



Jobs and Transportation Act 2009

Message from the Governor

Investing in our transportation system is the strongest stimulus tool available to us during this current economic downturn. It creates jobs, keeps products moving effectively and efficiently and helps local businesses keep their doors open.

Oregon's multi-billion dollar transportation infrastructure hasn't been maintained to keep up with population growth and freight traffic, hindering Oregon's ability to move people, commerce and goods effectively throughout the state. The result is more gridlock, more time spent in the car instead of with our families, and more carbon emissions in our air.

If critical improvements are not made, we can expect that congestion on our roads will increase by 42 percent over the next fifteen years, creating gridlock for commuters and further challenging Oregon's ability to compete in the traded sector economy. Additionally, since transportation accounts for nearly 40 percent of greenhouse gas emissions, Oregon must provide transportation options that complement our carbon reduction strategy. Finally, Oregon will see a steep decline in Oregon Transportation Investment Act funding starting in 2010 if we don't reinvest now.

Last year I asked more than fifty business leaders, legislators, local and state officials, transportation stakeholders, and sustainability and land use experts to develop recommendations for how to address the years of deferred maintenance and need to modernize our entire transportation system. I charged this group to help me develop a transportation package around five core principles: creating jobs and developing our economy, maintaining statewide distribution, incorporating sustainability, ensuring local decision making, and improving transparency and oversight.

After reviewing the committee's recommendations, I have selected a series of initiatives to move forward to the 2009 Legislature. These initiatives will support at least 6,700 jobs per year in the first five years, move our transportation into the 21st century by investing in a multi-modal system that complements my climate change agenda, and ensure continued investment – instead of the one-time investments made in the past – so that we have the resources to address the evolving transportation needs of our businesses and communities each two-year budget cycle.

This transportation package will inject \$1 billion each biennium into local economies and represents the largest, most comprehensive and greenest transportation initiative in Oregon history. It is bold, ambitious and necessary if we want to remain economically competitive as we turn our economy around, maintain our global leadership role in sustainability and green energy, and ensure long-term prosperity for Oregon families and businesses.

I look forward to a respectful and spirited conversation with the public and the legislature in the coming months. This agenda will not be without controversy and I am willing to work and listen to Oregonians as we do the right thing of putting thousands of Oregonians to work and keeping Oregon the place we are proud to call home.

Sincerely,



Theodore R. Kulongoski

Creating and Sustaining Family Wage Jobs

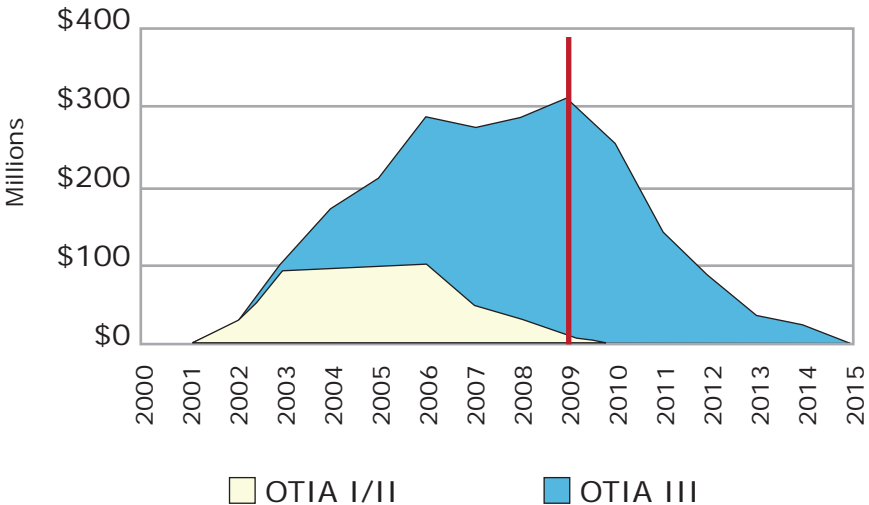
Since taking office, Governor Kulongoski has been committed to creating family-wage jobs by investing in Oregon's transportation system. This commitment continues with the Governor's Jobs and Transportation Act for 2009 with an investment that will create and retain jobs for Oregonians and strengthen the economy.

A History of Jobs in Transportation: In 2003, the Governor put thousands of Oregonians to work by initiating the Oregon Transportation Investment Act III (OTIA III), which invested nearly \$2.5 billion in Oregon's crumbling roads and bridges. This ten-year investment will have sustained over 4,400 jobs per year through 2013.

In 2005 and 2007, the Governor introduced *ConnectOregon* I & II, a \$200 million investment in Oregon railroads, ports, airports and transit system. The *ConnectOregon* program has improved the connections between the highway system and other modes of transportation for better integration and to improve the flow of commerce throughout the state.

A Steep Decline in Transportation Jobs after 2010: As the OTIA III projects are completed, many of the jobs created will end, thus creating a steep decline in transportation jobs not only for the construction industry, but also for the design and engineering industries. Without additional investment in transportation projects, these jobs will evaporate from the Oregon economy.

Combined OTIA Programs



New Investment for Jobs and the Economy in 2009 - The Governor's transportation package recognizes these transportation investments not only create jobs, but help keep the economy moving. The \$499 million investment in Oregon's transportation system that the Governor proposes would preserve and sustain 6,700 jobs annually in the first five years.

In addition to the jobs created through investing in Oregon's roads and bridges, the Governor will also create jobs by continuing *ConnectOregon* and increasing the amount from \$100 to \$150 million. In 2008 dollars, this investment will create 2,100 additional jobs, many of which will be in rural Oregon.

** The job figures are based on 2008 commodity and labor costs, the number may decline slightly, but are provided to give a general indicator of potential job growth.*

Ensuring Statewide Investment

The Governor believes that in order for a transportation initiative to deliver the goal of a stronger economy and new jobs, investments must be made in every corner of the state. The Governor will not support a plan that does not benefit all Oregonians, which is why his agenda includes transportation investments in rural and urban Oregon alike.

- **Create a Trust for the Most Timber Dependent Counties:** The Governor's Task Force on Federal Forest Payments and the Governor's Transportation Vision Committee recommended a baseline level of road dollars, \$6.5 million annually, for the twelve counties most dependent on the federal forest payments program. Because federal forest payments will phase out in four years, the Governor proposes to hold this annual funding in trust for the next three years. This will ensure that when federal forest payments are eliminated, counties will have access to the trust fund needed to maintain and preserve their roadways. These counties also will continue to share a baseline level of \$6.5 million annually.
- **Expand Elderly and Disabled Transit Services:** The Governor proposes an additional \$5 million for elderly and disabled transit services statewide. These funds will be distributed to transit districts and counties so service levels can be maintained even as costs and demand for services increase.
- **Increase Funding for *ConnectOregon*:** Nobody knows better the power of the *ConnectOregon* program than the City of Prineville Railway or Pendleton Grain Growers. Both have received *ConnectOregon* grants allowing them to make investments in rail that created and protected jobs in agriculture. The Governor's transportation package proposes increasing the *ConnectOregon* program to \$150 million to be awarded statewide and with the requirement that each ODOT region is awarded 10 percent of the total *ConnectOregon* funds for multimodal transportation projects.
- **Address Key Bottlenecks Statewide:** The Governor's transportation plan dedicates \$600 million in one-time bond proceeds to relieving key freight bottlenecks across the state. While many of the bottlenecks are in urban areas, we must reduce congestion statewide so freight can move more efficiently throughout Oregon and the region.

Maintaining the Investments We Have Today Greener Investments for Tomorrow

The Governor believes it is critical to Oregon's economy to both invest in the state's transportation infrastructure and advance policies that reduce greenhouse gas emissions. That's why the Governor's transportation and climate change agendas work together to address the state's growing transportation needs and to take actions to reduce carbon emissions.

These policies can be separated into two broad categories. The first category includes proposals that change how the state approaches transportation problems. Instead of only looking to build or expand, these proposals ensure that environmental concerns are accounted for in transportation planning. The second category addresses direct reduction of greenhouse gas emissions created by the transportation system by encouraging electric cars, new environmental standards for construction and incentives to drive less.

A Sustainable Approach to Transportation Planning

- **Create Dedicated Funding for Non-Highway Projects:** Before the creation of the *ConnectOregon* program in 2005, there was no mechanism for routine investment in Oregon's non-highway transportation system. Given the constitutional restrictions placed on Oregon's highway fund, Governor Kulongoski proposes the immediate creation of a fund statutorily dedicated to investments in Oregon's non-highway transportation needs, including light-rail. The Governor believes that a dedicated fund is imperative to ensure balanced, multimodal transportation services for people and goods.
- **Meet Oregon's Greenhouse Gas Reduction Goals:** The Governor is committed to ensuring Oregon meets the state goals for reducing greenhouse gas emissions. Reducing discretionary trips in single occupancy vehicles must be part of this strategy, particularly in urban areas where more transportation choices exist. The Governor's proposal includes an expanded Transportation Options program to help provide relief from high fuel prices and enhance community livability through expanded pedestrian and bicycle programs, increased carpools and vanpools, a statewide rideshare program, education and marketing, and incentive programs designed to reduce the number of cars on our roads.

- **Account for Carbon in Transportation Planning:** The Governor proposes to direct the Oregon Department of Transportation (ODOT) to develop a least cost planning model – similar to what utility companies currently use – that will be applied when solving transportation problems. This modeling directs ODOT to consider the least cost option, such as increased investments in rail or transit, in order to relieve congestion, rather than just building additional capacity.
- **Transition Away From the Gas Tax:** As Oregonians drive less and demand more fuel efficient vehicles, it is increasingly important that the state find a new way, other than the gas tax, to finance our transportation system. The Governor proposes continuing the work of the Road User Fee Task Force – which will begin to partner with auto manufacturers to refine technology that would enable Oregonians to pay for the transportation system based on how many miles they drive. The Governor is committed to ensuring that rural Oregon is not adversely affected and that privacy concerns are addressed. During this transition, the Governor’s plan includes a temporary two-cent gas tax increase to provide the short-term revenue needed to adequately fund Oregon’s transportation system as the state identifies long-term solutions for sustainable funding.

Actions to Reduce Harmful Greenhouse Gas Emissions

- **Encourage Electric Vehicles:** The Governor’s transportation initiative encourages the use of alternative technologies like plug-in hybrid and all-electric vehicles, shifting the business and residential energy tax credits from widely used hybrid vehicles to new vehicles that produce less carbon and creating a medium speed electric vehicle designation. Currently, Oregon defines a low-speed vehicle as a four-wheeled motor vehicle with a top speed of 25 mph. Such vehicles cannot travel roads that have a speed limit of more than 35 mph. This speed limitation can prevent wide adoption of small fuel-efficient neighborhood electric vehicles.
- **Green Standards for Transportation Programs:** ODOT has successfully employed environmental performance standards in its OTIA III construction contracts to minimize the environmental impacts of construction. These standards cover such things as materials recycling, HAZMAT, dust control, air quality, equipment and fuel standards. Reports suggest that many of these performance standards can save money for contractors in addition to protecting the environment. The Governor proposes broadening the use of environmental standards to all transportation construction contracts funded with state funds. This concept

would include all ODOT contracts and any municipal contracts awarded for transportation construction projects that receive state funding.

The Governor's Transportation package includes several policies to give consumers incentives to make more environmentally friendly choices when it comes to transportation options:

- **Variable First Time Title Fees:** The Governor's revenue plan includes a variable one-time title fee that would be structured as an incentive to drivers using vehicles that receive a high EPA mileage rating. The one-time fee will be \$100 for all vehicles newly titled in Oregon. If a driver can prove his or her vehicle has a combined EPA rating of above 30 mpg, the title fee will be reduced to \$50.
- **"Pay-As-You-Drive" (PAYD) Auto Insurance:** The Governor's plan includes extending the current sunset on tax credits for "pay as you drive" auto insurance. For motorists, PAYD insurance offers a voluntary alternative to fixed-premium auto insurance, converting a portion of one's annual insurance fee into a per-mile fee. PAYD insurance gives drivers more control over driving expenses and provides a strong financial incentive to drive less. Studies suggest that drivers paying per-mile premiums reduce driving by 5 – 15 percent and save up to 25 percent on their premiums; and within any insurance pool, anyone who reduces their driving could save, whether they live in a rural or an urban area. The 2003 Legislature approved a tax credit for insurance companies who pilot the concept in Oregon, which is scheduled to expire in 2010.
- **Congestion Pricing Pilot Project:** The Governor's proposal directs the Oregon Transportation Commission to seek out a willing community or group of volunteers to conduct a pilot project on congestion pricing. The Governor believes that pricing transportation services has the potential of reducing congestion in heavily traveled corridors. Time-of-day charges, variable pricing have been used successfully in other countries to improve the flow of traffic, reduce fuel consumption, improve air quality, and ensure reliable freight movement.

Strengthening Accountability and Oversight

The Governor believes that state government must ensure there are appropriate safeguards to ensure that every dollar is spent wisely, buying power is maximized, and waste eliminated.

While the Oregon Department of Transportation's record is strong, the Governor believes that state government can always do more to increase transparency and accountability to the public, which is why his proposal includes several policies that will improve transparency and eliminate onerous red tape.

- **Establish a Transportation Utility Commission:** Currently the state does not have a systematic way to evaluate transportation assets because of multiple ownership of the system. Without this comprehensive accounting of transportation infrastructure and its associated lifecycle, it is challenging for the state and local governments to prioritize and plan for transportation repairs, maintenance and identify where new projects are needed. The Governor's plan proposes the creation of a Transportation Utility Commission, establishing a new oversight process for transportation investments. Utilities have demonstrated how this can be done with the Public Utility Commission. In its first biennium, the commission would have three major responsibilities to establish a comprehensive account of all transportation infrastructure, a system-wide revenue estimate to maintain and to invest in infrastructure upgrades based on demand and identify potential revenue sources.
- **Encourage Facility Co-Location:** The state could save thousands of dollars by encouraging the co-location of ODOT and local government highway maintenance facilities. In the past, efforts to implement facility co-locations have been prevented by the long lead times demanded by the state capital construction process. The Governor proposes that a permanent placeholder for capitol construction is included in the ODOT budget so the department can take advantage of co-location opportunities as they arise and not have to wait for the state process. The Governor realizes that modification of statutory requirements governing state/local co-locations to better enable consideration of the mutual benefits of these transactions would both protect the public interest and facilitate the efficiency gains of co-location.
- **Enhance Public Involvement:** The Governor's plan includes the creation of a joint legislative and stakeholder task force to review national "best practices", standards, local planning and project development guidelines. The task force will make recommendations to the Legislature, ODOT and the Congressional delegation for improving the opportunities for and quality of public involvement in transportation decision making.

Ensuring Local Decision Making

Governor Kulongoski recognizes the unique transportation needs of local communities and the need for any transportation plan to include flexibility for local input about how transportation dollars are invested.

- **Protect Local Decision Making:** The Governor’s plan protects the existing practice that local projects are selected by Area Commissions on Transportation and approved by the Oregon Transportation Commission.
- **Maintain Local Allocation of Dollars:** The Governor’s plan continues to allocate 50 percent of all new transportation revenues to local governments, with 30 percent to Oregon’s 36 counties and 20 percent to cities. The other 50 percent will be dedicated to state-sponsored transportation projects.
- **Support Development of Local Emissions-Reduction Plans:** The state’s fast-growing metropolitan areas need new planning initiatives so that more Oregonians have the opportunity to get to and from destinations with fewer miles of driving. The Governor’s plan designates a portion of flexible federal transportation dollars to support the work of Oregon’s six Metropolitan Planning Organizations to design vehicle miles traveled reduction plans that work for their communities. These local groups currently make transportation and land use decisions and now will have additional resources to incorporate ways to reduce greenhouse gas emissions as part of their comprehensive planning efforts.
- **Exempt Rural Oregon from VMT Reduction Goals:** The Governor is committed to reducing discretionary trips by individuals in single occupancy vehicles, particularly in urban areas. Strategies to reduce vehicle-miles-traveled (VMT) will be designed by Metropolitan Planning Organizations for larger urban areas of Oregon, where most growth is predicted to occur in the next 20 years. Rural Oregonians and businesses will be able to maintain current driving patterns because of greater distances between work and home, fewer transportation choices in the near term and the need to keep freight moving.

Sustaining Investments in Transportation

While Oregon takes steps toward a transportation system that is both financially and environmentally sustainable, it is critical to make immediate investments that preserve the existing system, stimulate the economy, and create job opportunities for Oregonians. These investments should maintain and preserve the system we have today, maximize its efficiency and strategically expand capacity.

Governor Kulongoski recommends an immediate investment to provide much needed funding to maintain and preserve our roads and bridges, and to replace aging public transit buses, as well as continuing to expand the network of multimodal opportunities around the state.

Through increases in the states registration and title fee and a two cent increase in the state fuel tax the Governor proposes to raise \$499 million annually.

The Governor proposes that this new revenue be spent to promote emerging electric vehicles, help Oregon position itself to move away from the gas tax, maintain the existing system and provide ongoing and one time modernization projects that will ensure people and goods can move efficiently throughout the state.

Governor's Proposed New Revenue for Highway System

Governor's Proposed Road Funding Increases	Light Vehicle Share ¹	Heavy Vehicle Share ¹	Total Approximate Annual Revenue
Increase registration fee (from \$27 per year to \$81 per year) <i>One dollar increase in auto registration fees would raise about \$5.7 million per year</i>	\$203 million	\$105 million	\$308 million
Increase title fee (from \$55 per year to \$110 per year) <i>One dollar increase in auto registration fees would raise about \$1.8 million per year</i>	\$65.9 million	\$34.1 million	\$100 million
First time title fee (new fee) <i>One dollar first time title fee would raise about \$330,000 per year</i>	\$21.7 million	\$11.3 million	\$33 million
2¢ fuel tax increase (from 24¢ per gallon to 26¢) <i>One cent increase in the fuel tax would raise about \$29 million per year</i>	\$38.2 million	\$19.8 million	\$58 million
Annual Funding Increase			\$499 million

¹ Only light vehicles pay registration and title fees. All potential revenue estimates assume proportionate increases in heavy vehicle fees. Proportion: Light vehicles should pay 65.9 percent and heavy vehicles should pay 34.1 percent of state highway revenue per 2007 Highway Cost Allocation Study.

**Governor's Proposed Expenditures
for New Highway Investments**

Governor's Proposed Road Funding Expenditures	Millions per year
Backfill to Highway Program to replace federal "flexed" funds	\$44.0
State Highway Program	Millions per year
County Baseline Road Funding	\$6.5
Invest in Green Technologies	
<ul style="list-style-type: none"> • Invest in the necessary infrastructure for electric vehicles 	\$8.0
<ul style="list-style-type: none"> • Expenses related to the Department of Environmental Quality's work with state and local government agencies relating to the evaluation of air quality issues in highway planning 	\$0.5
Explore and Identify Sustainable Revenue Mechanisms	
<ul style="list-style-type: none"> • Continue work of Road User Task Force • Fund Initial work of Transportation Utility Commission 	\$5.0 \$0.5
Take Care of the System: Maintenance, Preservation and Safety	
<ul style="list-style-type: none"> • Maintenance and Safety • Preservation • Urban preservation • Bridge • Culverts and landslides 	\$35.0 \$20.0 \$ 5.0 \$10.0 \$10.0
Increase System Efficiency: <i>Improve Operations and Intelligent Transportation Systems (Appendix E)</i>	\$12.0
Make Strategic Investments	
<ul style="list-style-type: none"> • Increase investments in state highway modernization program • Freight bottleneck relief (\$600 million bonds proceeds) 	\$50.0 \$50.0
Columbia River Crossing <i>Minimum funding amount to keep project going</i>	\$15.0
Total State Highway Program	\$227.5
County Road Programs <i>(distributed to Oregon's 36 counties by formula)</i>	\$136.5
City Street Programs <i>(distributed to Oregon's 242 incorporated cities by formula)</i>	\$91.0
TOTAL PROPOSED HIGHWAY EXPENDITURES	\$499.0

Governor's Proposed Total Revenues for Multimodal Investments

As part of providing balanced funding for multimodal investments, the Governor proposes dedicating \$16.1 million of lottery proceeds as debt service on a *ConnectOregon* III program and the purchase of a new train to be used on the Amtrak Cascades line.

In addition to these one-time dollars, the Governor proposes that \$44 million in flexible federal funds be transferred from the state highway program so they can be used to fund investments in eligible multimodal transportation needs.

Finally, after visiting Lane Transit District earlier this year and seeing first hand the increasing costs of elderly and disabled transportation services, the Governor is committed to including 2.5 cents as part of a cigarette tax package for elderly and disabled transportation services.

Oregon currently spends \$60.5 million dollars annually on debt service for non-highway transportation programs. The Governor's proposal would create the assumption that these funds would be reinvested in non-highway transportation projects.

Proposed Additional Multimodal Investment	Proposed	Total Investment (millions)
ConnectOregon III		
<ul style="list-style-type: none"> ConnectOregon III Debt Service (\$150 million, at least 10 percent to each ODOT region) 	\$12.6	\$150.0
Replacing Existing Amtrak Train		
<ul style="list-style-type: none"> Debt Service on New Amtrak Train (\$35 million) 	\$3.5	\$35.0
Elderly and Disabled Transportation Services		
<ul style="list-style-type: none"> 2.5¢ state cigarette tax increase (currently two cents of the state cigarette tax is dedicated to elderly and disabled transportation services. 	\$5	\$5
Allocate federal Surface Transportation Program (STP) money to eligible multimodal investments	\$44.0	\$44.0
TOTAL MULTIMODAL INVESTMENT		\$234