2018 Regional Transportation Plan

PUBLIC REVIEW DRAFT
2018 Regional Transportation Plan
Chapter 5
Our Transportation Funding Outlook

June 29, 2018
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PURPOSE

Metro is the metropolitan planning organization (MPO) designated by Congress and the State of Oregon, for the Oregon portion of the Portland-Vancouver urbanized area, serving 1.5 million people living in the region’s 24 cities and three counties. As the MPO, Metro formally updates the Regional Transportation Plan every five years in cooperation and coordination with the Oregon Department of Transportation and the region’s cities, counties and transit agencies.

The Regional Transportation Plan is a blueprint to guide investments for all forms of travel – motor vehicle, transit, bicycle and walking – and the movement of goods and freight throughout the greater Portland region. The plan identifies current and future transportation needs, investments needed to meet those needs, and what funds the region expects to have available over the next 25 years to make those investments a reality.

As part of development of the RTP, federal regulations require the total cost of projects in the financially constrained list of projects to not exceed the total revenue reasonably expected to be available to the greater Portland region over the life of the plan. This includes information on how the Metro and our partnering agencies reasonably expect to fund the projects included in the plan, including anticipated revenues from the Federal Highway Administration and the Federal Transit Administration, state, regional or local sources, the private sector and user fees.

Chapter organization

This chapter demonstrates that the RTP is financially constrained, in compliance with federal law. It provides an overview of the long-range forecast for both revenues and costs. Details of the long-range forecasts, including key forecast assumptions, can be found in Appendix H. This chapter will be finalized pending review of the draft forecast and assumptions in Appendix H by federal partners.

This chapter is organized into the following sections:

5.1. **Introduction**: This section describes the current outlook for transportation funding in the region and recent commitments by the Oregon Legislature to fund transportation throughout Oregon.

5.2. **Sources of Revenue and Estimated Budget for Plan Investments**: This section summarizes forecasted revenue for transportation (capital and operations and maintenance), consistent with federal requirements, and the estimated budget for capital investments in the Regional Transportation Plan.
5.1 INTRODUCTION

The 2018 Regional Transportation Plan will help make the case for more investment and funding to build, operate and maintain the regional transportation system we need for all modes of travel.

Our nation is investing less in building and maintaining our transportation system today than at any time in in the post-war era. As federal funding for all types of transportation projects declines, the greater Portland region is falling behind in making the investments needed to support our growing population and our vision for a 21st century transportation system.

Transportation funding for highways and mass transit has long been primarily a state and federal obligation, financed largely through gas taxes and other user fees such as a vehicle registration fee. The purchasing power of federal and state gas tax revenues is declining as individuals drive less and fuel efficiency increases. The effectiveness of this revenue source is further eroded because the gas tax is not indexed to inflation. These monies are largely dedicated to streets and highways – primarily maintenance and preservation – and, to a limited extent, building more roads.

Although Oregon’s HB 2001 Jobs and Transportation Act raised the state gas tax in 2011 by six cents, this revenue source had not increased since 1993. Similarly, the federal gas tax has not increased since 1993. This failure of the state legislature and Congress to keep pace with infrastructure needs has been particularly acute in Oregon, as other states have responded with increases in local and regional sales tax measures to cope with the decrease in purchasing power of federal transportation funding. Lacking a sales tax or other tools, the greater Portland region has focused on bonding strategies based on future revenue and, therefore, has not developed a long-term strategy to fund our transportation system.

We need to complete gaps in our region’s transit, walking and biking networks to help expand affordable travel options, yet active transportation currently lacks a dedicated funding source. The transit system has relied heavily on payroll taxes for operations and competitive federal funding for high capacity transit. But the region’s demand for frequent and reliable transit service exceeds the capacity of local payroll tax to support it.

Because federal and state funding has not kept pace with infrastructure operation and maintenance needs, a substantial share of funding for future regional transportation investments has shifted to local revenue sources. Local governments in the region (like others in Oregon) have turned to increased tax levies, road maintenance fees, system
development charges and traffic impact fees in attempt to keep pace, although some communities have been more successful than others. Other regions have responded by increasing local investment through local and regional tax measures.

**A change in the funding outlook – but more is needed**

In recent years, the Oregon Legislature has begun to once again make significant commitments to investment in transportation across all of Oregon’s communities. HB 2017, Keep Oregon Moving, increases the gas tax and vehicle title and registration fees over a seven-year period. The motor fuels tax (30 cents per gallon in 2017) increased by 4 cents in January 2018. It will also increase 2 cents in 2020, 2022 and 2024, subject to ODOT meeting accountability and reporting requirements.

The annual registration fees and title fees will be tiered based on vehicle fuel efficiency in order to ensure that more efficient vehicles that pay little gas tax contribute their fair share for use of the roads. In addition, the weight-mile tax on heavy trucks will increase to ensure that trucks pay their fair share for their wear and tear on the roads. All of these funds are constitutionally dedicated to the State Highway Fund and can only be used for roads. In addition, Keep Oregon Moving creates three new taxes.

About half of the additional State Highway Fund provided by Keep Oregon Moving will go to local governments, who will receive a 50 percent increase in the amount they get from the State Highway Fund for local road and street maintenance and improvements. Keep Oregon Moving also included a new Safe Routes to School program to provide better ways for children to bike and walk safely to school; this program is funded statewide at $10 million per year initially and grows to $15 million per year and will complement Metro’s Regional Safe Routes to School program.

The Legislature also specified a number of projects that will be built around the state, but the majority of the funding coming to ODOT will go to fix bridges and roads, making them safer and resilient to a major earthquake. Several projects are located in the greater Portland region, including the I-5 Rose Quarter Improvement project and adding new auxiliary lanes on OR 217 and I-205 within the city of Portland.

Despite the significance of HB 2017 to Oregon and the greater Portland region, resources remain limited to build the system we need to support our growing economy, labor force and communities. Diminished resources mean reduced ability to improve, enhance and expand infrastructure for a safe, reliable, healthy and affordable system. More funding will be needed to address the region’s transportation challenges and build a 21st century transportation system as envisioned in community and regional plans.
5.2 Sources of Revenue and Estimated Budget for Plan Investments

A constrained revenue forecast that meets federal requirements for demonstrating reasonable availability of expected future funding is summarized in Table 5.1.

**Table 5.1 RTP Constrained Revenue Forecast Summary for 2018-2040 (2016$)**

<table>
<thead>
<tr>
<th>Revenue Category</th>
<th>Constrained Revenues</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal (FHWA based – non transit)</td>
<td>$1,290,865,000</td>
<td>By individual fund type code</td>
</tr>
<tr>
<td>Federal (FTA based – transit)</td>
<td>$4,010,744,000</td>
<td>By individual fund code with some grouping due to formula allocations</td>
</tr>
<tr>
<td>State Revenues to Transit Needs</td>
<td>$514,617,000</td>
<td>State generate revenues committed to transit purposes (by fund type code or funding program code)</td>
</tr>
<tr>
<td>State Revenues (HB 2017 – non-transit)</td>
<td>$701,627,000</td>
<td>Identified by HB 2017 allocation categories in support of capital needs</td>
</tr>
<tr>
<td>ODOT Combined Revenues (capital/enhance/modernization areas)</td>
<td>$993,374,000</td>
<td>Combined federal &amp; State for capital/modernization needs. Estimated at the Region 1 level and within the MPO boundary area</td>
</tr>
<tr>
<td>ODOT Fix-It (OM&amp;P) Combined Program Revenues</td>
<td>$1,635,898,000</td>
<td>Combined state and federal revenues estimated for ODOT Region 1</td>
</tr>
<tr>
<td>Subtotal Federal and State Revenues:</td>
<td>$9,197,286,000</td>
<td>Subtotal from all above categories</td>
</tr>
<tr>
<td>Local Revenues (counties and cities)</td>
<td>$15,530,628,000</td>
<td>Three counties and cities (all local revenue programs combined)</td>
</tr>
<tr>
<td>Local Revenues (Transit)</td>
<td>$19,005,351,000</td>
<td>TriMet and SMART</td>
</tr>
<tr>
<td><strong>Total All Revenues</strong> (capital and operations, maintenance and preservation)</td>
<td><strong>$43,733,264,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

In 2016 dollars and rounded to the nearest $1,000.

As shown in the previous table, the $43.7 billion in estimated total revenues for the greater Portland region do not represent the actual available revenues for regional system capital improvements. The three counties, cities, TriMet, SMART, ODOT all have to address
operations and maintenance (O&M) needs which reduces to amount of revenue available to address capital needs.

The region's operations and maintenance commitment is significant and consumes approximately 51 percent of the total federal, state, and local revenues identified for the greater Portland region. After accounting for the estimated O&M commitment, the constrained revenue forecast is estimated to have $22 billion available for capital improvements. **Note: This estimate is preliminary and subject to further review in consultation with federal partners.**

**Table 5.2 RTP Constrained Revenue Forecast Estimates Summary for Capital Investments for 2018-2040 (2016$)**

<table>
<thead>
<tr>
<th>Revenue Category</th>
<th>Constrained Revenues</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal and State Revenues</td>
<td>$9,197,286,000</td>
<td>By individual fund type code</td>
</tr>
<tr>
<td>Local Revenues (Estimated available for capital needs)</td>
<td>$4,971,217,000</td>
<td>3 counties and cities together</td>
</tr>
<tr>
<td>Local Revenues for Transit (Estimated available for capital needs)</td>
<td>$7,939,218,000</td>
<td>TriMet and SMART</td>
</tr>
<tr>
<td><strong>Total Constrained Revenues for Capital Projects in the RTP for 2018-2040</strong></td>
<td><strong>$22,107,721,000</strong></td>
<td>Limits local funds to available funds for capital needs identified by agencies</td>
</tr>
</tbody>
</table>

In 2016 dollars and rounded to the nearest $1,000.

More detailed information about the forecasting assumptions, sources of funding accounted for and process used to develop the draft forecast can be found in Appendix H. Proposed investments in the regional transportation system are summarized in more detail in Chapter 6. **Figure 5.1** shows the total estimated cost of investments in the financially constrained RTP, including maintenance and operations of the transportation system. **Note: This estimate is preliminary and subject to further review in consultation with federal partners.**
Figure 5.3  Total estimated investment by 2040 (2016$)

Transportation demand management $0.13B
Freight access $0.25B
Active transportation $1.8B
Roads and bridges capital $3.3B
Highway, road and bridge operations and maintenance $13B
Transit capital $5.1B
Highways capital $4.6B
Transit operations and maintenance $13.7B

$42 billion 2018-2040

Note: This chapter will be finalized pending review of the draft forecast and related financial assumptions in Appendix H in consultation with federal partners during the public comment period.