

Transportation Funding Overview

Governor's Rebuilding Transportation Vision Workgroup

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A detailed map of Oregon, showing major roads, cities, and geographical features. The map is color-coded with greens for forests and blues for water bodies. Major roads are highlighted in red and yellow. The text 'Roadmap to Today's Discussion' is overlaid on the map in a large, bold, black font.

Roadmap to Today's Discussion

How Oregon Funds Transportation

- State Highway Fund
- State Multimodal Funding
- Local Road Funding
- Federal Transportation Funding

Major Challenges and Issues

- Costs have increased rapidly, and the State Highway Fund is eroded because the revenue sources aren't inflation-adjusted
- Growing fuel efficiency erodes the fuels tax
- Oregon lacks many funding sources used by other states
- Debt constrains ODOT's current and future spending
- Statutes put most ODOT funding into capital projects, forcing significant budget reductions in maintenance and operations
- The last Highway Cost Allocation Study showed light vehicles were significantly underpaying compared to heavy trucks
- Local governments are highly dependent on the State Highway Fund and lack local funding options
- State funding for other modes of transportation is relatively limited
- Federal funding is at significant risk of reduction



A worker in a red safety suit and hard hat stands on a blue lift bucket, working on a steel bridge structure. The background is a dense forest of evergreen trees. The scene is dimly lit, suggesting dusk or dawn.

State Highway Fund

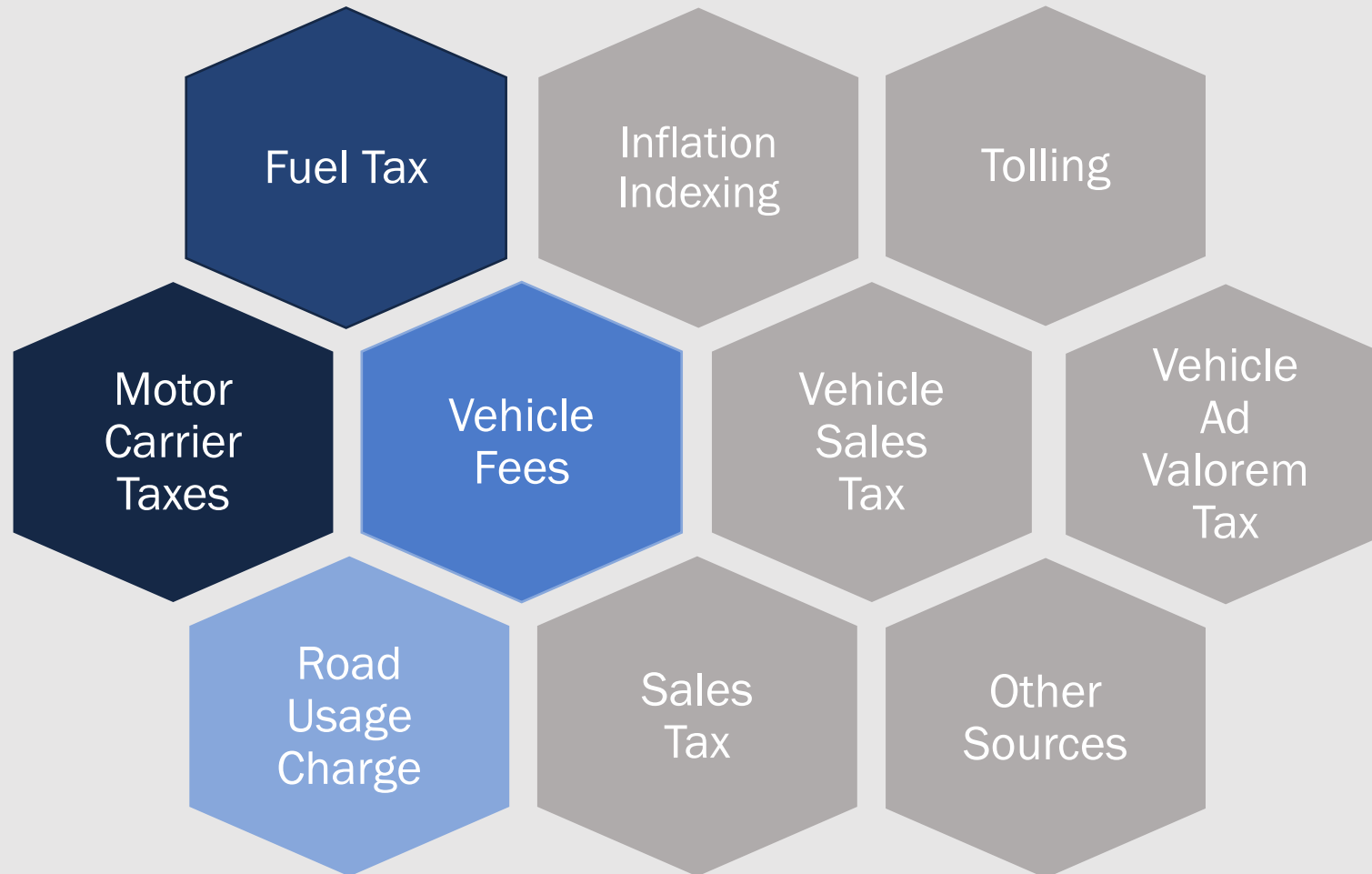
Oregon's Highway Revenue Portfolio

Oregon has a portfolio that relies on four revenue sources:

- Fuels tax: gasoline and diesel
- Heavy trucks: weight-mile tax and registration
- Vehicle fees: registration and title
- Per-mile road usage charge (starting in 2027)

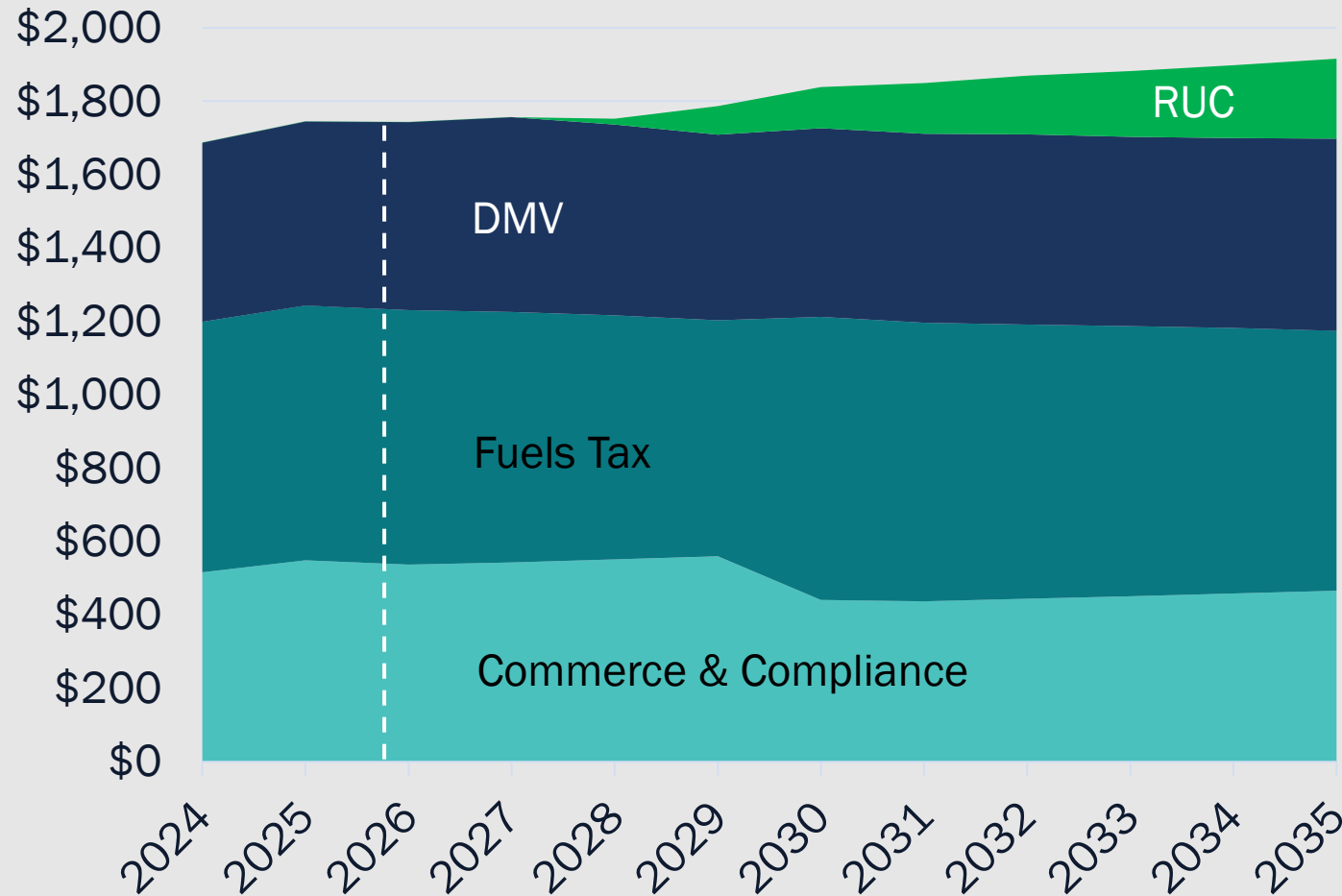


Oregon lacks revenue mechanisms used by many other states to fund transportation



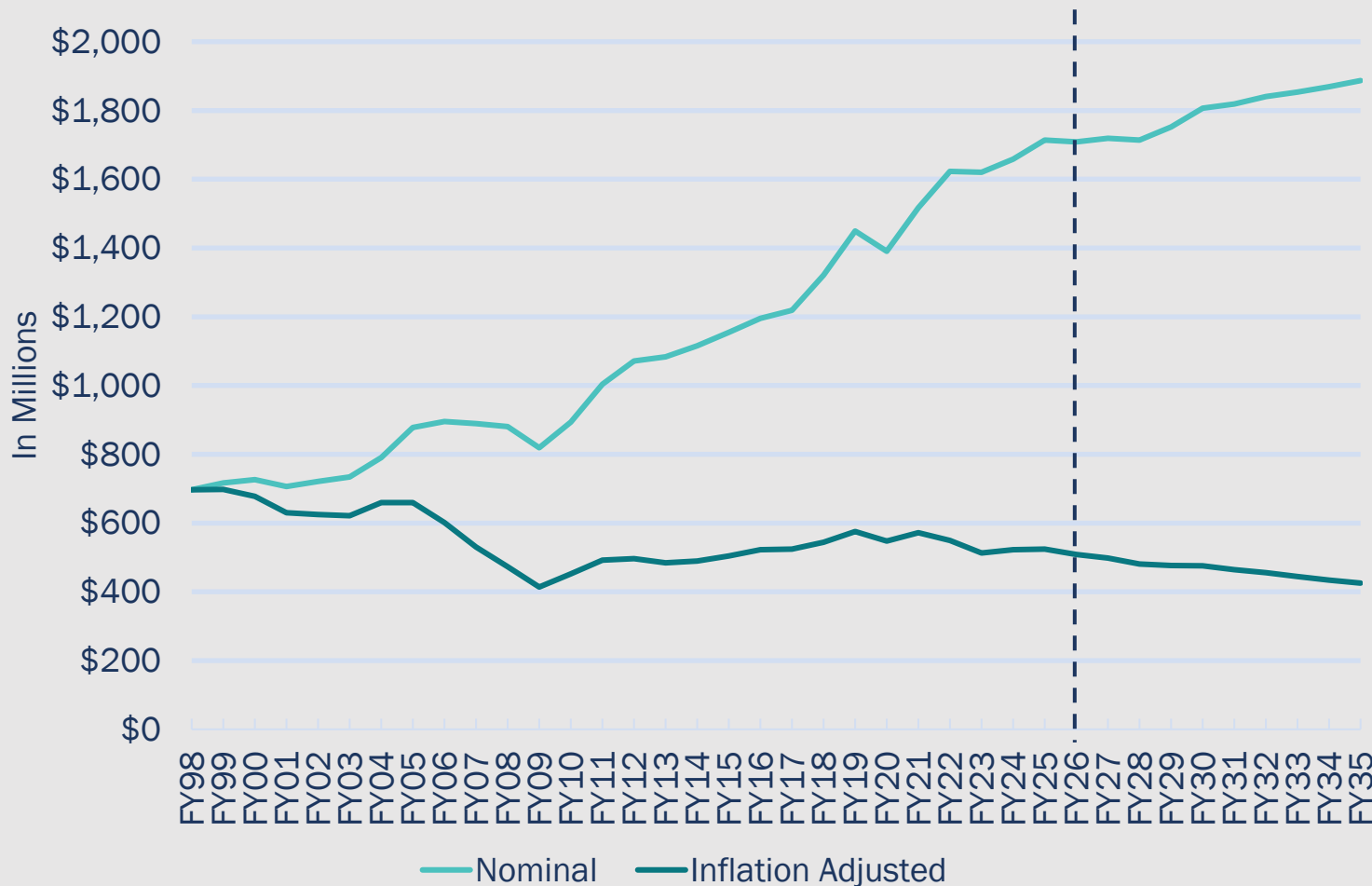
Gross State Highway Fund Revenue

April 2026 Revenue Forecast



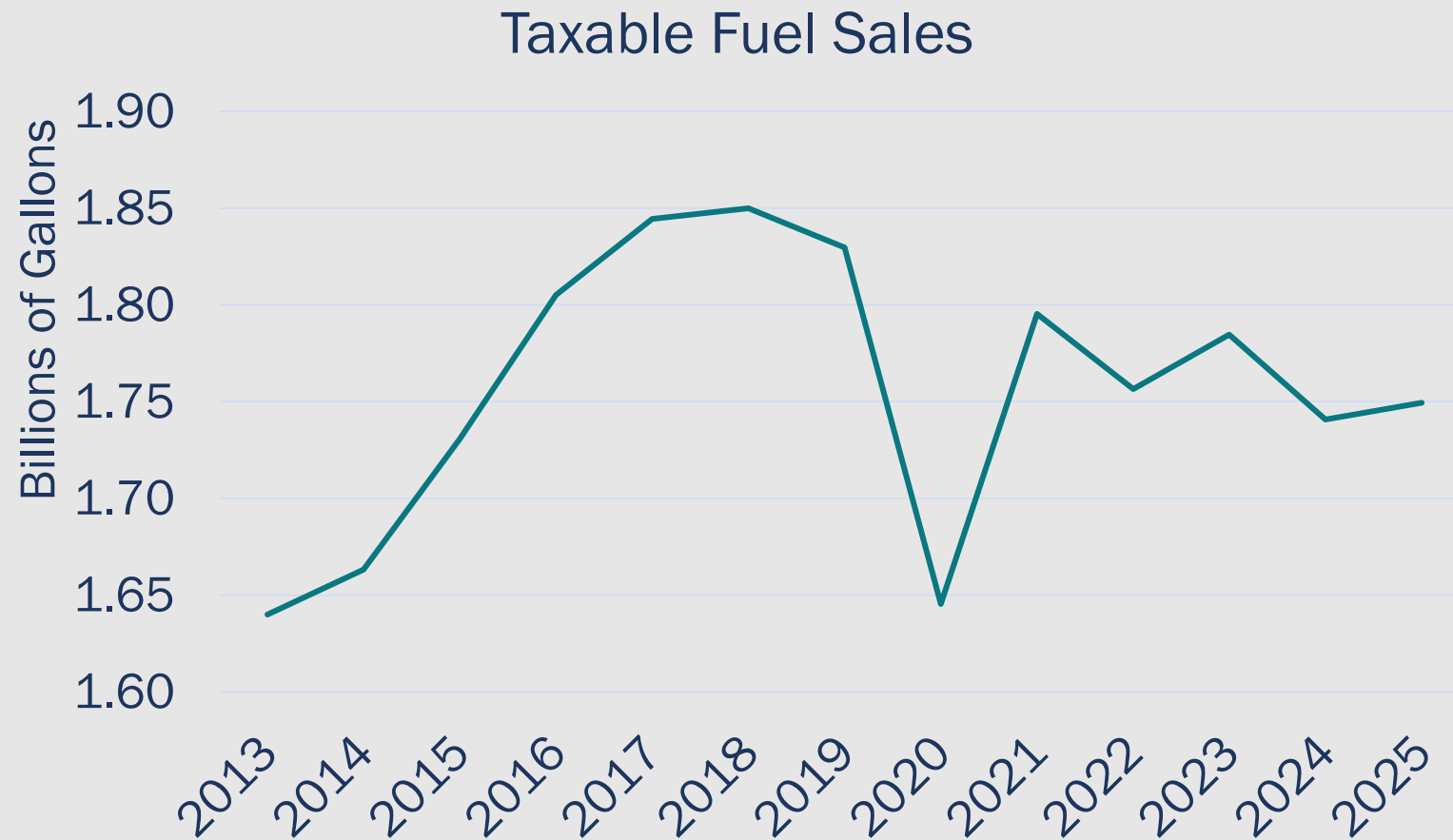
- Gross State Highway Fund projected to grow 10% in nominal terms from '25-'35 – 1% per year
- Road Usage Charge will be responsible for all growth

Inflation-Adjusted State Highway Fund



- All funding sources are eroded by inflation
- Since 1998 State Highway Fund revenue has declined 27% after adjusting for costs
- Revenue won't keep up with inflation going forward – 16% real revenue reduction by 2035

Growing fuel efficiency is eroding the gas tax



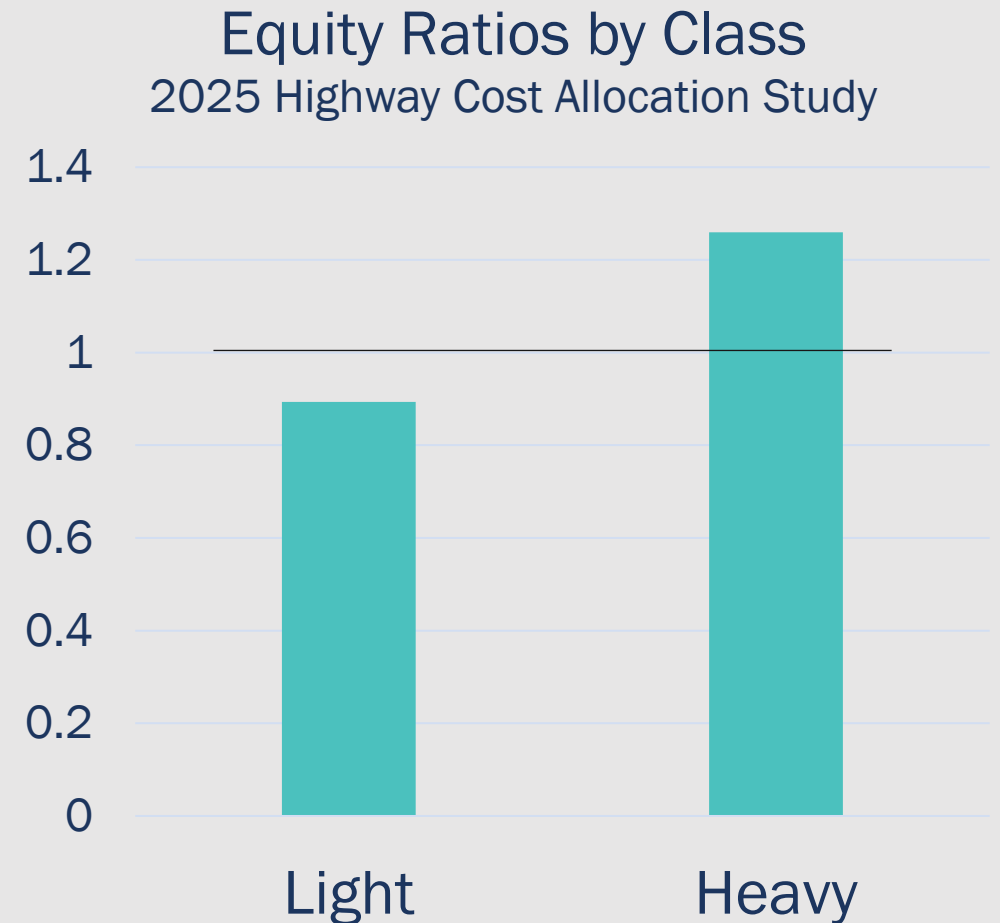
- Taxable fuel sales peaked in 2018 and are declining by about 1%/year
- RUC will ensure hybrid and electric vehicles pay their fair share but doesn't address growing efficiency of ICE vehicles

Oregon's Constitutional Requirements for Highway Funds

Article IX Section 3a requires:

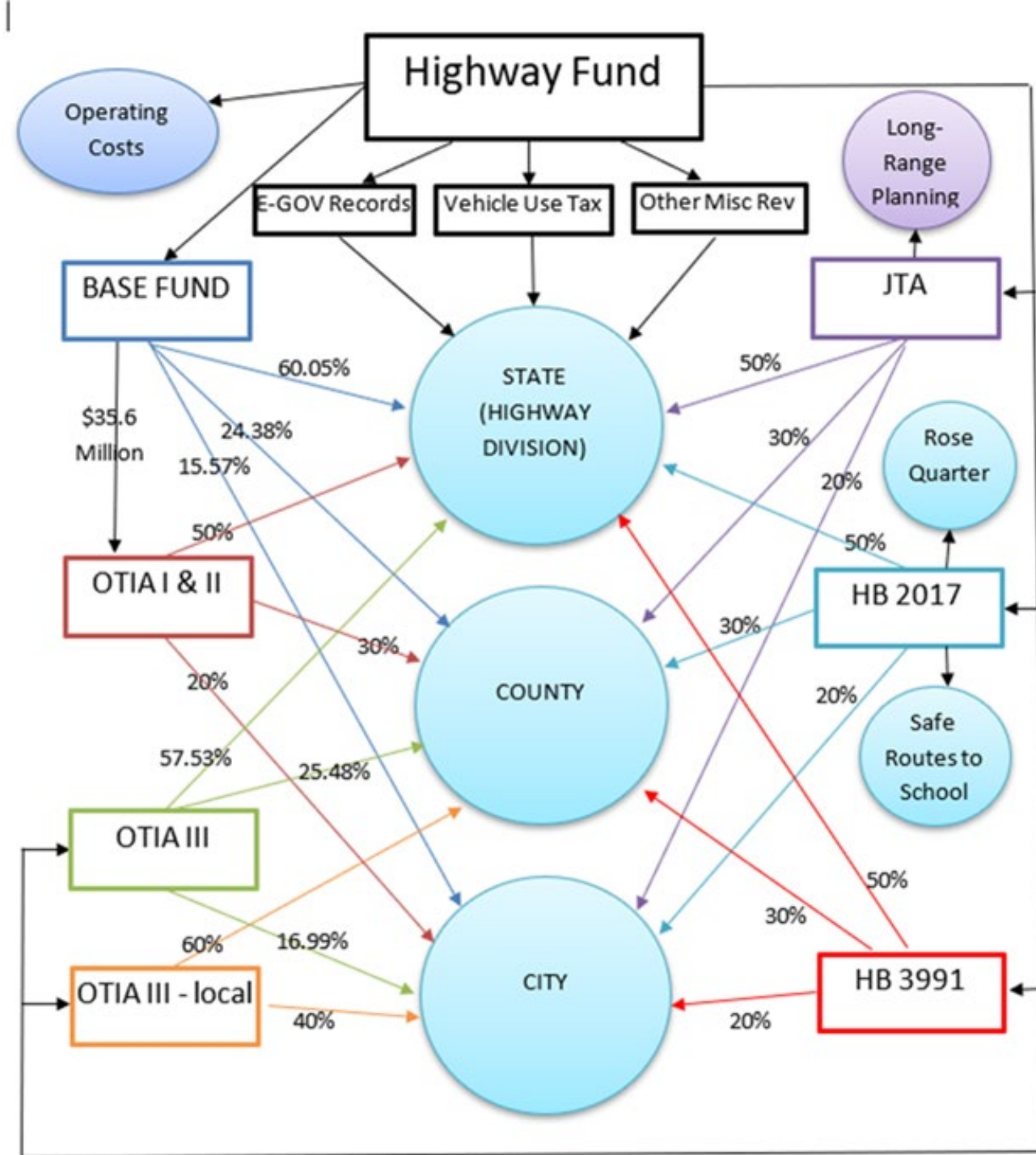
- All revenue from taxes on fuels and any tax or fee on ownership, operation, or use of a motor vehicle can only be used for highway purposes
- Taxes and fees between passenger vehicles and trucks must be fair and proportionate to their costs, based on Highway Cost Allocation Study

Last several HCAS showed light vehicles underpaying; HB 3991 would have rectified this; next HCAS will tell us whether this issue persists



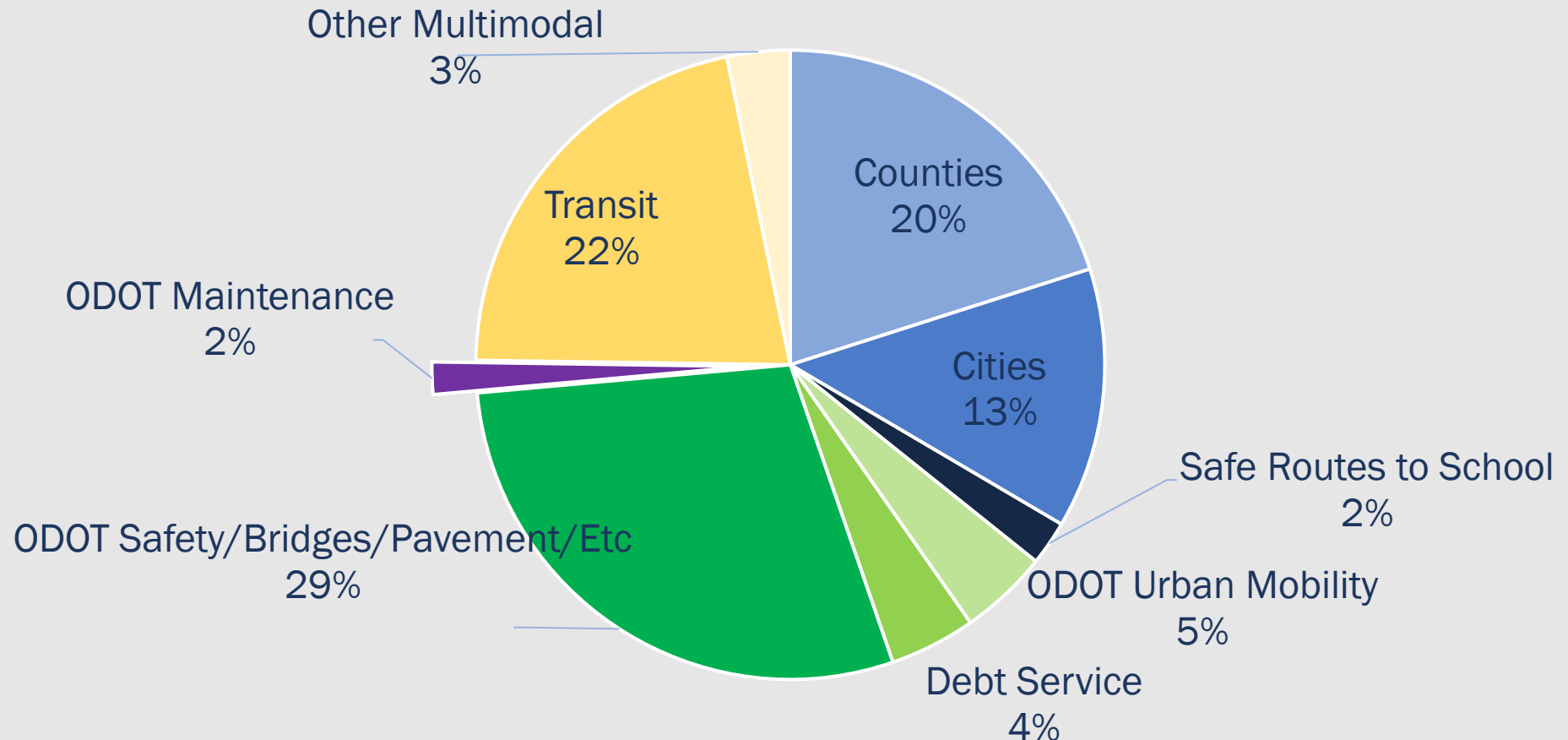
The State Highway Fund is a Shared Resource

- State Highway Fund split between ODOT, counties, cities
- Since 2009 additional revenue has been apportioned 50% to ODOT, 30% to counties, and 20% to cities (with exceptions)
- SHF distributed by 7 formulas; overall distribution is 56% ODOT, 26% counties, 18% cities
- HB 3991 made it impossible to calculate apportionments beginning July 1, 2029 when trucks begin paying diesel tax

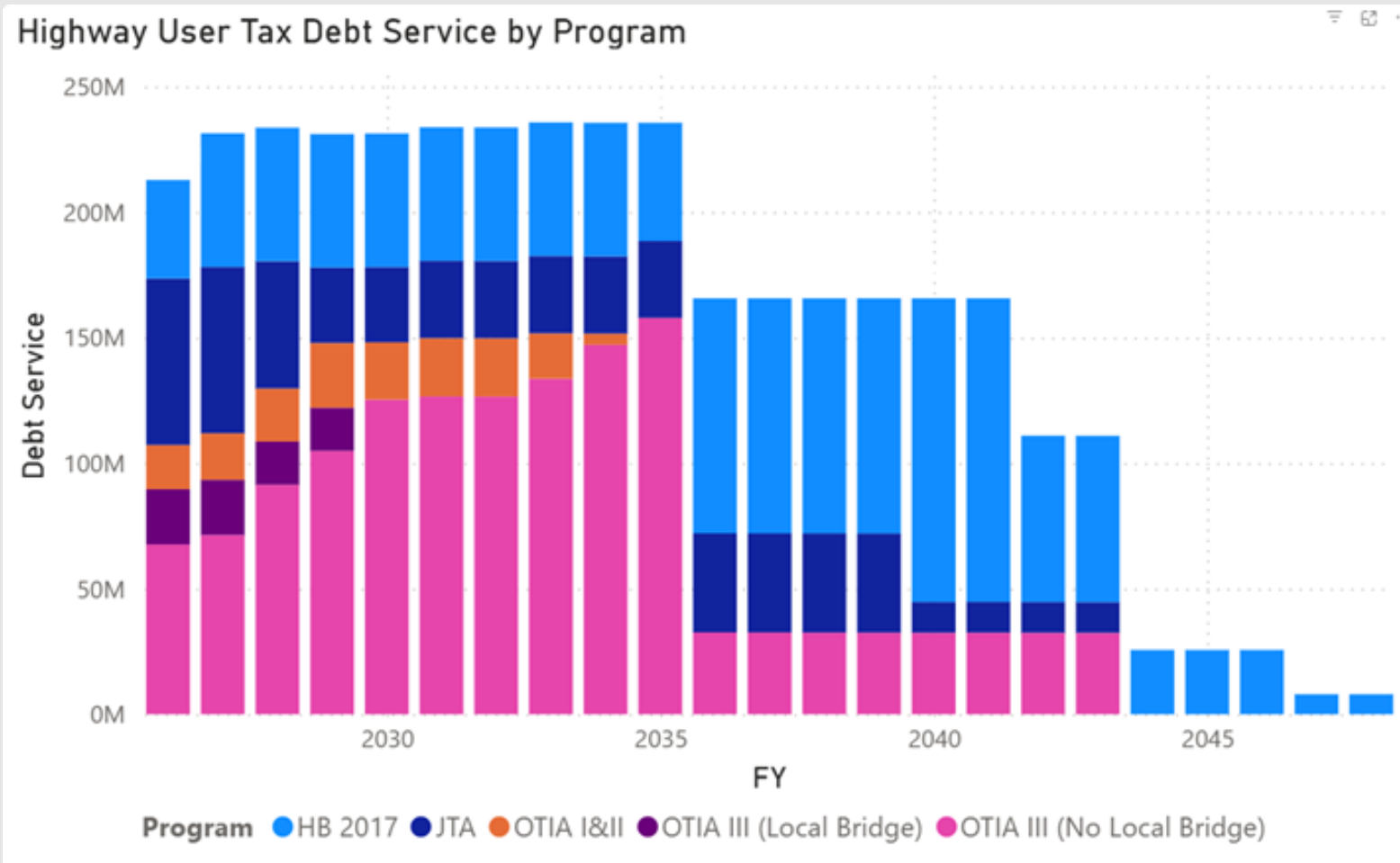


ODOT maintenance and operations funding is constrained by statutes that put most funding into capital

HB 2017 Funding Distribution from All Sources



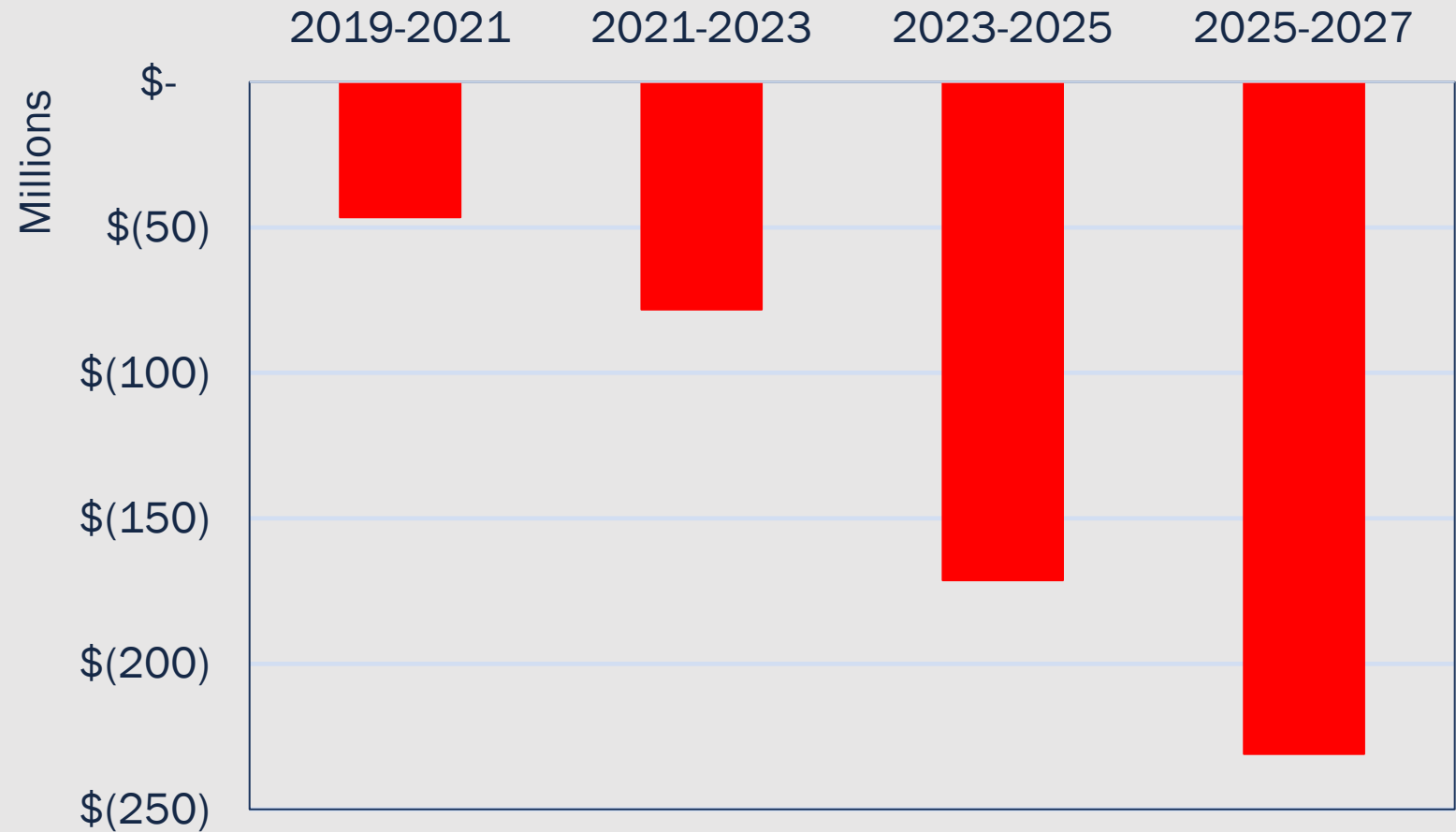
Debt on past projects constrains current and future spending



- Oregon has used debt reasonably and prudently and maintains strong credit ratings
- ODOT has issued over \$4 billion in Highway User Tax Revenue (HUTR) bonds that paid for \$1.3 billion OTIA III State Bridge Program, dozens of modernization projects
- Oregon has over \$200 million in annual HUTR debt service
- Additional debt will be sold for major projects that will fill in reduction after 2035

ODOT Maintenance and Operations Reductions

Shortfall of funding for maintenance and agency operations has forced ODOT to take growing reductions each biennium



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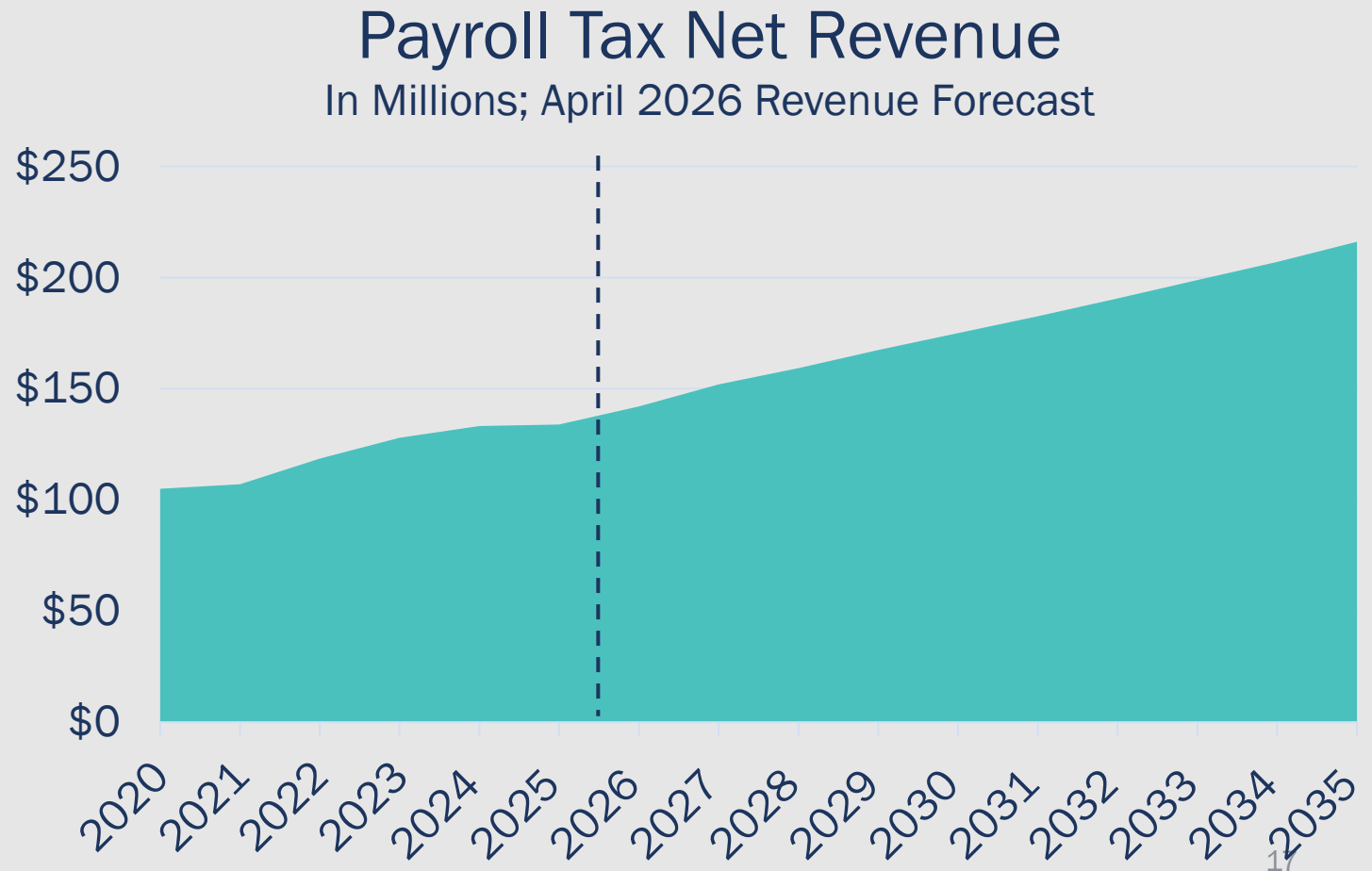
State Multimodal Funding

State Multimodal Transportation Funding Sources

Source	Rate	Where it Goes	Amount/Year
Payroll tax	0.1% (\$1 for \$1000 in payroll)	Statewide Transportation Improvement Fund for public transportation	\$142 million
Transportation Operating Fund	\$.40/gal (on non-hwy fuel)	Non-highway programs: Passenger rail, off-road paths, others	\$19.5 million
Vehicle dealer privilege tax on new automobile sales	0.5% (\$5 for every \$1000 in vehicle price)	Connect Oregon Fund for rail, port, and aviation grants Multimodal Active Transportation Fund for off-road paths	\$17.1 million
Custom plate fee	\$50/year	Passenger Rail Fund for Amtrak Cascades service	\$4.2 million
Bicycle excise tax	\$15 on new adult bicycles	Multimodal Active Transportation Fund for off-road paths	\$800,000

Statewide Transportation Improvement Fund for Public Transportation

- Primary funding source is **0.1% payroll tax**-- \$1 for every \$1,000 in payroll
- Also receives small amounts of funding from cigarette tax, ID card fees, TOF
- Revenue **increases about 5% per year** on average with growth in overall payroll due to employment and wage increases

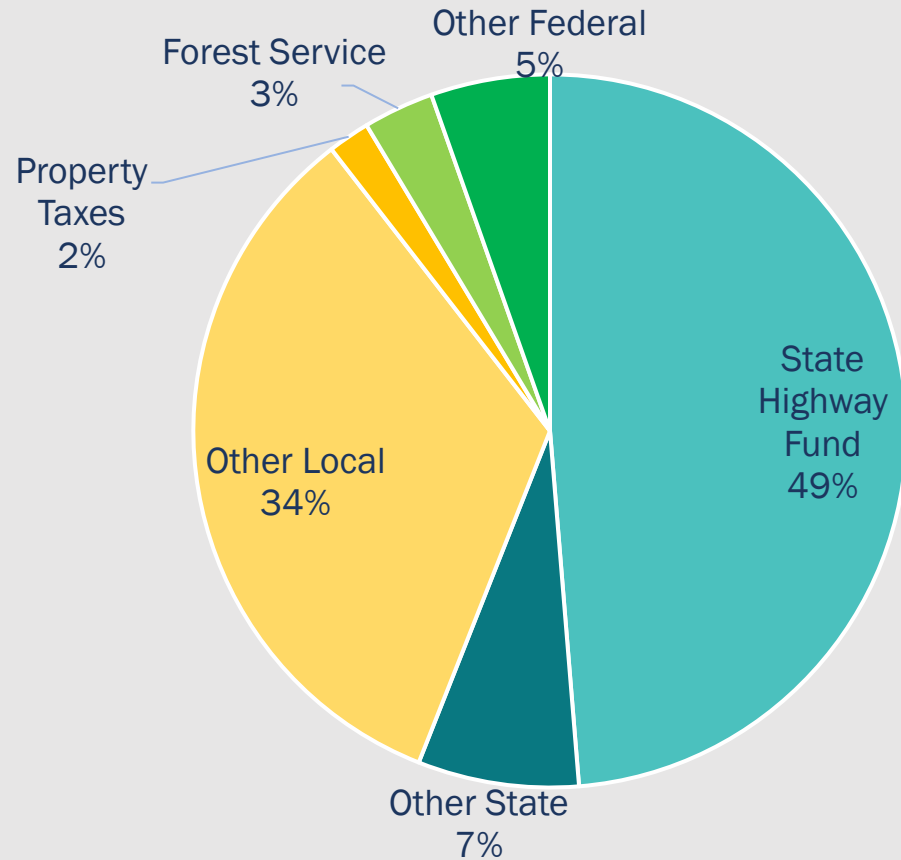


A worker in a red safety suit and hard hat is positioned on a blue lift bucket, working on a steel bridge structure. The background is a dense forest of green trees. The scene is dimly lit, suggesting dusk or dawn.

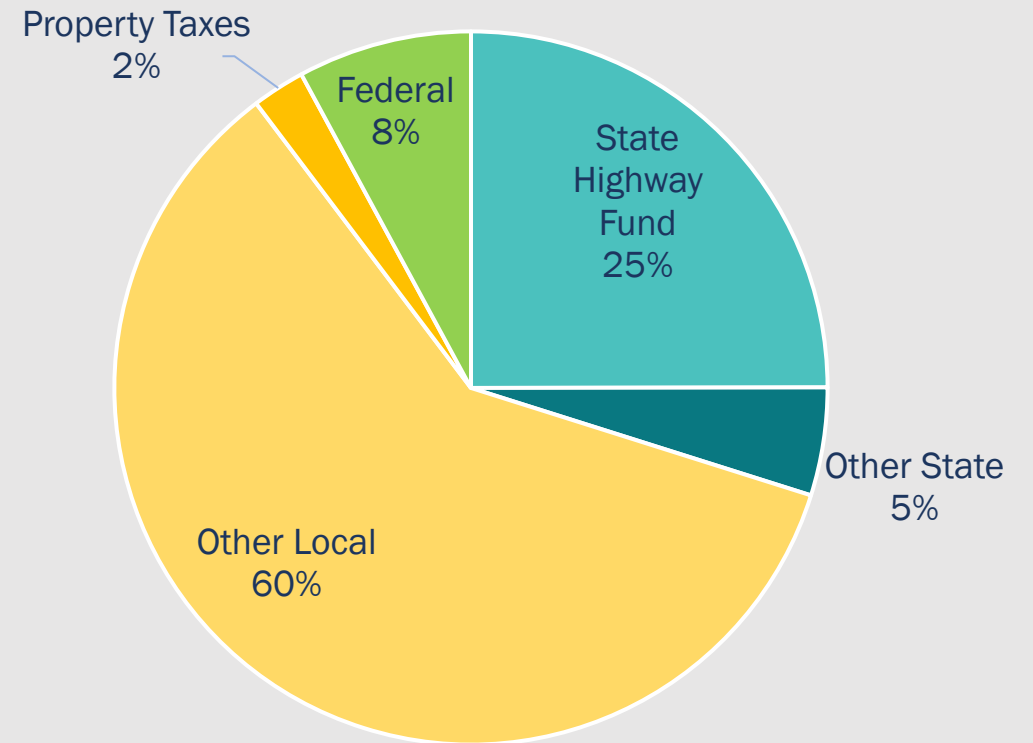
Local Road Funding

Local Road Funding

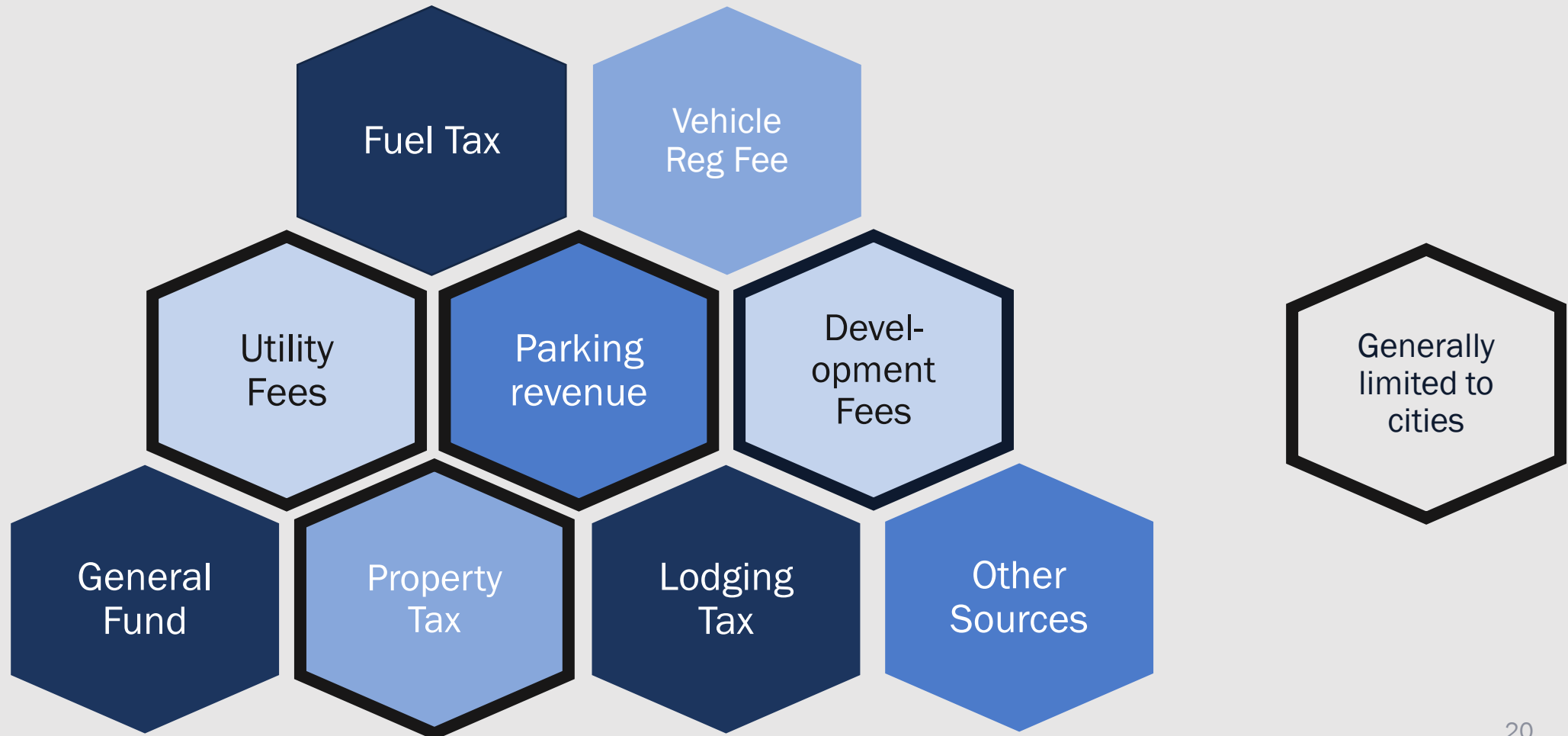
County Road Revenue by Source
FY 2024, \$736M Total



City Road Revenue by Source
FY 2024, \$844M Total



Local Road Revenue Sources

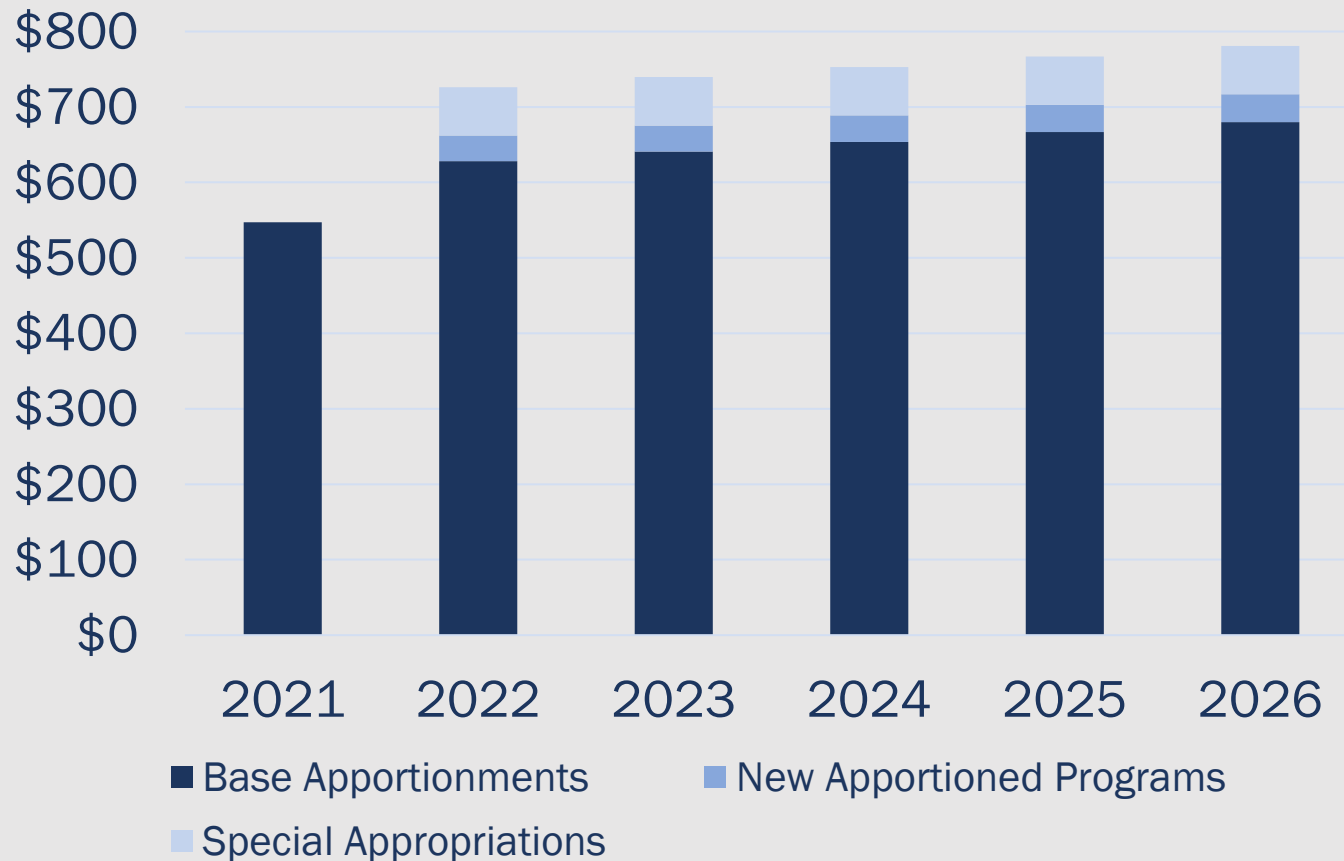


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Federal Funding

Federal Transportation Funding

FHWA Formula Funding to Oregon



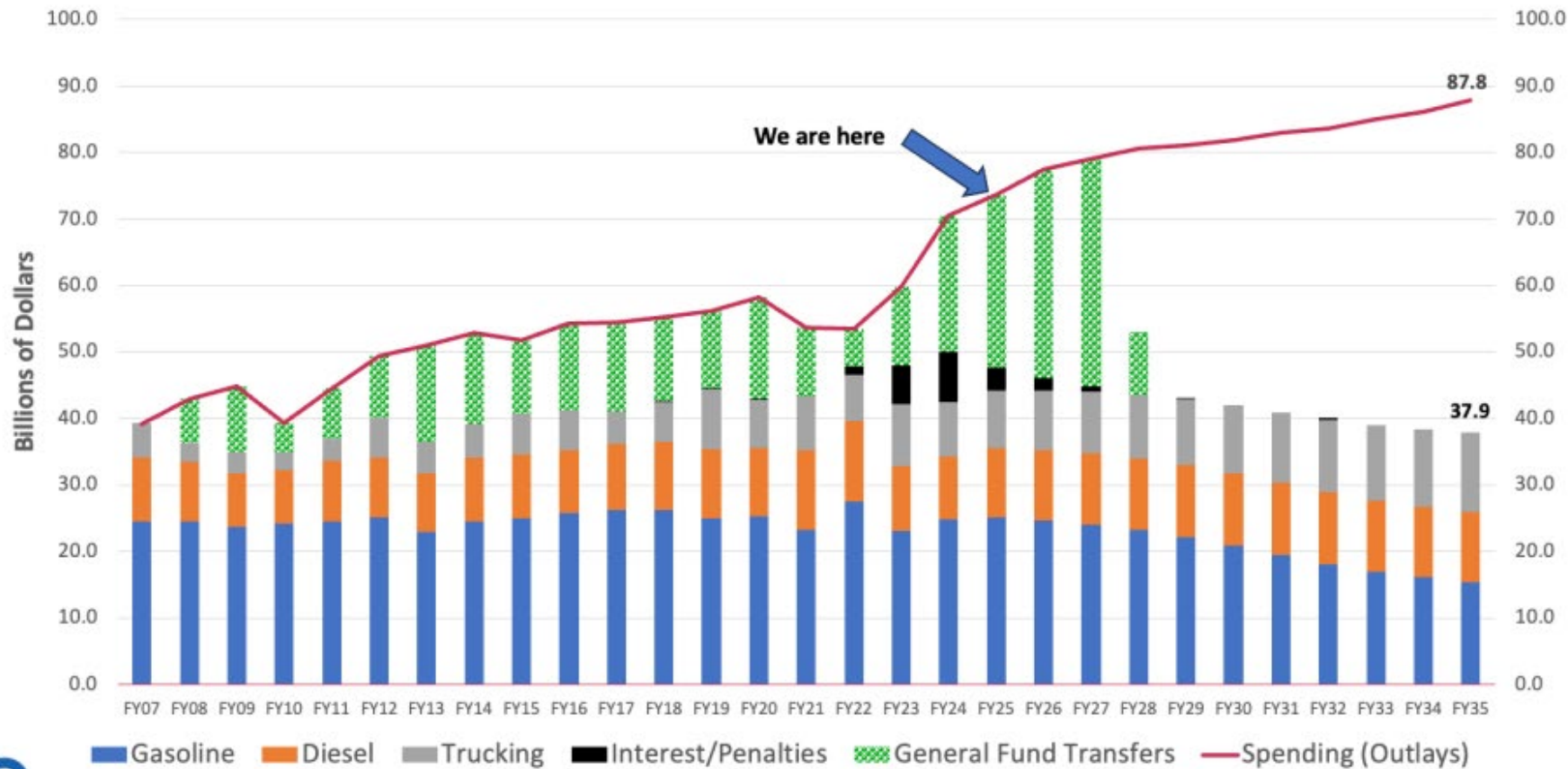
- Oregon receives:
 - Over \$700M/year in FHWA formula funds for capital projects
 - Over \$150M/year in FTA formula funds, primarily for urban areas
 - Much smaller amounts for safety programs
- Additional opportunities exist for competitive grants in specific categories
- Funding boosted in 2022 with passage of infrastructure bill, but it expires in 5 months

Federal transportation funding is at significant risk

Highway Trust Fund - FY 2007-2024 (Actual), FY 2025-2034 (CBO Jan. 2025 Baseline)

Stacked columns are receipts by type – red line is outlays.

(General Fund transfers shown in the year the transferred funds are spent.)



- Federal Highway Trust Fund faces \$40+ billion annual shortfall in 2028 and beyond
- Federal funding could fall by about half without additional revenue

Questions?

