

BEFORE THE COUNCIL OF THE  
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF ENDORSING AN	)	RESOLUTION NO. 84-520
INCREASE TO THE STATE GAS TAX AND	)	
ASSOCIATED WEIGHT-MILE TAX FOR	)	Introduced by the Joint
STATE, COUNTY AND CITY ROAD	)	Policy Alternatives
IMPROVEMENTS	)	Committee on Transportation

WHEREAS, Maintenance and improvement to the state and local road system is vital to the Portland metropolitan area; and

WHEREAS, Current federal, state and local highway revenue are inadequate to fund timely improvements to the state highway system and inadequate to fund maintenance and improvements to the city/county road system; and

WHEREAS, The House Task Force on State and Local Road Funding has recommended to the 1985 session of the Oregon Legislature a measure calling for a 2¢ gas tax increase plus appropriate truck weight-mile tax; now, therefore,

BE IT RESOLVED,

1. That the Metro Council endorses a 1¢ gas tax increase plus appropriate increase in truck weight-mile tax for the purpose of implementing a \$200 million statewide modernization program for state highways plus city/county road improvements needed for economic development of state significance.


2. That the Metro Council endorses a 2¢ gas tax increase plus appropriate increase in truck weight-mile tax for maintenance and improvement to the city/county road system.

3. That the Metro Council endorses the recommendation of the House Task Force on State and Local Road Funding as a step in the right direction toward meeting these needs.

4. That the cities and counties of the metropolitan area are urged to adopt similar positions to be forwarded to their state legislative delegation.

5. That this position be forwarded to the House Task Force on State and Local Road Funding and the Oregon Legislature.

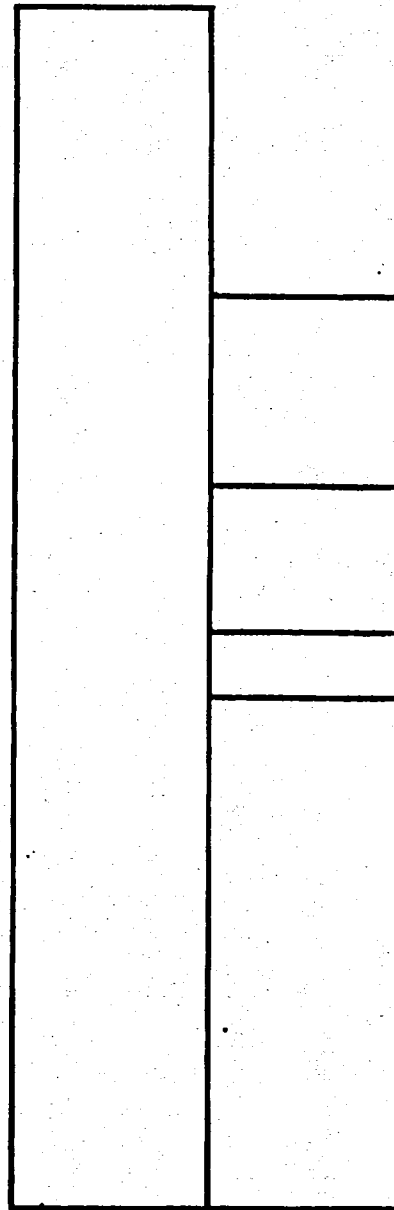
ADOPTED by the Council of the Metropolitan Service District this 13th day of December, 1984.

  
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Presiding Officer

AC/srs  
2203C/402-4  
11/30/84

HIGHWAY MAINTENANCE EXPENDITURE  
\$46.7 million/year  
resulting in growing backlog of  
reconstruction needs

HIGHWAY MAINTENANCE  
NEED: \$62 million/  
year to manage road-  
way life @ 15-20  
years



75% of Need

General Fund Support: \$9.4 million

Local Gas Tax: \$7.7 million

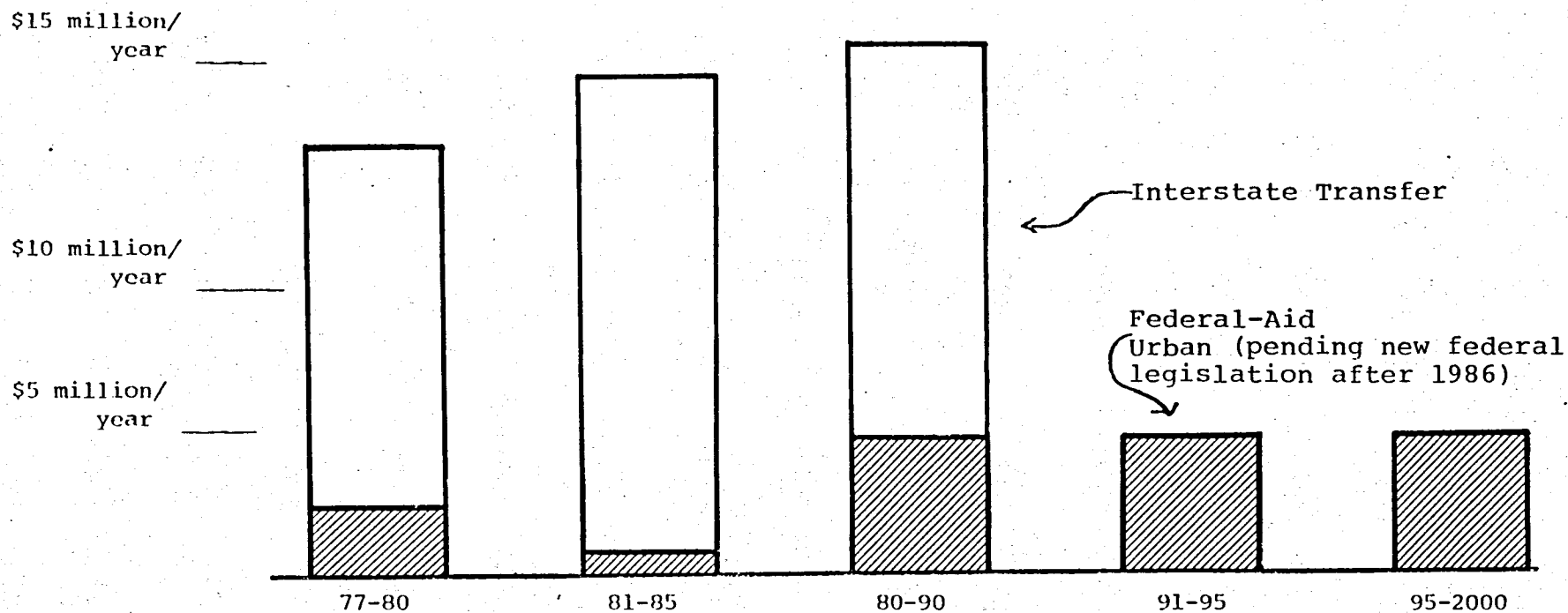
Forestry Receipts: \$3.4 million

42% of Need

State-Shared Highway  
Revenue: \$26.2 million

PORTLAND AREA COMPARISON OF MAINTENANCE NEED AND  
EXPENDITURE FOR CITIES AND COUNTIES

FIGURE 1



ANNUAL CAPITAL FUNDING AVAILABLE FOR LOCAL ROADS IN PORTLAND AREA

UNFUNDED NEED:

\$100 million + for reconstruction  
 \$300 million + for modernization

FIGURE 2

### The Cost of "Timely" Maintenance

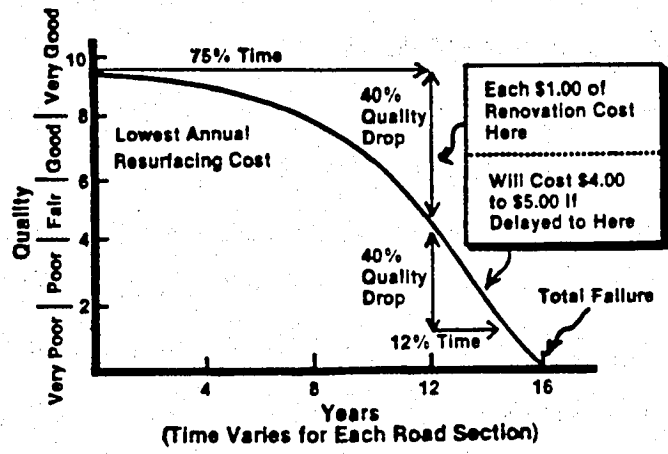
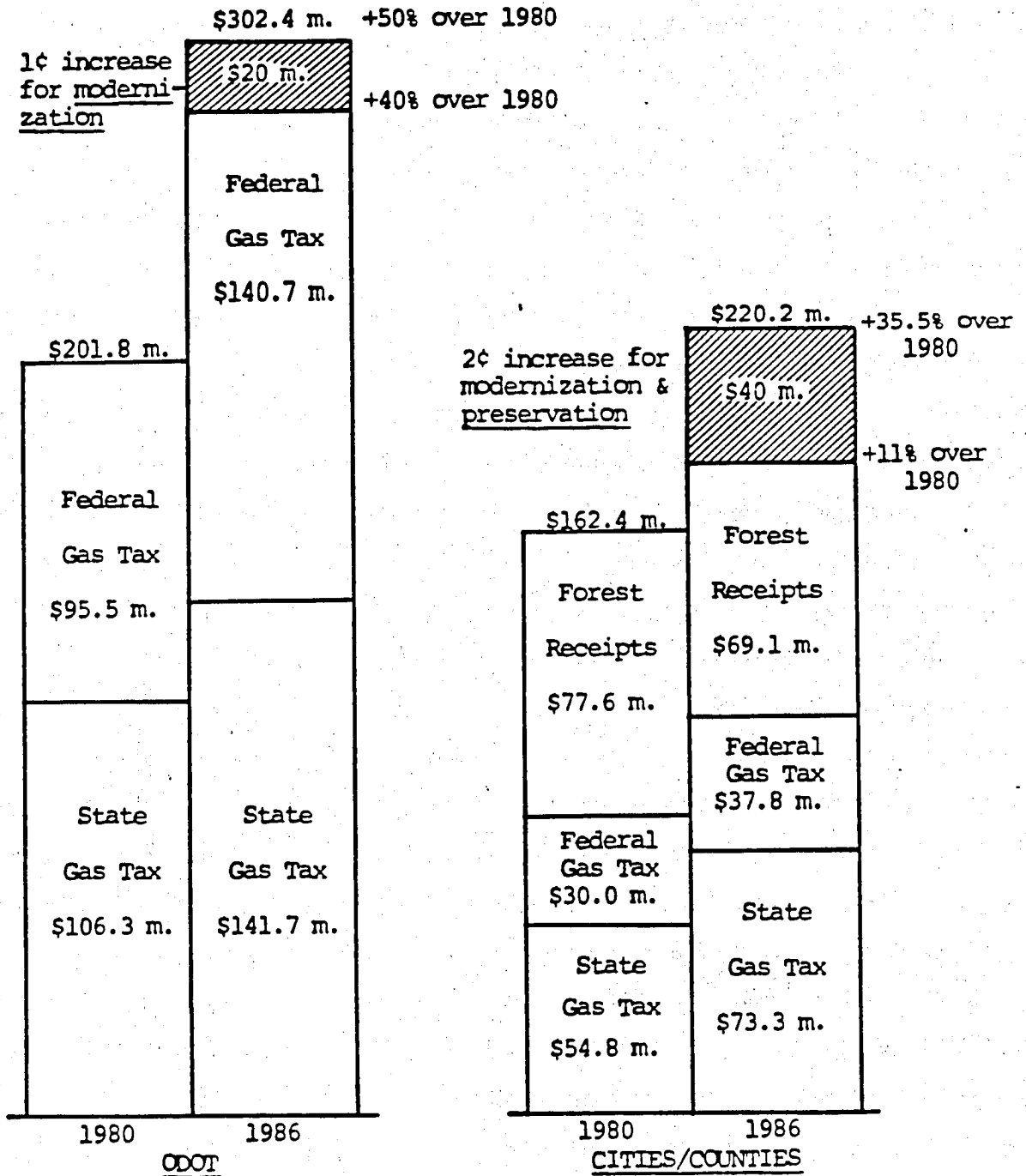


FIGURE 3

HISTORICAL GROWTH IN DEDICATED HIGHWAY REVENUES  
AND PROPOSED INCREASE



ACC:lmk  
8-8-84

FIGURE 4

CONSIDERATION OF RESOLUTION NO. 84-520 FOR THE  
PURPOSE OF ENDORSING AN INCREASE TO THE STATE GAS  
TAX AND ASSOCIATED WEIGHT-MILE TAX FOR STATE,  
COUNTY AND CITY ROAD IMPROVEMENTS

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Date: October 19, 1984

Presented by: Andrew Cotugno

FACTUAL BACKGROUND AND ANALYSIS

Proposed Action

The attached resolution would endorse adoption of legislation by the 1985 session of the Oregon Legislature to increase the state gas tax from the currently approved level of 10¢ to 13¢ with an appropriate increase to the truck weight-mile tax, for the following purpose:

- A 1¢ increase would be dedicated to a \$200 million state modernization program. Current legislative proposals call for this program to be targeted at improvements to the state highway system. This resolution calls for the scope of the program to be expanded to include modernization projects off the state highway system that are needed to serve significant areas of economic development. This program would be in addition to the current 68 percent of the state gas tax devoted to the Oregon Department of Transportation (ODOT) and the current federal funding sources.
- A 2¢ increase would be distributed among cities and counties and would largely be dedicated to maintenance and reconstruction of the existing local road system. Some funds on a jurisdiction-by-jurisdiction basis would also be spent on needed capital improvements. The specific allocation method to cities and counties has yet to be determined. The current state and federal allocations to cities and counties would remain unchanged.

Background

In January, at the request of Governor Atiyeh, ODOT initiated an effort to investigate alternatives to increase road funding to state and local governments. ODOT has been evaluating options and developing recommendations in cooperation with the Association of Oregon Counties and League of Oregon Cities. In April, House Speaker Grattan Kerans appointed a special House Task Force on State and

Local Road Funding to consider options and develop recommendations for the 1985 session of the Oregon Legislature. Currently, the Task Force is considering a measure to increase the gas tax 1¢ plus weight-mile tax for state highways and 1¢ plus weight-mile to cities and counties. This measure is supported by the Oregon Transportation Commission (OTC). Although this measure is a step in the right direction, representatives from the Portland area suggested that the Task Force consider an alternative that would: a) expand the scope of the state modernization program to include economic development projects off the state highway system; and b) increase funding to cities and counties through a 2¢ gas tax increase. The League of Oregon Cities-Legislative Committee has also endorsed a measure that would include a 2¢ increase to cities and counties.

The House Task Force concluded its efforts with a recommendation calling for a 1¢ increase for a State Modernization Program with the expanded scope called for in this resolution plus a 1¢ increase for cities and counties. This measure merits support although the 2¢ level for cities and counties identified in this resolution is a more accurate reflection of need.

#### Basis for the Recommendation

1. The 1¢ increase for a \$200 million state modernization program is endorsed for two purposes:
  - a. Additional funding for state highway improvements will allow projects identified in the unfunded portion of the ODOT Six-Year Highway Improvement Program to proceed to construction. The need for these projects was clearly demonstrated by the public response to the 18 public hearings held statewide in the fall of 1983. This funding would be in addition to the federal categories already available for this purpose.
  - b. The program is recommended to be expanded in scope to include road projects needed for significant economic development areas. These projects do not otherwise have a sufficient funding category and are essential for new job development in the state.
2. The 2¢ increase recommended for cities and counties is endorsed because of the magnitude of the maintenance and capital shortfall.
  - a. In the Portland region, state-shared gas tax revenue provides sufficient funds for 42 percent of the annual city/county maintenance need (see Figure 1). With the addition of local gas taxes, local property taxes and federal forestry receipts, the funding level is increased to 75 percent of need with the 25 percent shortfall resulting in deferred maintenance. With the loss of local property taxes for road purposes, this shortfall would be increased to 40 percent, further



exacerbating the deferred maintenance problem. A 2¢ gas tax increase would produce sufficient revenue to fund 24 percent of the maintenance need. A similar situation exists throughout the state.

- b. For the period between 1977 and 1990, cities and counties in the Portland area have had available \$12-15 million per year for needed capital improvements (see Figure 2). This was primarily due to the availability of Interstate Transfer funds resulting from the withdrawal of the Mt. Hood and I-505 freeways. Upon completion of this program, the only capital resource that will be available will be \$4 million per year of Federal-Aid Urban funds, and that only if the program is renewed by federal legislation (the program was nearly eliminated in the 1982 Surface Transportation Act). Increased funding to cities and counties will partially fill this large unmet need.

3. The consequence of not providing sufficient funds for maintenance is a dramatically increasing cost liability. As shown in Figure 3, a road should be resurfaced at approximately 12 years (actual time varies with conditions). This is the point at which the greatest usable life has been achieved with the most economical cost for resurfacing. If the road life is permitted to extend beyond this period (due to deferred maintenance), the cost to fully reconstruct the facility will be five times the cost of a timely resurfacing.

4. The state is the best agent to collect highway user fees for city and county road systems:

- a. The federal interest in collecting user fees is principally to improve facilities for interstate travel: Interstate freeways and other Primary state highways. As such, the recent federal 5¢ gas tax increase did not appreciably improve the funding situation for city and county roads (see Figure 4).
- b. Local gas taxes do not include a mechanism for collection of user fees on trucks (such as the state collection of weight-mile taxes on trucks). Since trucks are responsible for approximately 40 percent of local road costs, this represents a significant loss of revenue and results in a disproportionate tax on autos. Local gas taxes also produce irregular gas prices from one jurisdiction to the next. While local gas taxes will remain an important local resource, improved state funding will minimize the need to exercise this option.

5. The state interest in ensuring the availability of an adequate road system extends beyond the limits of the state-owned roads.

- a. A full road system is needed to serve the traveling public. Inadequate local roads produce excessive traffic pressures on the state road system. Conversely, an inadequate state highway system shifts traffic pressures to the local system.
- b. Both state highways and local roads are necessary to provide access to areas of economic development. Although local roads are the direct responsibility of cities and counties to provide, these jurisdictions do not realize a direct financial benefit as a result of the economic development (through property taxes) in the same manner that the state does (through income and business taxes).

TPAC recommended adoption of the resolution with three dissenting votes: 1) ODOT due to their preference for the 2¢ measure and 2) George Starr and Larry Griffith due to their preference for the vehicle registration alternative.

JPACT has reviewed this endorsement and recommends adoption of Resolution No. 84-520, with one dissenting vote: Ted Spence. In adopting this, JPACT stated that the message intended by this action is to not aggressively pursue the 3¢ measure with the Legislature, but to continue to emphasize that the magnitude of need is such that a 3¢ level would be more appropriate.

#### EXECUTIVE OFFICER'S RECOMMENDATION

The Executive Officer recommends adoption of Resolution No. 84-520 and that Metro seek support from cities, counties and state legislators for this 3¢ gas tax proposal.

AC/srs  
2203C/402-5  
12/14/84