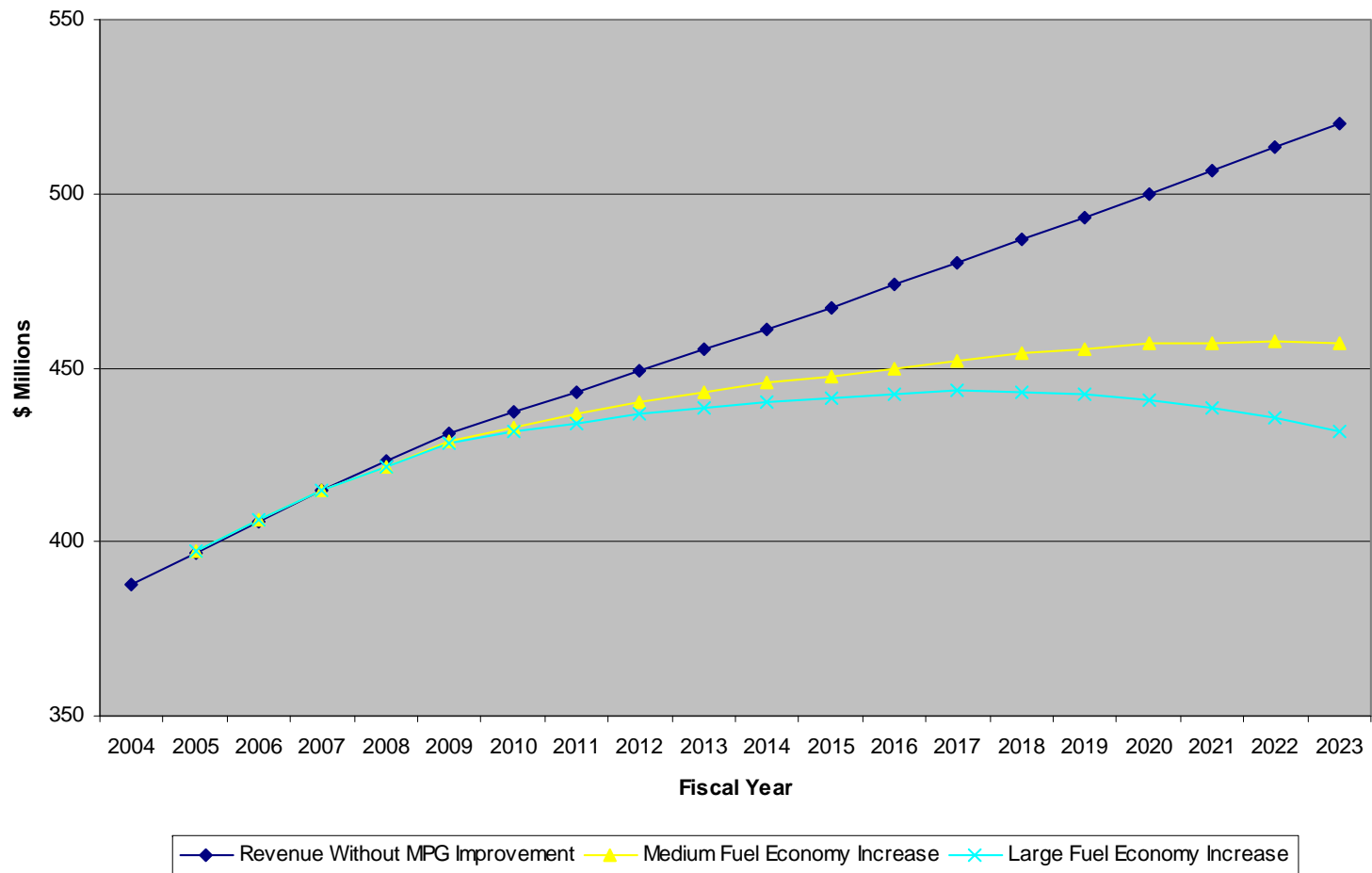
**VMT predicted to increase by approximately 40%. Purchasing power of gas tax declines by 40-50% due to inflation.**





# Effect of Fuel Efficient Vehicles on Highway Fund Revenue

LIGHT VEHICLE FUEL TAX REVENUE





## Filling the Gap: Legislative Directives 2001-2003

- Revenue Bonding
  - Oregon Transportation Investment Act
- Innovative Finance Advisory Committee
  - Oregon Innovative Partnerships Program
- Road User Fee Task Force
  - Recommendations:
    - Mileage Fee: A Per-Mile Road User Charge
    - Congestion Pricing: A Time Varied Road Use Charge
    - Tolling New Capacity



*~Experiments in Filling the Gap~*

## **Oregon Transportation Investment Act**

- 2001-2002: OTIA I and OTIA II
  - \$500 million in revenue bonds for modernization
- 2003: OTIA III
  - \$1.3 billion in revenue bonds for bridge program
  - \$300 million in revenue bonds for modernization
- Conclusion: *Revenue Bonding for Oregon Highways is tapped out!*



*~Experiments in Filling the Gap~*

## **Oregon Innovative Partnerships Program (OIPP)**

An innovative procurement method created to:

- Develop Partnerships with Private Entities and Units of Government
- Expedite Transportation Project Delivery
- Maximize Entrepreneurship and Innovation in Project Development
- Leverage Public Financing with Private Sources of Capital → → → *“Money at Risk”*



## The OIPP law defines:

“Transportation project” as “any proposed or existing undertaking that facilitates any mode of transportation in this state.”

Very broad legal authority could apply to Roads, Bridges, Rail, Ports, Ancillary Facilities, Telecommunications, ... any facility that transports.



# OIPP Agreements

**Under OIPP authority, ODOT may enter into agreements - if approved by Oregon Transportation Commission - relating to transportation projects the subject of which may include, but need not be limited to:**

Planning

Development

Reconstruction

Maintenance

Leasing

Acquisition

Design

Replacement

Management

Operation

Financing

Construction

Improvement

Repair

Any Financing Mechanism (franchise & user fees)



## OIPP Allows ODOT to Receive Both Solicited and Unsolicited Proposals

- Proposals can be initiated by Private Firms and/or Units of Government
- Allows Procurements outside the normal processes of Oregon procurement law
- Allows Entry of Private Partners at the Earliest Conceptual Stages of the Project
- Projects Can be Selected by Best Value or Qualifications instead of Lowest Cost Requirement



## ODOT's OIPP Choice → RFP for PDA

- **Solicited Proposals**
  - ▷ Controlling project selection
- **Project Screening**
  - ▷ Recommendations to Oregon Transportation Commission
- **Two stage, Triple Project Procurement**
  - ▷ Pre-Development Agreement (PDA) followed by Implementation Agreement (IA)
- **Wide Open Proposal Opportunity**
  - ▷ Attracting innovation into project development and financing
- **Project Extensions**
  - ▷ Creating most viable project



## OIPP Projects

**ODOT signed pre-development contracts with the Oregon Transportation Improvement Group (OTIG), a Macquarie-led consortium**

### **1. Newberg-Dundee Bypass**

- Bypass of congested state highway to coast

### **2. South I-205 Corridor Improvements**

- Possible tolled expressway in SE Portland

### **3. The Sunrise Corridor**

- New limited-access facility into high growth area



## Oregon's PDA Approach

### Sharing Risk Among the Parties

- Up-front investment of private capital for project development
- Exposure cap on project development costs
- OTIG 100% at-risk for project financing, construction and facility operation/maintenance

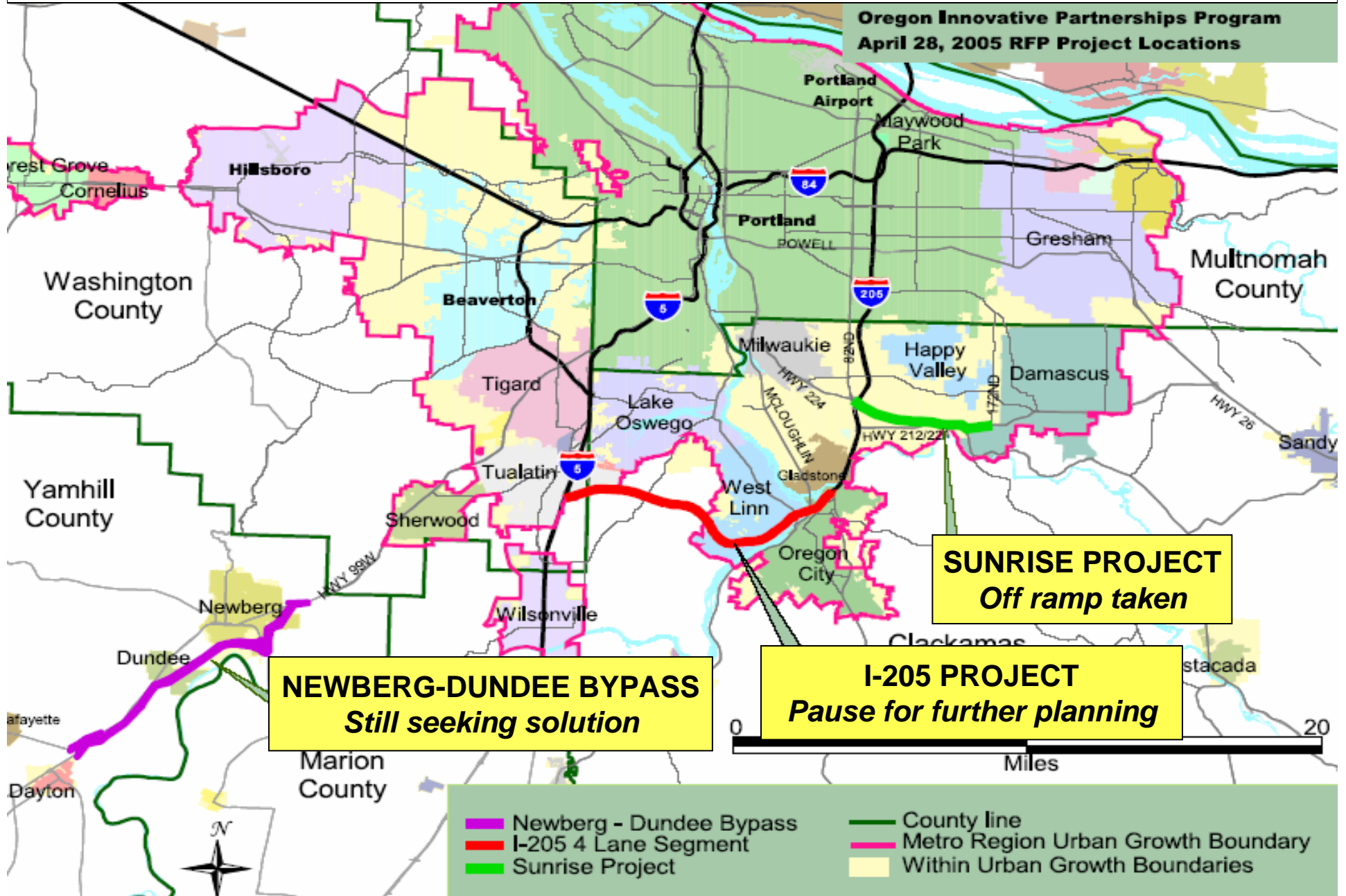
### Collaborative Working Groups

- Active interaction between ODOT staff & OTIG
- Greater public acceptance

### Off Ramp Opportunities for Exiting Arrangement

- Provides political cover
- Allows exploration of less obvious project candidates

# OIPP PROJECTS – STATUS REPORT





## OIPP Challenges - Internal

- **Internal Barriers**
  - Traditionalists
  - Fear of Tolling and PPPs
  - Leader Hesitancy
- **Negotiating Internal Barriers**
  - Project selection criteria
  - Project screening process
  - RFP development
  - Involvement of Leadership



## OIPP Challenges - External

- **External Barriers**
  - Local Government Resistance
  - Public Resistance
  - Political Opposition
  
- **Negotiating External Barriers**
  - Involvement of Local Leaders
    - Pre-proposal meeting
    - Consultation on proposals
    - Proposer interviews
    - PDA negotiations
    - Project Working Groups
    - Twice monthly briefings
  - Insertion of Tolling Message Early



## Determining Best Financing Approach

### Finding best path forward

- ODOT Financial Adviser Analysis and Critique of Private Partner's Financing Approach and Verification of Data
- Public Sector Comparator
- Alternative Private Sector Comparator



*~Experiments in Filling the Gap~*

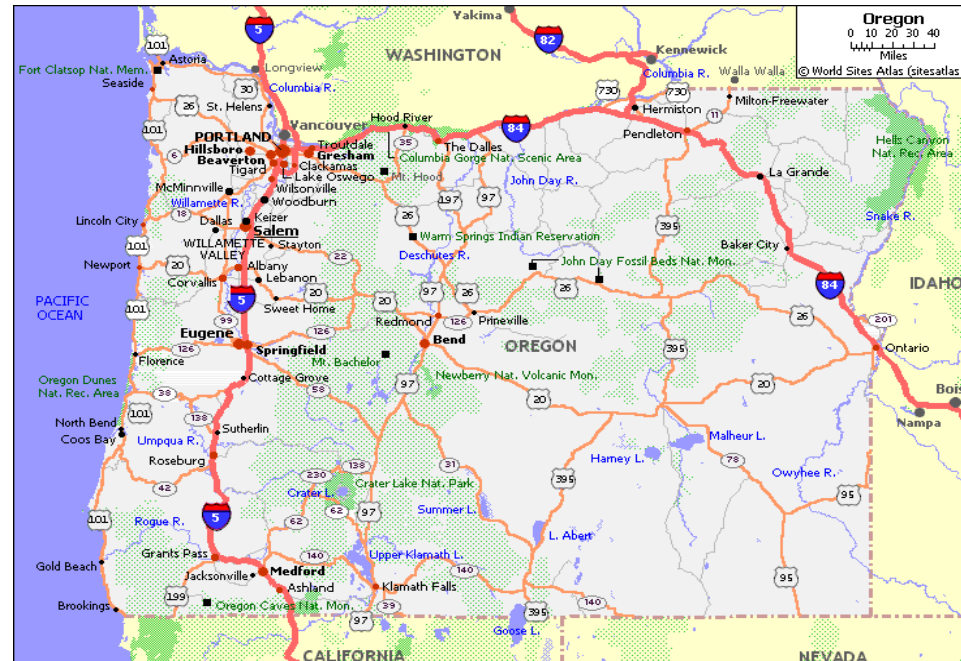
# Oregon's Mileage Fee Concept

A per-mile charge based on miles driven within Oregon by zone

Zone 1 = in state

Zone 2 = out of state

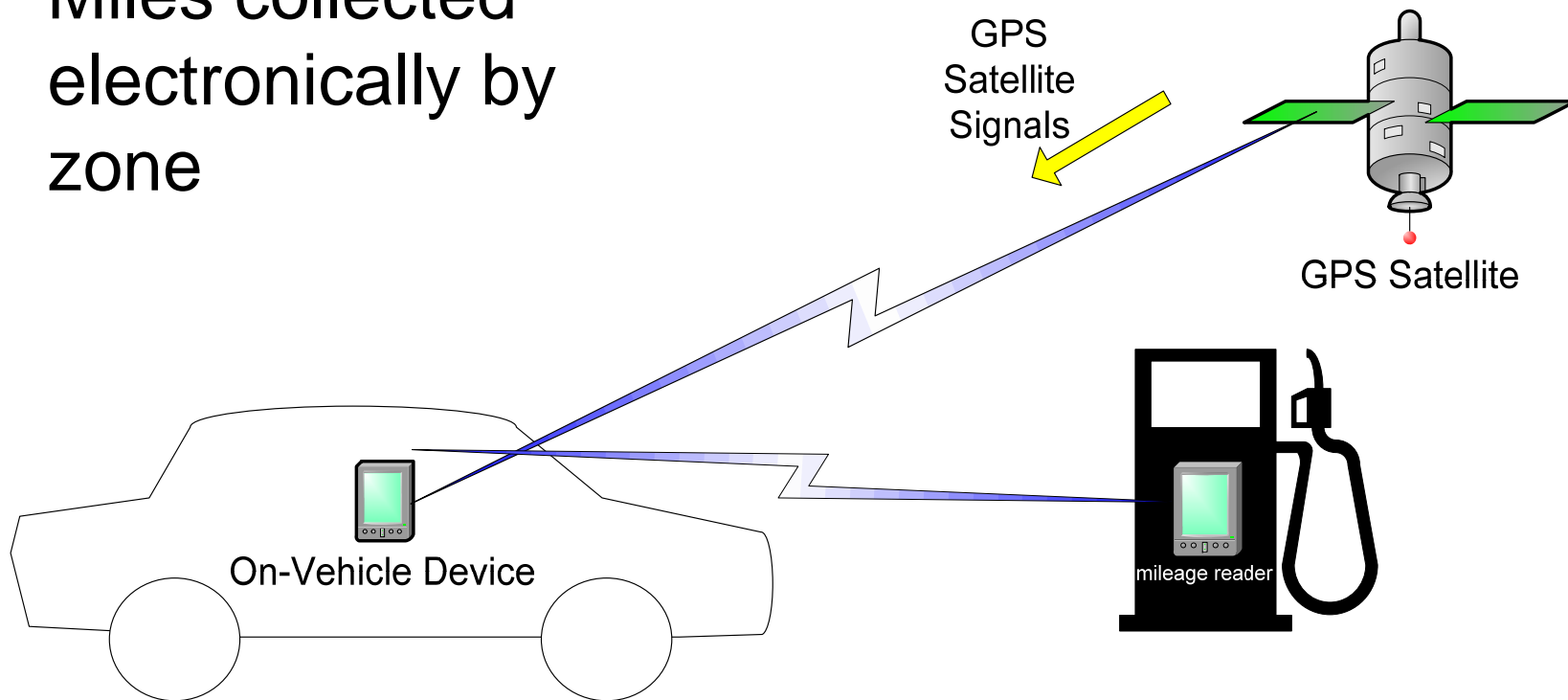
Zone 3 = rush hour





## Characteristics of Collection

Miles collected electronically by zone





# Characteristics of Collection

CSR  
R# 1 S# 1 T# 882316 10:55 AM  
06/09/06

Leathers Fuels  
11421 SE Powell Blvd  
Portland, OR 97266

Pump# 1 Unleaded		
19.50 @ 2.549		49.71
ST Fuel Tax @ .24		(4.68)
VMT Fee :		5.12
Rush Hour :	40	
In-Oregon :	28.6	
Non-Oregon:	0	
No Signal :	0	
	Subtotal	50.15
	Total	50.15
	Cash	50.15
Thank You !		

Mileage fee imposed as part of fuel purchase

Fuel tax deducted from fuel purchase price



## Key Features

Oregon's weight-distance tax retained for heavy vehicles

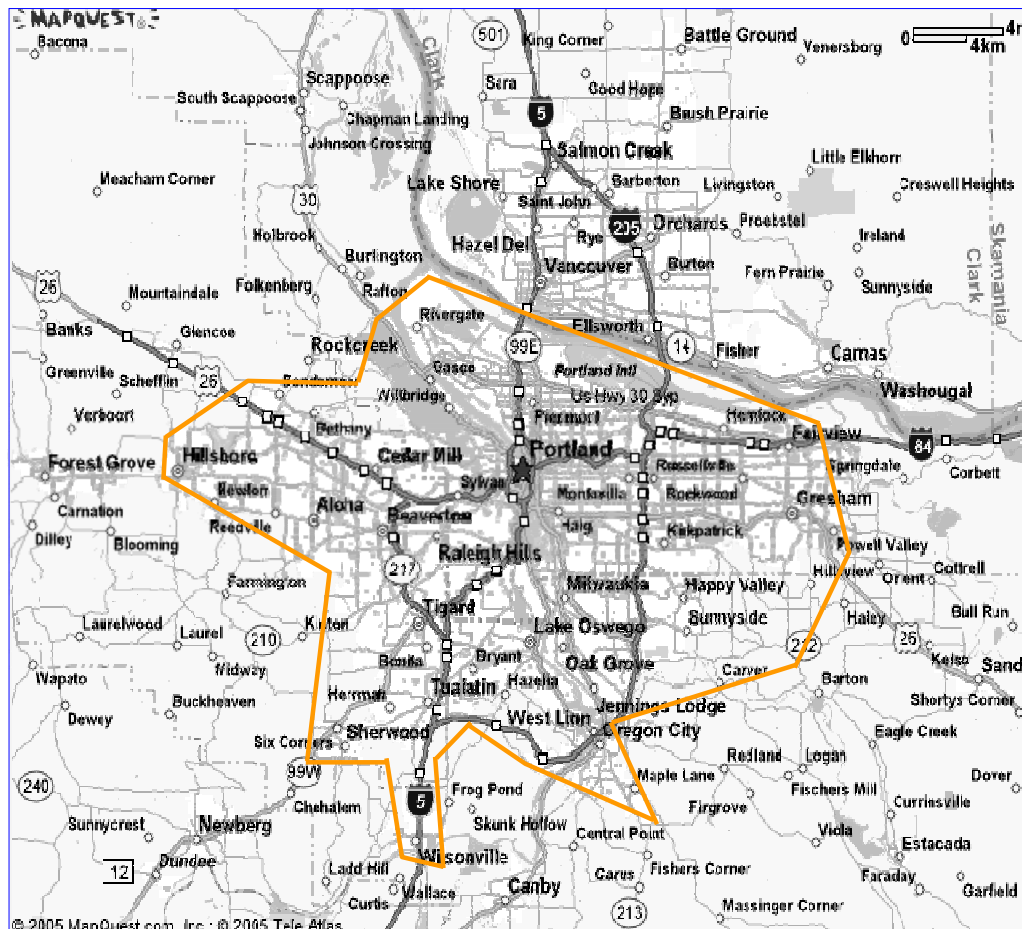
Fuel tax maintained for non-equipped vehicles



Mileage charge integrates with existing fuel tax collection system



# Multi-Jurisdictional and Variable Pricing Applications



## Area Pricing

- Higher rates at peak periods

## Local Option

- Defined boundaries
- Differing rates



Oregon Department of Transportation



***Website for Office of Innovative  
Partnerships and  
Alternative Funding***

**[www.oregon.gov/ODOT/HWY/OIPP/innovative.shtml](http://www.oregon.gov/ODOT/HWY/OIPP/innovative.shtml)**

