

2026 STIF Rule Change Summaries  
2/3/26

This document summarizes the STIF Program rule changes approved by the Oregon Transportation Commission (OTC) at its January 22, 2026 meeting. It also includes a description of the reason for each change.

**Division 40**

- **OAR 732-040-0005**
  - 732-040-0005
    - Summary: Some definitions in this rule were out of alphabetical order, and amendments were made to place them in alphabetical order.
    - Purpose: Clarification.
  - 732-040-0005(11) “Community with a high percentage of low-income households”
    - Summary: Sets a uniform definition for the term “communities with a high percentage of low-income households” comparative to the statewide average.
    - Purpose: Current rules require Qualified Entities to set their own definition for the term “community with a high percentage of low-income households,” which is a component of statutorily required expenditure reports. This leads to inconsistent data across the STIF Formula program. A uniform definition will allow ODOT to meaningfully report on those statutory metrics.
  - 732-040-0005(15) “Indexed Minimum”
    - Summary: Modifies the definition of “Indexed Minimum” to tie the amount to the distribution of Payroll-Based Formula funds and Population-Based Formula funds during the 2023-25 biennium.
    - Purpose: The 2023-25 biennium was the first biennium when Population-Based Formula funds were distributed. This update clarifies the rule without changing its substance.
  - 732-040-0005(22) “Operations Reserve Project funds”
    - Summary: This amendment adds a definition for the term “Operations Reserve Project funds.” “Operations Reserve Projects” are described in more detail in OAR 732-042-0015(4).
    - Purpose: This definition provides a reference for this term, which is used elsewhere in the rules.
  - 732-040-0005(24) “Plan Contingency Project funds”

- Summary: This amendment adds a definition for the term “Plan Contingency Project funds.” “Plan Contingency Projects” are described in more detail in OAR 732-042-0015(5).
- Purpose: This definition provides a reference for this term, which is used elsewhere in the rules.
- 732-040-0005(25) “Planned Carry Forward Project funds”
  - Summary: This amendment adds a definition for the term “Planned Carry Forward Project funds.” “Planned Carry Forward Projects” are described in more detail in OAR 732-042-0015(6).
  - Purpose: This definition provides a reference for this term, which is used elsewhere in the rules.
- 732-040-0005(27) “Prior STIF Plan Period funds”
  - Summary: This amendment defines the term “Prior STIF Plan Period funds”
  - Purpose: Current STIF Formula program rules related to carry forward funding are ambiguous. A definition of the term “Prior STIF Plan Period funds” will help to clarify that all funds distributed to a QE but not spent in the Plan Period in which they were distributed must be carried forward to a subsequent STIF Plan.
- 732-040-0005(28) “Project”
  - Summary: This amendment changes the definition of “Project” to include activities for the maintenance, as well as the improvement, of public transportation.
  - Purpose: SB 1601 amended the STIF statute to allow STIF Formula funding to be used for the maintenance of existing services, in addition to service expansions. However, the definition of “Project” was not updated. This amendment reflects this legislative change to the permissible use of STIF funds.
- 732-040-0005(34) “Recipient”
  - Summary: This amendment modifies the definition of the term “Recipient” to explain that only Qualified Entities can be Recipients of STIF Formula funding and that a Qualified Entity must have an agreement with ODOT to be a STIF Formula funding Recipient.
  - Purpose: This does not change the substance of the definition, but it is intended to improve its clarity.
- 732-040-0005(42) “STIF Plan Maximum”

- Summary: Defines the term “STIF Plan Maximum” to mean the total funding sought in an OTC-approved STIF Plan.
  - Purpose: The term “STIF Plan Maximum” is already used in STIF Formula program guidance, but it is not currently defined in the program rules. This definition will improve the clarity of the program rules.
- 732-040-0005(43) “STIF Plan Period”
  - Summary: Defines the term “STIF Plan Period” to mean the effective date through the end date of an OTC-approved STIF Plan.
  - Purpose: The term “STIF Plan Period” term is already used in STIF Formula program guidance, but it is not currently defined in the program rules. This definition will improve the clarity of program rules.
- 732-040-0005(45) “Sub-Recipient”
  - Summary: This amendment modifies the definition of “Sub-Recipient” to state that entities other than “Public Transportation Service Providers” can be Sub-Recipients, and that Sub-Recipients do not include “Contractors” as described in OAR 732-042-0055
  - Purpose: This is needed to clarify the types of entities can qualify as STIF Formula Sub-Recipients and account for the new rule describing “Contractors.”
- 732-040-0005(49) “Unused Project funds”
  - Summary: This amendment sets a definition for the term “Unused Project funds” to describe STIF Formula funds intended for use, but not spent, during STIF Plan Period.
  - Purpose: This definition will distinguish these funds from other prior STIF Plan Period funds. It will help ODOT to track the amount of funding that is distributed to Qualified Entities but not spent, which will provide information to improve training and technical support for Qualified Entities and Sub-Recipients.
- **OAR 732-040-0010**
  - 732-040-0010(5)
    - Summary: This amendment requires the Oregon Transportation Commission to submit a report to the legislature on December 31 of odd numbered years regarding the uses and outcomes of STIF funding.
    - Purpose: The current rule specifies that a report to the legislature was due on February 1, 2020, but in practice such a report is submitted biannually.

The updated deadline is needed to continue the requirement of a biannual report to the legislature on the STIF Program.

- **OAR 732-040-0015**

- 732-040-0015(1) & (2)
  - Summary: The changes to these sections make it clear that the “annual financial audit of STIF moneys received” referenced in the rule must be conducted using the agreed upon procedures (AUP) made available by ODOT. It also sets a clear and enforceable deadline for the submission of the AUP to ODOT.
  - Purpose: These changes respond to confusion amongst providers concerning application of AUP.
- 732-040-0015(5)
  - Summary: This amendment replaces the term “Vendors” with “Contractors.”
  - Purpose: This change is needed to update the language of the rule in accordance OAR 732-042-0055, which defines “Contractors.” The term “Vendors” is not defined in the rules and is replaced by the defined term “Contractor.”
- 732-040-0015(6)
  - Summary: This amendment eliminates OAR 732-042-0015(6), which provides for contested case proceedings for challenges to orders by the OTC requiring a Qualified Entity to repay STIF funds. This change was initially promulgated as a temporary rule in May 2025.
  - Purpose: The provision requiring contested case proceedings is no longer needed due to the STIF Formula grant agreement rule, since the remedies will be handled pursuant to the grant agreements.

- **OAR 732-040-0020**

- 732-040-0020(2)
  - Summary: This amendment sets a deadline for STIF funding recipients to provide an annual report of interest earned on STIF funds to ODOT of 60 days after the end of the fiscal year in which the interest was earned.
  - Purpose: Reporting STIF interest is necessary to ensure that all STIF funding is spent in compliance with program rules, statutes, and agreements. The deadline allows ODOT to create a single interest report and to effectively enforce the interest reporting requirement while minimizing the work required to report.

- **OAR 732-040-0030**

- 732-040-0030(5)
  - Summary: This amendment eliminates the requirement that STIF Advisory Committee bylaws include a definition of the term “high percentage of low-income households.”
  - Purpose: The rule change to OAR 732-040-0005(11) setting a statewide definition for the term “communities with a high percentage of low-income households” eliminates the need for this bylaw requirement.

- **OAR 732-40-0045**

- Summary: This rule is being repealed.
- Purpose: This rule is being repealed because corrective actions for violations of STIF Program rules, including withholding funds, will now be addressed in the remedy provision of STIF Formula grant agreements, pursuant to OAR 732-042-0010(1)(b) & (c).

## Division 42

- **OAR 732-042-0010**

- 732-042-0010
  - Summary: The numbering of the sections in this rule has been updated.
  - Purpose: This change improves the organization of the rule.
- 732-042-0010(1)(b)
  - Summary: Establishes that ODOT will enter into grant agreements with Qualified Entities prior to distributing STIF Formula funds.
  - Purpose: This rule is needed to meet statutory requirements. ORS 184.766(2) requires that the OTC to “establish rules concerning the making of agreements for the distributions made to Qualified Entities under ORS 184.758.”
- 732-042-0010(1)(c)
  - Summary: This amendment requires STIF Plan Agreements to include a remedy provision. Starting in the 2027-29 biennium, the remedy provision must include escalating corrective actions for violations of a STIF Plan Agreement.
  - Purpose: This amendment provides notice to Qualified Entities that that a STIF Plan Agreement will contain provisions that follow proportionality and escalation principles.
- 732-042-0010(6)(e) & (h)

- Summary: These rules describe the process for ODOT to distribute funds in accordance with a Qualified Entity’s STIF Plan Maximum and how ODOT handles funds allocated to a Qualified Entity in excess of the Qualified Entity’s STIF Plan Maximum.
    - Purpose: These rules are needed to describe this process, which is currently in place but not currently described in the rules.
  - 732-042-0010(7)(b)
    - Summary: Allows Qualified Entities and Public Transportation Service Providers to agree on factors for the sub-allocation of STIF Formula Payroll-Based funds if they agree to do so through a collaborative process while retaining payroll tax revenue receipts as the default method for suballocating those funds.
    - Purpose: The changes to this rule help to reduce the inconsistency in the rules governing sub-allocation, while providing additional flexibility for Qualified Entities and PTSPs to develop factors used to formulate sub-allocation methods to meet local needs. Requiring a collaborative process to develop those factors prohibits Qualified Entities from unilaterally imposing a sub-allocation method on Sub-Recipients, as does retaining payroll tax revenue based sub-allocation as the default sub-allocation method if no agreement can be reached to determine additional factors.
  - 732-042-0010(7)(c)
    - Summary: Removes language stating that the “Qualified Entity’s sub-allocation estimate shall be a starting point for the Qualified Entity’s STIF Plan and funding prioritization process.”
    - Purpose: This language is no longer relevant to the revised suballocation framework because the amendment to OAR 732-042-0020 will require advisory committees to consider additional factors used to create sub-allocation methods when selecting projects. The reference to the “Qualified Entity’s sub-allocation method” is also in tension with the rule’s direction that a sub-allocation method shall be developed through a collaborative process.
  - 732-042-0010(8)
    - Summary: This section was struck and the numbers of Sections (9), (10), and (11) were updated to (8), (9) and (10), respectively.
    - Purpose: 732-042-0010(8) only applied to the first formula funding cycle and is no longer relevant to the program.

- 732-042-0010(9)
  - Summary: This amendment updates this section using the new defined terminology in the amendments to OAR 732-040-0005 and to clarify a Qualified Entity's responsibilities with respect to carrying forward STIF Formula funds.
  - Purpose: The current version of the rule is ambiguous, and updates are needed to clearly state that all funds distributed to a Qualified Entity pursuant to a prior STIF Plan must be carried forward to subsequent STIF Plan, either through an amendment or when a new STIF Plan is written.
- **OAR 732-042-0015**
  - 732-042-0015(1)
    - Summary: Removes the requirement for STIF Plans to include a definition for "communities with a high percentage of low-income households" for STIF Plans with effective dates on or after July 1, 2027 and retains the requirement for STIF Plans with effective dates prior to July 1, 2027.
    - Purpose: Adopting a statewide definition for the term "communities with a high percentage of low-income households" eliminates the need for Qualified Entities to include a definition of that term in future STIF Plans. The change makes clear that reporting on expenditures for STIF Plans that are currently in effect should continue to reflect the definitions that Qualified Entities included in their Plans
  - 732-042-0015(2)
    - Summary: This change adds a STIF Formula expenditure reporting criterion for funds that Qualified Entities allocated to "support for the operation of existing service."
    - Purpose: The rule currently includes 8 criteria for which Qualified Entities are required to report on their expenditures. These expenditure reporting requirements originate in statute and are focused on expenditures related to service expansion. In SB 1601, the STIF statute was amended to allow STIF Formula funding to be used for the maintenance of existing services, in addition to service expansion. However, the expenditure reporting requirements were not updated to reflect that change. This rule change will allow Qualified Entities to better track those expenditures and provide ODOT with improved data.
  - 732-042-0015(3)
    - Summary: Strikes out language related to the development of local plans that applied only to the first STIF Formula funding cycle.

- Purpose: This language is no longer relevant to the program.
- 732-042-0015(3)(c)
  - Summary: This amendment clarifies a requirement to describe “discrete and measurable outcomes” associated with STIF formula projects.
  - Purpose: This amendment is needed so that the ODOT does not have to require an outcome measure for a STIF Plan project if it is not appropriate.
- 732-042-0015(4)
  - Summary: This section describes “Operations Reserve Projects,” which may be used to support the operation of services in the event of significant revenue shortfalls. It also caps the amount of funding that may be set aside for Operations Reserve Projects at 12.5% of the funding budgeted for operations expenses in the Plan.
  - Purpose: There is currently no limit on the amount of funding that a Qualified Entities may classify as “Program Reserve.” This rule recognizes the importance of allowing agencies to set aside funding to support services in the event of economic downturns, while establishing a limit on the amount of funding that may be used for that purpose.
- 732-042-0015(5)
  - Summary: This section describes “Plan Contingency Projects,” which may be used for costs associated with another Project in a STIF Plan that were not foreseen at the time the Qualified Entity Submitted its STIF Plan. It also caps the amount of funding budgeted for Plan Contingency Projects in a STIF Plan at 15% of the total expenditures in the Plan.
  - Purpose: There is currently no limit on the amount of funding that can be devoted to contingency projects in STIF Plans. This rule recognizes the need for contingency funds to account for unanticipated expenses that arise during the STIF Plan Period but places a limit on the amount of funding that may be budgeted for contingency.
- 732-042-0015(6)
  - Summary: This section describes “Planned Carry Forward Projects,” which set aside funding for large capital projects that cannot be completed during a single STIF Formula funding cycle.
  - Purpose: The current rules that govern the circumstances in which Qualified Entity may plan to carry forward funding are ambiguous and updates are needed for clarification and to use updated terminology from the proposed amendments to the “Definitions” rule, OAR 732-042-0005.



- 732-042-0015(7)
  - Summary: Allows ODOT to temporarily adjust the caps on Operations Reserve Project funds, Plan Contingency Project funds, and the threshold for Unused Project funds that requires a written report by the Qualified Entity if the payroll tax rate imposed under ORS 320.550 is increased or decreased by more than 50% during a biennium.
  - Purpose: This amendment provides ODOT with the authority to adjust these thresholds if STIF Formula distribution levels change in the middle of a STIF Plan Period. This will support Qualified Entities' ability to adapt to changing funding levels.
- **OAR 732-042-0020**
  - 732-042-0020(5)
    - Summary: Requires STIF Advisory Committees reviewing STIF Formula projects that use Payroll-Based Formula funds to consider the extent to which projects advance the considerations that were collaboratively developed by Qualified Entities and PTSPs when they created a sub-allocation method. It also requires STIF Advisory Committees to consider whether projects advance the considerations described in the rules for Population-Based Formula funds when reviewing projects that use those funds.
    - Purpose: These changes are needed to clarify the interplay between the rules that govern the sub-allocation of STIF Formula funds and the rules that govern STIF Advisory Committee review of projects. They also ensure the sub-allocation method is taken into consideration by the STIF Advisory Committee.
  - 732-042-0020(6)
    - Summary: The changes to this section allow STIF Advisory Committees to choose whether to use the project selection factors listed in OAR 732-042-0020(6) rule. They also add a factor for "first- and last-mile connections to public transit and support multimodal integration" to the project selection factors listed for Advisory Committee consideration.
    - Purpose: The revisions to this section create flexibility for STIF Advisory Committees to consider the factors in Section (6) and provide guidance on how to evaluate transit-supportive projects.
- **OAR 732-042-0025**
  - 732-042-0025(3)

- Summary: Reduces the time for ODOT to convey to a Qualified Entity a statement of reasons prepared by PTAC describing PTAC's reasoning for recommending rejection of a Qualified Entity's STIF Plan from 7 to 3 days.
    - Purpose: This change will help ensure that a Qualified Entity's has timely access to information about PTAC recommendation to reject its STIF Plan, providing the Qualified Entity with more time to make corrections.
  - 732-042-0025(4)
    - Summary: Allows ODOT to set a deadline for a Qualified Entity to provide a revised STIF Plan if PTAC has recommended rejection of all or part of the Qualified Entity's Plan. Requires that deadline to be no less than 10 days after ODOT sent the Qualified Entity the statement of reasons for the rejection recommendation.
    - Purpose: The current rule provides 30-days for a Qualified Entity to submit a revised STIF Plan if PTAC recommends rejection of its plan. Typically, ODOT must present STIF Plans to PTAC for recommendation in April and to the Oregon Transportation Commission (OTC) for decision in May. This schedule will not always allow for 30 days for a Qualified Entity to revise a STIF Plan recommended for rejection before the deadline to submit materials to the OTC has passed. This change will make sure that there is a real opportunity for consideration by the OTC at its May meeting. It requires that the deadline must be at least 10 days to protect Qualified Entities from untenably short deadlines.
- **OAR 732-042-0035**
  - 732-042-0035(1)
    - Summary: This change increases the STIF Periodic Report deadline from 45 to 60 days after the end of the quarter. The extension of the SPR deadline will start for STIF Plans that go into effect on or after July 1, 2027 and will not change the reporting deadline for current STIF Plans.
    - Purpose: This change will provide Qualified Entities with additional time to report on their STIF Plan Projects to ODOT, supporting their ability to collect accurate information and submit timely reports.
  - 732-042-0035(2)
    - Summary: Increases the deadline for ODOT to reconcile disbursements to Qualified Entities against the Qualified Entities' reported expenditures from 30 to 120 days and creates a requirement for ODOT to provide notice to Qualified Entities of the results of the reconciliation.

- 11

Sub-Recipients and provide training and support on the application of those new procedures. It also avoids requiring Qualified Entities to change their oversight process in the middle of the biennium while reviews under current oversight standards are underway.

- **OAR 732-042-0055**

- Summary: This rule establishes a test for Qualified Entities to determine whether an entity is a “Contractor” or a “Sub-Recipient,” subject to review by ODOT, and that Contractors are not subject to full compliance reviews.
- Purpose: Currently, all entities that receive pass through STIF Formula funding are considered Sub-Recipients, and subject to the same oversight provisions. That means that entities that provide only limited services are subject to the same oversight by Qualified Entities as Public Transportation Service Providers and other Sub-Recipients that play a larger role in the program. This rule will allow Qualified Entities to distinguish between those types of entities and provide a level of oversight tailored to the role the entity plays in the program.

#### **Division 44**

- **OAR 732-044-0030**

- 732-044-0030(1)
  - Summary: This change adds “elimination of first- and last-mile barriers to public transportation” and “improving and maintaining connections to and between services and travel modes” to the nonexclusive list of investment priorities to be considered when evaluating STIF Discretionary and Intercommunity projects.
  - Purpose: These types of projects are already eligible for STIF Discretionary and Intercommunity funding, and this change provides direction regarding the consideration of such projects during the application review process.

#### **STF Rule Repeal**

The STF rules being repealed are in Chapter 732, Division 05; Chapter 732, Division 10; and Chapter 732, Division 30.

The STF program was incorporated into the STIF program following the passage of SB 1601, but the STF program rules were not repealed. These rules no longer have any effect because they relate to a program that no longer exists and rely on statutory authority which was repealed by the legislature.