



December 20, 2024

Co-Chair Representative McLain
Co-Chair Senator Gorsek
Members of the Joint Committee on Transportation

Subject: Developing the 2025 Transportation Package

On behalf of the League of Oregon Cities (LOC), we offer this set of comments to help develop more details and focus on the 2025 transportation package. Thank you both for your leadership over the last several months and willingness to bring the conversation statewide. This standard of communication with Oregonians helps build ownership in a legislative process that all too frequently stays within the Capitol.

As you know, the LOC has been active during the roadshow, interim legislative meetings, and, in the latest phase, the transportation work groups. At this stage, the LOC can offer recommendations based on members representing a cross-section of interests, from small cities to larger communities, cities in rural and frontier communities, and those in urban centers or connected to a larger urban population.

One of the fundamental elements of any transportation package is the clear understanding that your constituents are the same as all local governments. They collectively drive on a transportation system that includes state, county, and city facilities. It's clear from our members and those who have had a chance to participate in this process that the state continues to meet the demand for investments across all jurisdictions, all modes of transportation, and all facilities.

Revenue Generation

Continued revenue generation with statewide revenue sources for distribution to cities and counties will remain critical. At a time when Oregon's state budget experienced a significant revenue surplus, cities did not have similar budget outcomes. Based on LOC member surveys, we fully expect 2/3 of our members to face budgetary challenges before the end of this fiscal year. For many cities, the financial crisis has already reduced core services, reduced their ability to meet growing demands from the community, and delayed infrastructure projects. Those budgetary challenges are not solely due to limited funding but are a result of multiple unfunded regulatory changes, including those from the state. The point of this information is to emphasize the importance of state-shared revenue and the value that the State Highway Fund (SHF) brings cities across Oregon.

The LOC supports a revenue-sharing formula that maintains the current SHF distribution formula of 50-30-20. It's hard to stress enough that local governments depend on their allocation from the SHF. For many cities, their SHF allocation represents more than 60

percent of their operations and maintenance program; for some, it is the only source of transportation funding.

The LOC supports the legislature's effort to develop a funding plan that adjusts to inflation to reduce the loss of buying power. We further support a funding package that takes significant steps forward to transition from a gas tax to a Road User Fee (RUF) based on vehicle miles traveled to reduce revenue loss. A RUF should protect the local government's authority to collect local gas taxes. Given the continued expansion of fuel-efficient vehicles and the increased number of electric vehicles, we need to build on a stable core revenue source that does not lose ground in the long term.

Any authority to raise local transportation-related revenues **should not** be pre-empted in a state revenue package. This includes local gas tax, utility fees, and fees associated with ride-share companies such as Uber and Lyft. Revenue sources such as trip or delivery fees need to ensure that the revenue is allocated to the facilities and jurisdictions of origin, because of the direct impact on the facilities. The LOC supports a city's authority to establish funding sources, including critical funding mechanisms related to transportation.

The current SHF's core funding components should remain central to the funding package because they have an immediate nexus between revenue generated from the use of the transportation system while providing a long-term structure. For new revenue options, it will remain important to share those revenues equitably with cities and counties since the funding will improve conditions on the entire transportation system.

Back to Basics

The transportation package's core needs to be "*back to the basics.*" The LOC has learned from our members that they struggle to identify sufficient funding to meet the basic operations and maintenance needs. Our survey shows that more than 40 percent of the city lane miles are in "poor" or "very poor" conditions. This was somewhat unexpected, given the increase in local funding due to the 2017 transportation package. It should represent that the state of 11,300 city road miles is not great. This should be of particular concern given the majority of Oregon's population, 67 percent, live within cities and depend on city streets to travel to work for groceries and to get to school.

In an earlier communication to the Joint Committee on Transportation (JCT), the LOC estimated that the cities' annual operations and maintenance gap is **\$633 million**. This number is based mainly on cities moving their streets to a road condition ranking of "fair" or higher.

The LOC supports additional funding for the Small City Allotment (SCA) program. Two-thirds of Oregon's cities have a population of 5,000 or less. The SCA program has been in place since 2017 and has designated \$5 million annually into a competitive grant program of up to \$250,000/project. For many communities, it is the only scalable funding source capable of building significant projects. Based on the qualified projects that are submitted annually, the SCA would need a funding level of closer to \$15 million annually.

The LOC supports a strong focus on funding safety improvements in the transportation system regardless of whether highways, roads, and streets belong to the state, counties, or cities. This includes directing federal and state dollars toward safety improvements on streets and expansion of the Great Streets program, Safe Routes to School, and All Roads Transportation Safety funding programs to city facilities.

Public Transportation and Transit

The LOC supports expanding funding for public transportation operations statewide, focusing on opportunities to expand inter-community service and service expansion, emphasizing small cities and rural and frontier communities. Communities that have received funds from the Statewide Transportation Improvement Fund (STIF) since 2017 have created incredibly helpful public transit alternatives for their communities.

If the (STIF) payroll tax or other revenues to pay for public transportation increase, consideration should be given to explicitly allow investments in first/last-mile access to transit stops, including walking and biking facilities and shared mobility options such as bike share.

The LOC supports a funding formula that balances revenue distribution with underserved populations and connects communities with other cities and larger urban populations.

The LOC supports efforts to reduce or minimize grant programs' match requirements for small cities and rural communities.

HB 2017 Projects

The LOC supports completing all projects in HB 2017. These projects remain critical to the state and regions they were originally intended to support.

It is important to note that many HB 2017 projects face the same challenges as the priority projects discussed in Workgroup #3, including inflationary impacts on wages, materials, etc., which impacts their completion even though they may be considered fully funded.

Given the possible limitation of new revenue, the legislature should develop an evaluation process that can objectively rank and structure a funding timeline that balances projects of regional significance and prioritize them based on an objective evaluation process.