

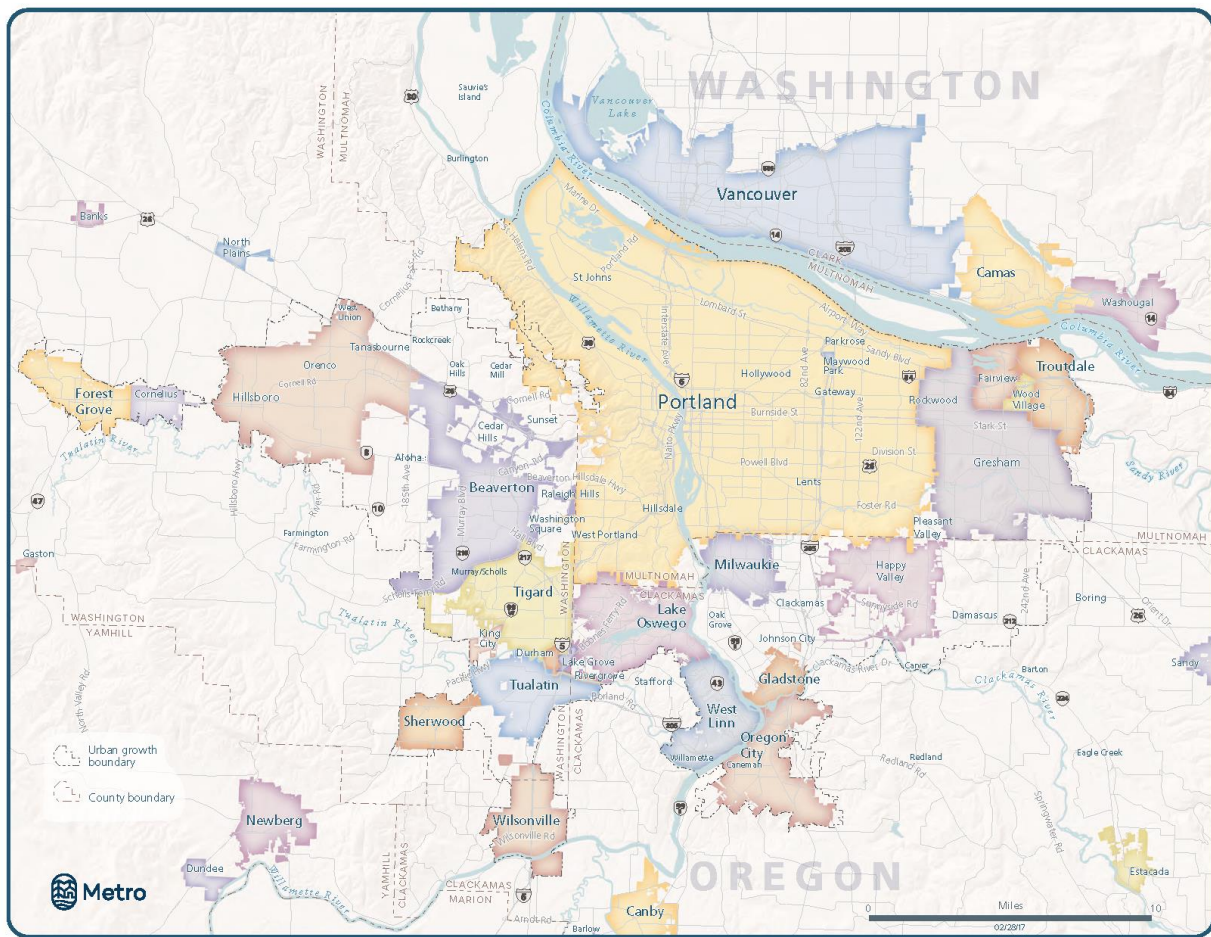
2018 Regional Transportation Plan



safe • reliable • healthy • affordable

2018 Regional Transportation Plan Chapter 5 Our Transportation Funding Outlook

December 6, 2018



Metro serves more than 1.5 million people in Clackamas, Multnomah and Washington counties. The agency's boundary encompasses 24 cities – from the Columbia River in the north to the bend of the Willamette River near Wilsonville, and from the foothills of the Coast Range near Forest Grove to the banks of the Sandy River at Troutdale.

Among its other responsibilities, Metro is authorized by Congress and the State of Oregon to coordinate and plan investments in the transportation system for the three-county area. Metro uses this authority to expand transportation options, make the most of existing streets and improve public transit service. As the designated metropolitan planning organization, Metro works collaboratively with cities, counties and transportation agencies to decide how to invest federal highway and public transit funds within its service area. It creates a long-range transportation plan, leads efforts to expand the public transit system and helps make strategic use of a small subset of transportation funding that Congress sends directly to metropolitan planning organizations.

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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, Port of Portland and the region's cities, counties, and transit providers.



Learn more about the 2018
Regional Transportation Plan at
oregonmetro.gov/rtp

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 chapter 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 and local sources, the private sector and user fees.

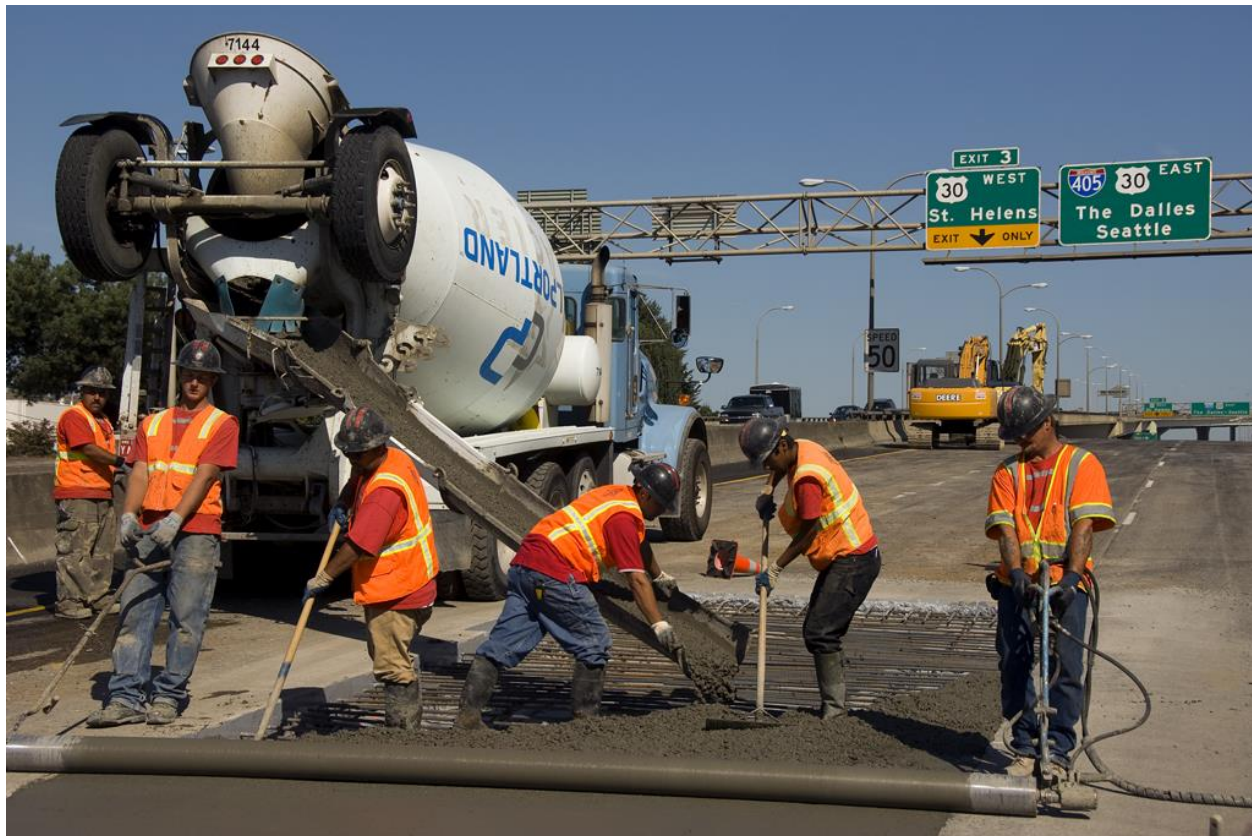
The RTP financially constrained revenue forecast was developed based on a forecast of expected revenues that was formulated in partnership with the Oregon Department of Transportation, the Port of Portland, cities and counties in the region, TriMet and South Metro Area Regional Transit (SMART). The forecast was developed in consultation with the RTP Finance Work Group.

Chapter organization

This chapter demonstrates that the RTP is financially constrained, in compliance with federal law and projects identified in Appendix A and Appendix B are “reasonably likely to be funded” for planning purposes, as defined by OAR 660-012-0040 (Transportation Financing Program). 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 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 maintenance and capital investments in the Regional Transportation Plan.
- 5.3. Demonstration of Financial Constraint:** This section compares the forecasted revenue expected to be available for transportation investment in the region and compares it to the cost of adequately maintaining and operating the transportation system and to the cost of new transportation projects included in the plan (see financially constrained list of projects contained in **Appendix A and Appendix B**). This will demonstrate these costs will not exceed forecasted revenues. Projects identified on the financially constrained project list in Appendix A and Appendix B are eligible to receive federal and state funding.



The region's operations and maintenance commitment is significant and consumes approximately 64 percent of the total federal, state, and local revenues identified for the greater Portland region.

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 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



HB 2017 begins to address the gap in maintenance and transit service funding for our region, but there is still a significant gap in funding for capital investments.

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.



Approved by the Oregon Legislature in 2017, HB 2017 makes significant commitments to investment in transportation across all of Oregon's communities.

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 to 2040 (2016\$)

RTP Constrained Revenue Forecast Summary for 2018 to 2040 (2016\$)		
Revenue Category	Constrained Revenues	Notes
Federal Highway Administration (FHWA) to Region	\$1,802,062,000	
Federal Transit Administration (FTA) to Region	\$4,010,744,000	
State Revenues to Transit Needs	\$514,617,000	State generated revenues committed to transit purposes
New State Revenues to named capital and OM&P projects (HB 2017)	\$695,129,500	Identified by HB 2017 allocation categories in support of capital needs
ODOT Combined Federal/State Revenues for Capital projects	\$2,044,974,000	Combined Federal & State for capital/modernization needs. Estimated at the Region 1 level and within the MPO boundary area
ODOT Fix-It (OM&P) Combined Program Revenues	\$1,664,485,000	Combined state and federal revenues estimated for MPO area of ODOT Region 1
Subtotal Federal and State Revenues:	\$10,732,012,000	Subtotal from all above categories
Local Revenues (counties and cities)	\$16,803,628,000	Three counties and cities (all local revenue programs combined)
Local Revenues (Transit)	\$19,005,351,000	TriMet and SMART
Total All Revenues (capital and operations, maintenance and preservation, and federally funded planning)	\$46,540,990,000	

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

As shown in the previous table, the \$46.54 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 the amount of revenue available to address capital needs.

The RTP financially constrained revenue forecast and financial analysis for operations and maintenance costs was based on a thorough evaluation of city and county, ODOT, TriMet and SMART cost projections in consultation with the 2018 RTP Finance Work Group.

The region's operations and maintenance commitment is significant and consumes approximately 64 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 \$15.17 billion available for capital investments.

Table 5.2 RTP Constrained Revenue Forecast Estimates for Capital Investments for 2018 to 2040 (2016\$)

RTP Constrained Revenue Forecast Estimates Summary for Capital Investments for 2018 to 2040		
Revenue Category	Constrained Revenues	Notes
Federal Revenues for Capital projects	\$4,526,956,000	
State Revenues for Capital projects	\$3,065,433,000	
Local Revenues for Capital projects	\$7,573,520,000	3 counties, cities, TriMet and SMART
Total Constrained Revenues for Capital Projects in the RTP for 2018-2040	\$15,165,909,000	Limits local funds to available funds for capital needs identified by agencies

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

5.3 DEMONSTRATION OF FINANCIAL CONSTRAINT

The RTP is required to demonstrate that the projects and programs included in the plan to address transportation system needs not cost more than reasonably expected revenues to fund them. This is known as financial constraint. The following tables demonstrate project and program costs compared to the forecasted revenues available to pay for them.

To demonstrate financial constraint, **Table 5.3** compares the reasonably expected revenues to the estimated costs of the capital projects included in the plan (see financially constrained list of projects contained in **Appendix A and Appendix B**) and the costs of operating and maintaining the transportation system in the region.

Table 5.3 Demonstration of Financial Constraint: RTP Revenue Forecast Compared to Costs (2016\$)

RTP Demonstration of Financial Constraint		
Category	Constrained Revenues	Costs
Capital projects	\$15,165,909,000	\$15,165,909,000
Operations and Maintenance	\$31,375,081,000	\$26,971,508,000
Grand Total	\$46,540,990,000	\$42,137,417,000

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

The revenue forecast demonstrates that \$15.17 billion of funding will be available for capital projects in the region during the time period of the plan. This compares to \$15.17 billion of costs for projects.

Additionally, \$31.36 billion of revenue is expected to be available for operations and maintenance of the transportation system during the time period of the plan. This compares to an estimate of \$26.97 billion to operate and maintain the region's transportation system during that time period.

Tables 5.4 and 5.5 break out these total revenues and costs to road-related and transit-related revenues and costs.

Table 5.4 Road-related Revenue Forecast Compared to Costs (2016\$)

Category	Constrained Revenues	Costs
Capital projects	\$10,105,109,000	\$10,105,109,000
Operations and Maintenance	\$13,316,201,000	\$13,316,201,000
Grand Total	\$23,421,310,000	\$23,421,310,000

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

The revenues available for both road capital projects and programs and for road operations and maintenance exceed expected costs for the planning period.

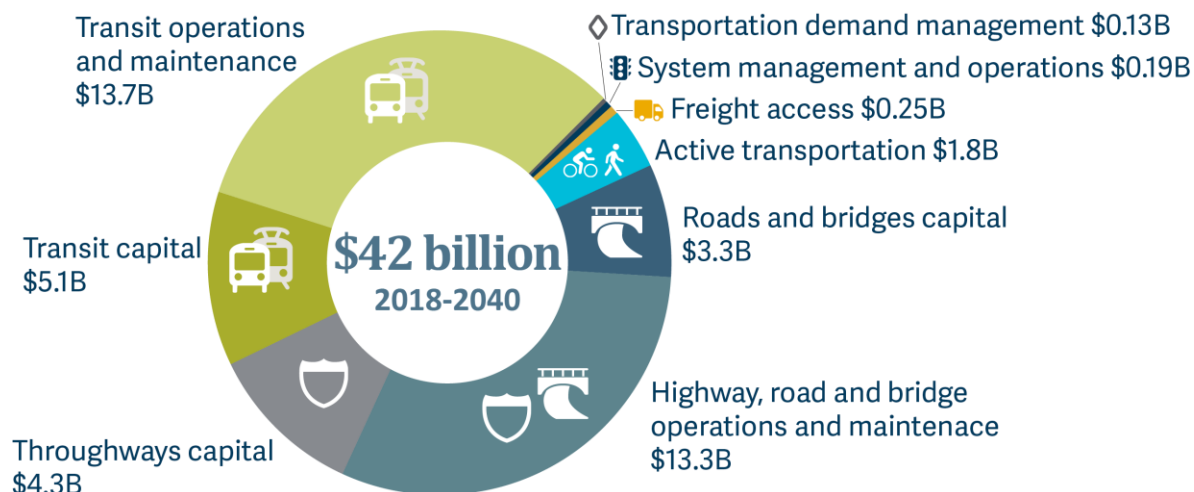
Table 5.5 Transit-related Revenue Forecast Compared to Costs (2016\$)

Category	Constrained Revenues	Costs
Capital projects	\$5,060,800,000	\$5,060,800,000
Operations and Maintenance	\$18,058,879,000	\$13,655,307,000
Grand Total	\$23,119,679,000	\$18,716,107,000

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

The revenues available for both transit capital projects and for transit operations and maintenance exceed expected costs for the planning period. Transit operations and maintenance revenues are shown as significantly greater than expected costs primarily because the revenue forecast was able to capture new revenues made available by the Oregon legislature during the 2018 session, after the service planning work for the 2018 RTP needed to be completed. The service planning work was targeted to meet revenue assumptions available prior to the legislative session. The new revenues will be available for transit operations and maintenance and future planning work will account for the additional service those revenues will provide. More detailed information about the forecasting assumptions, sources of funding accounted for and process used to develop the financially constrained revenue 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. Projects identified on the financially constrained project list in **Appendix A and Appendix B** are eligible to receive federal and state funding.

Figure 5.1 2018 Financially Constrained RTP: Total estimated investment by 2040 (2016\$)

Source: 2018 RTP Constrained Project List

Source: Metro

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If you picnic at Blue Lake or take your kids to the Oregon Zoo, enjoy symphonies at the Schnitz or auto shows at the convention center, put out your trash or drive your car – we’ve already crossed paths.

So, hello. We’re Metro – nice to meet you.

In a metropolitan area as big as Portland, we can do a lot of things better together. Join us to help the region prepare for a happy, healthy future.

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December 6, 2018