

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF ENDORSING) RESOLUTION NO. 08-4003
FINAL REGIONAL PRIORITIES FOR)
2009 STATE TRANSPORTATION) Introduced by Councilor Rex Burkholder
FUNDING LEGISLATION)

WHEREAS, an efficient and adequately funded transportation system is critical to ensuring a healthy economy and livable communities throughout the state of Oregon; and

WHEREAS, the Portland metropolitan region has become a national model for how strategic transportation investments combined with regional land use planning can improve community livability and environmental quality while supporting a strong economy; and

WHEREAS, despite the important investments that have been made possible since 2001 by three Oregon Transportation Improvement Acts and two "ConnectOregon" multimodal packages, the state and the Portland region remain several billion dollars short of what is needed to adequately address essential transportation needs over the next 20 years; and

WHEREAS, investments in maintaining and expanding transportation facilities in the Portland region are especially critical in light of the fact that the region's population is expected to grow by approximately one million people; and

WHEREAS, freight volumes are expected to increase even more quickly than population over that same time period; and

WHEREAS, additional funding to address these transportation needs will create or sustain thousands of jobs and help stimulate the economy of the region and the state; and

WHEREAS, it is critical that we plan and fund the region's transportation system in such a way as to confront the challenge posed by global climate change; and

WHEREAS, it is in the interest of local governments inside Metro to jointly seek additional transportation funding from the 2009 Oregon Legislature; and

WHEREAS, passage of a transportation funding package will be a top legislative priority in 2009; and

WHEREAS, the report of the Governor's Transportation Vision Committee recommends significant increases in funding for both roads and multimodal investments, as well as several other short- and long-range reforms to Oregon's system of transportation funding, investment, and governance; and

WHEREAS, Governor Kulongoski released his proposed transportation package on November 10, 2008; and

WHEREAS, that proposed package calls for \$499 million annually in new revenues for roads and highways, a new "ConnectOregon" package calling for \$150 million in multimodal projects, the creation of a dedicated account for funding non-highway investments, new tools for addressing transit operating costs, eventual dedication of 15% of lottery funds to multimodal transportation, and several reforms aimed at improving transportation governance and addressing the climate impacts of transportation; and

WHEREAS, by Resolution No. 08-3921, the Metro Council adopted "Metropolitan Region Principles for a Legislative Transportation Funding Package in 2009," on March 13, 2008; and

WHEREAS, the priorities for funding established by this resolution are consistent with those principles; and

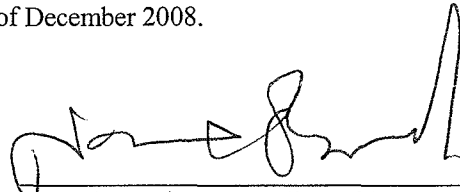
WHEREAS, by Resolution No. 08-3956, the Metro Council adopted "Portland Metropolitan Region Transportation Priorities for the 2009 Oregon Legislature," on June 26, 2008; and

WHEREAS, this resolution incorporates modifications and additions to the priorities adopted in Resolution 08-3956; now, therefore,

BE IT RESOLVED:

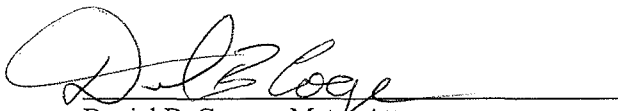
1. That the Metro Council and the Joint Policy Advisory Committee on Transportation (JPACT) endorse transportation funding priorities for the 2009 legislative session as reflected in Exhibit A to this resolution; and
2. That the Metro Council and JPACT support the proposed package proposed by Governor Kulongoski, which reflects a balance between roads and multimodal investments; and
3. That the JPACT chair shall establish a legislative working group to advocate for the region's transportation priorities during the 2009 legislative session.

ADOPTED by the Metro Council this 18th day of December 2008.

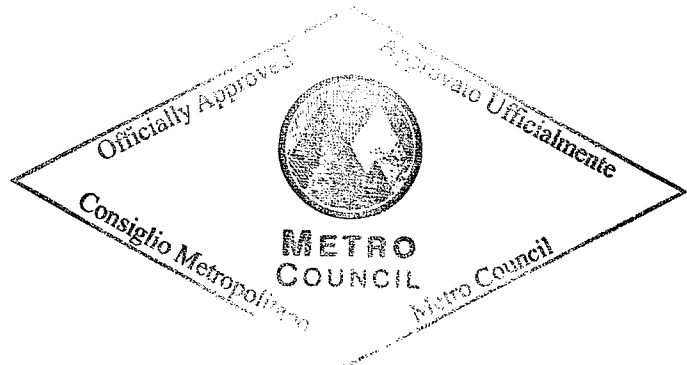


David Bragdon, Council President

Approved as to Form:



Daniel B. Cooper, Metro Attorney



Portland Metropolitan Region Transportation Priorities for the 2009 Oregon Legislature

Policy

Do No Harm: Do not enact preemptions of local government revenue-raising authority. The transportation funding challenge will require new funding commitments at all levels of government.

50-30-20 Funding Distribution: Protect the established state funding formula to ensure distribution of new state-wide transportation resources as follows: 50 percent to the state, 30 percent to counties, and 20 percent to cities (“50-30-20”). Any legislative discussions about changing the state funding formula should ensure that the Portland region and other metropolitan regions receive equitable funding based on their contributions to state revenues and the statewide benefit of investments in the regions.

Protect Existing Assets: Oregon should protect its billions of dollars of existing transportation assets by prioritizing maintenance and preservation. New state modernization projects should be funded from the state’s 50% share of new resources.

Least-Cost Decision Making: When addressing system capacity needs, Oregon should first consider transportation demand management, system management and operations strategies.

Expand Local Options: Increase local government revenue-raising options and remove existing restrictions on local transportation revenue authority.

Remove Willamette Bridge Tolling Restrictions: Eliminate existing statutory restrictions on local authority to establish tolls on Willamette River bridges in the region.

Establish More Sustainable Funding: With per-capita gas tax revenues in decline, Oregon should continue efforts to establish use-based transportation revenue from sources such as congestion pricing, tolls, and/or vehicle-miles-traveled fees, while maintaining cost responsibility between light vehicles and trucks.

Jurisdictional Transfers: The state should work in partnership with local jurisdictions by supporting the transfer of state-owned district highways that define arterial or multi-modal corridors, including road rehabilitation and permanent funding for maintenance.

New Revenues

Road Maintenance and Construction: New state investments in our road system are desperately required to address backlogged maintenance, critical safety and freight mobility projects, demand management, and bike/pedestrian projects. The equivalent of a 12-cent gas tax increase merely returns the buying power of the fuel tax to 1993 levels. Oregon should increase annual funding for the state’s roads and highways by at least \$550 million, using a variety of revenues sources, such as gas taxes, registration and titling fees, and indexing of taxes and fees to stay ahead of inflation.

Invest in Transit: Devote new resources (including new lottery funds) to expanding bus, light rail, commuter rail, streetcar, and other public transit services and facilities that support the state’s CO₂ emissions reduction goals and efficient land use.

- **New Commitment to Transit:** Identify new, ongoing state funding to support transit.
- **Flexible Funds:** Instruct ODOT to use more flexible federal funds for public transit.
- **Elderly and disabled transit:** Increase funding for the state’s Elderly & Disabled transit program.

- **Transit Oriented Development (TOD):** Leverage private development and maximize the value of transit investments by supporting local TOD projects.

Invest in Non-Motorized Transportation: Oregon should create a comprehensive state investment program to support the acquisition, construction, and maintenance of urban, suburban and intercity trails and other non-motorized transportation corridors, both within and outside the road right-of-way.

ConnectOregon III: The state's successful multi-modal investment program should be continued with a third round of funding for air, rail, marine and public transit projects.

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 08-4003, FOR THE PURPOSE OF ENDORING FINAL REGIONAL PRIORITIES FOR 2009 STATE TRANSPORTATION FUNDING LEGISLATION

Date: December 4, 2008

Prepared by: Randy Tucker

BACKGROUND

An efficient and adequately funded transportation system is critical to ensuring a healthy economy and livable communities throughout our state. The capital investments that have been made possible by Oregon Transportation Investment Acts (OTIA) I, II and III (2001, 2002, and 2003) and by the *ConnectOregon I and II* packages (2005 and 2007) will help Oregon respond to important economic opportunities. However, years of stagnation in transportation funding prior to 2001 mean that a significant backlog of important projects remains unfunded; moreover, the recent packages failed to address in a meaningful way the impacts of growth or the urgent need for funds to maintain and repair city, county and state roads.

This is certainly true in the Portland metropolitan region, where rapid growth has outstripped the capacity of the region to respond. Critical investments are needed in order to support both new and existing industrial and residential areas. Moreover, inadequate funding has limited the ability of the state and local governments statewide to maintain existing roads. Failing to repair roads in a timely manner ends up costing more in the long run.

The threat of climate change and volatility in fuel prices pose additional challenges. State greenhouse gas (GHG) emissions reduction goals adopted by the 2007 Legislature will force new thinking on transportation investments, given that the transportation system creates 34 percent of Oregon's GHG emissions. In addition, wildly fluctuating gasoline prices and the likelihood of long-term price increases have caused shifts in commuting patterns, increasing transit ridership and creating renewed demand for light rail and bus transit investments as transit system capacity is increasingly pushed to the limit. The same forces have increased demand for bicycle and pedestrian facilities, both in and outside of the road right of way.

Provisions of Resolution 08-4003: This resolution is an updated version of Resolution 08-3956, which was passed in June. It includes refinements to the priorities for a state transportation package that were adopted at that time as well as acknowledgement of Governor Kulongoski's proposed package (see below). Notable changes from Resolution 08-3956:

- Addition of language declaring that future changes in the state funding formula should reflect the contribution of the Portland region and other metropolitan regions to state revenues and the statewide economic benefits of investments in metropolitan regions
- Addition of language supporting "least-cost decision making" that prioritizes transportation demand management and system management and operations strategies as the first step in addressing capacity needs
- Replacement of language calling for removal of the requirement that counties approve registration fee increases in neighboring counties with language calling for the removal of restrictions on local revenue-raising

- Deletion of specific state revenue proposals in favor of an overall target
- Addition of language calling for investment in non-motorized transportation
- Addition of “be it resolved” language supporting Governor Kulongoski’s proposal
- Addition of “be it resolved” language establishing a legislative working group to advocate for the region’s priorities

Governor’s Proposed Package: In response to the state of affairs described above, Governor Kulongoski appointed several committees to develop a proposal on transportation funding for consideration by the 2009 Oregon Legislature. Many local and regional officials participated in these conversations. The Governor’s Transportation Vision Committee issued a wide-ranging report in early November, and on November 10 the Governor released his recommended package, the “2009 Jobs and Transportation Act,” or JTA.

The JTA incorporates most of the recommendations of the Vision Committee’s report. Briefly, it proposes:

- \$499 million/year in revenue increases for Oregon’s road system
- the creation of a dedicated fund for non-highway transportation investments, to be funded initially using \$44 million/year in flexible federal transportation funds, and in the future by allocating the equivalent of 15% of lottery dollars to this fund
- \$150 million in lottery dollars for a third round of the “ConnectOregon” multimodal investment program

See page 4 for a more detailed summary of the JTA.

Discussion: Metro staff, along with staff of local governments in the region, believes the Governor’s proposal is largely consistent with a set of regional priorities embodied in Metro Council Resolution No. 08-3956, which was approved in June by JPACT and adopted by the Metro Council to guide the region’s advocacy of a 2009 legislative transportation package.

Some concerns remain:

- While the JTA identifies specific and dedicated funding sources to support investments in roads, the same is not true for transit and other non-road investments. The two main non-road funding sources identified in the JTA are lottery dollars and \$44 million in flexible federal funds that are currently being used for roads.¹ While the Governor proposes to dedicate 15% of lottery dollars to non-highway transportation, that is a long-range goal that, according to the bill drafting instructions from the Governor’s office, “cannot be achieved within the constraints on the 2009-2011 budget.” The only “solid” lottery-funded element in the package is ConnectOregon III. Without lottery dollars, the package will not come close to achieving the recommendation of the Vision Committee that multimodal investments in a 2009 package should equal 20% of new road revenues.
- The proposal excludes bicycle and pedestrian facilities from the definition of “non-highway transportation infrastructure” eligible to receive monies from the dedicated non-highway fund. This decision directly conflicts with the recommendations of the Vision Committee. Much effort has gone into developing an integrated mobility strategy for the region that incorporates substantial

¹ Other proposed multimodal funding sources include an unspecified increase in funding for transportation options (probably from the general fund) and an increase in the statutory cap on local payroll taxes to fund public transit.

investments in non-motorized transportation facilities that are not in the road right-of-way (trails, paths, dedicated bikeways, etc.). Failing to make these facilities eligible for “non-highway” state dollars (mainly lottery dollars and flexible federal funds, as noted above) cuts these efforts off from the only sources of substantial state transportation funding.

- The proposal calls for a cigarette tax increase to raise \$5 million for elderly and disabled transit. This falls short of the \$10-20 million recommended by the Governor’s Vision Committee.

Issues to consider:

- The draft resolution recommends supporting the Governor’s proposal. Other options include (a) simply endorsing the priorities reflected in Exhibit A or (b) supporting the Governor’s proposal with caveats (e.g., related to the concerns listed above).
- Even a very substantial state package is unlikely to address all of the region’s transportation needs. The region will need to supplement any increases in state funding with regional resources, probably through a ballot measure.
- Regional lobby staff have recommended a broad advocacy effort in support of a state package that reflects the region’s priorities.

ANALYSIS/INFORMATION

1. **Known Opposition:** None (to this resolution). Possible opposition to the legislative package could be based on either concern about tax increases (because it involves new revenues, the package would require three-fifths majorities of both houses) or concern that the package is not sufficiently balanced between roads and multimodal investments.
2. **Legal Antecedents:**
 - Article IX, Section 3a of the Oregon Constitution (limits the use of vehicle-related revenues to road-related expenditures)
 - Oregon Transportation Investment Acts I, II, and III (HB 2142, 2001; HB 4010, 2002; HB 2041, 2003)
 - ConnectOregon I and II multimodal investment packages (SB 71, 2005; HB 2278, 2007)
 - Metro Council Resolution No. 04-3498, For the purpose of endorsing regional priorities for a state transportation funding package; Resolution No. 07-3764, For the purpose of endorsing regional priorities for state transportation funding legislation; Resolution No. 08-3921, For the purpose of endorsing regional priorities for state transportation funding legislation; Resolution No. 08-3956, For the purpose of endorsing regional priorities for state transportation funding legislation
3. **Anticipated Effects:** The proposed resolution establishes policy guidelines for the region’s advocacy efforts related to transportation in the 2009 Oregon Legislature.
4. **Budget Impacts:** No direct impacts. Local and regional governments will dedicate existing staff to advocacy and may incur expenses related to communications products supporting this effort.

RECOMMENDED ACTION

Staff recommends adoption of Resolution 08-4003.

Selected highlights of Governor Kulongoski's 2009 "Jobs and Transportation Act"

Roads and highways

- \$499 million/year in new funding for roads
 - 2-cent/gallon gas tax increase, from 24 cents to 26 cents (described as "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")
 - Registration fee increase from \$27/year to \$81/year
 - Title fee increase from \$55/year to \$110/year
 - New \$100 first-time title fee – \$50 rebate for fuel-efficient vehicles
- \$44 million in federal flexible funds shifted from roads to multimodal investments; this amount is backfilled with new road funding
- 50-30-20 distribution of remaining \$455 million (state: \$227.5 million; counties: \$136.5 million; cities: \$91 million)
- Selected elements funded with state's share:
 - \$50 million bonded to generate \$600 million in one-time proceeds to relieve freight bottlenecks
 - \$50 million/year for modernization (not bonded)
 - \$97 million/year for maintenance, preservation, operations
 - \$15 million for Columbia River Crossing

Multimodal investments

- \$150 million for ConnectOregon III (funded by bonding against \$12.6 million/year in lottery funds)
- \$5 million for elderly/disabled transit from 2.5-cent/pack cigarette tax increase
- \$44 million in flexible funds dedicated to unspecified multimodal investments (apparently including support for MPO efforts to reduce VMT; see below)
- Support and expand the Transportation Options program
- Create "a fund statutorily dedicated to investments in Oregon's non-highway transportation needs"
- Allocate an amount equal to 15% of lottery revenues to non-highway transportation (a goal, not expected to be achieved in 2009-2011 budget)

Other

- Continue work of Road User Fee Task Force
- Extend tax credits for "pay as you drive" auto insurance
- Seek partner for congestion pricing pilot project
- Create a Transportation Utility Commission (scope initially limited to startup activities)
- Develop a least-cost planning model
- Support the work of MPOs to design VMT reduction plans
- Increase from 1% to 1.5% of road funds for bikes
- Increase in cap on local payroll taxes to fund transit

Not specified

- Funding for bike/ped facilities not in the road right of way (trails, etc.)