THE OREGON BUSINESS PLAN TRANSPORTATION INITIATIVE

For Discussion at 7th Annual Leadership Summit, December 2008

SUMMARY

1. **Increase gasoline taxes and vehicle registration fees. Target the funding for maintenance and support of critical road improvements that will reduce congestion and improve freight movement.**
2. **Accelerate the transition to a transportation system that 1) relies far-less on gasoline and hydrocarbon powered vehicles, 2) uses pricing and sophisticated navigation systems to improve utilization of road capacity, and 3) affords a much wider set of choices for individual travelers.**
   - **Sunset the gasoline tax in 2019, and give customers the option of using mileage fees or congestion fees as a transition tool.**
   - **Improve the utilization of the current road system by promoting ride-sharing, expanding public transit, improving emergency response services, and coordinating traffic signals across jurisdictions.**
   - **Rethink urban land-use to provide greater individual choices among transportation options and to facilitate rapid freight delivery within and between regions.**
   - **Become an international leader in the development of electric vehicles by creating an electric infrastructure to facilitate plug-ins and by offering tax credits for vehicle purchases.**
3. **Create a Transportation Utility Commission to determine the revenue needs of road authorities and to design new pricing models to pay for state and local transportation services.**
4. **Reach a timely decision on the design of the Columbia River Crossing and secure funding to move forward on the project.**

Why It Is Important to Address Transportation Right Now

Oregon faces an immediate transportation crisis and an extraordinary transportation opportunity. Over the past 15 years, we have failed to increase gas taxes in order to cover the increasing costs of maintaining our roads and highways, much less to pay for many improvements needed to serve businesses and communities now and in the future. If we delay any longer, congestion and disrepair will accelerate, harming our economy and our quality of life. *The Cost of Highway Limitations and Traffic Delay to Oregon's Economy*, a 2007 study, reports that businesses today, across the state, already are reporting financial losses from congestion, and many are changing their operations and location decisions. The study estimates that failure to invest adequately statewide in transportation improvements will result in a potential annual economic loss of $1.7 billion and 16,000 jobs by 2025. This does not include the degradation of our quality of life created by congestion and gridlock.

We can address this challenge in way that accelerates emerging technologies and practices, transforming our transportation system for the 21st Century as radically as the Interstate Highway System did in the latter half of the 20th Century. Our transportation strategy should not only address immediate needs, it should also anticipate and promote new efficient automobiles fueled in new ways, electronic systems that help drivers navigate through traffic, and community design concepts that support an array of transportation options, including transit, ride-sharing, bicycles, and walking.

In taking a bold new course, Oregon will strengthen its economy, reduce greenhouse gas emissions, reduce costs for businesses and families, and make our state a much more convenient and pleasant place to live. In doing so, we will emerge as a national leader in transportation innovations and sustainable development.

This past year, Governor Kulongoski invited a broad cross-section of leaders to review Oregon's transportation challenges and set a bold new course for the future. Many business leaders and business associations have played key roles in his process, along with a broad cross-section of environmental, multi-modal and community stakeholders. A key product of this work, *The Transportation Vision Committee's Report to the Governor*, provides an excellent overview of the transportation challenges facing Oregon along with specific recommendations to advance the transportation agenda. The Governor also released his agenda in early November. The Oregon Business Plan recommendations align with the Vision Committee report and the Governor's recommendations.

The recommendations below describe the key steps Oregon should take to move forward on transportation.

Support the Governor's proposal to substantially increase funding available for transportation project to to address a backlog of maintenance needs and to support high priority improvements. Gov. Kulongoski set an appropriate aggressive goal of raising $499 million annually for transportation projects. The business community should unite behind the Governor's effort. A broad array of funding measures should be considered, as outlined in the Governor's plan.

Beyond maintaining our existing roads and highways, we need to invest in high priority new transportation facilities to meet the needs of our rapidly growing communities and ever-changing business demands. Transportation systems built to meet the needs of the 1920s and 1950s do not serve today's economy. New facilities are needed to relieve choke points, link multi-modal systems, and get people to and from work.

Our successful efforts in 2005 and 2007 to invest for the first time in multi-modal, non-highway transportation, **Connect Oregon**, must be continued for another biennium. Connect Oregon has demonstrated the unmet demand and need for investment in air, marine, rail and mass transit facilities statewide. The Legislature should continue the program by investing in Connect Oregon III in 2009.

We cannot afford to wait. Already we are seeing the results of neglect in the form of ruts and potholes, which slows traffic and damages vehicles. Improved infrastructure reduces fuel consumption, risk and personnel costs. More disturbing, optimal maintenance (in terms of life cycle costs) requires maintenance well *before* the need is perceived by the public. *An optimal maintenance cycle is estimated to be four times less expensive than delaying treatments until failures occur.* Dollars raised now will save many more dollars in the future.

Act Now to Advance a 21st Century Transportation System

Oregon has long been a pioneer in transportation policy, from adopting the first gas tax to integrating transportation and land use. We are poised to be a leader in redesigning our system to meet the triple bottom line of economy, livability and environmental quality, including green-house gas reduction.

The Oregon Transportation Plan, adopted in 2007, and the Governor's Vision Committee report both imagine a future very different from today. By 2030, these forward-looking documents envision vehicles powered by renewable fuels, either electric, fuel cell or bio-fuels. They envision a wider array of choices in vehicle types and transportation options, whether rail, air, buses, biking, or walking. They envision much greater use of technology to help vehicles use roads, highways, rail, and other services more efficiently. In short, they

foresee that Oregon will dramatically change direction over the next 20 years. These changes may be as transformational as the introduction of the automobile 100 years ago or the jet airplane 50 years later.

Like all great shifts, change will come through adaptation and innovation, rather than through detailed planning. But with a broad vision as a guide, we can accelerate the path to the future by taking specific steps that will move us in the right direction. Four opportunities are particularly apparent right now.

1. *Modernize road pricing to achieve more reliable funding and to mange demand.* In particular, Oregon needs to phase out the gas tax and replace it with mileage fees, and with peak pricing and discounts for off-peak usage. Gasoline taxes, the major source of funding for roads and highways today, are obsolete in the face of new fuel efficiencies and power sources for vehicles. As we encourage more fuel-efficient vehicles and vehicles powered differently, revenues from the gas tax inevitably will decline. Yet, today the gas tax is the primary tool for maintaining roads and financing new construction. We won't be able to maintain our existing roads and highways, much less build new facilities, if we continue with this unreliable source of financing.

   Ultimately, we will need mileage fees to pay for the maintenance and expansion of roads and highways. Mileage fees will more equitably allocate cost responsibility, especially when combined with peak and off-peak pricing. They also give consumers greater control over their transportation budget. As a tool for demand management, peak and off-peak congestion pricing can dramatically reduce congestion and the need for expensive facility upgrades. Mileage fees have already been tested in Oregon and the results are promising. The Road User Fee Task Force (RUFTF) created by the Legislature in 2001 extensively studied alternative ways to collect revenues. The task force demonstrated through a pilot program that a mileage fee could be implemented to replace the gas tax as the principal revenue source for road funding. Ninety-one percent of pilot program participants said that they would agree to continue paying the mileage fee in lieu of the gas tax if the program were extended statewide.

   One hundred years ago, Oregon was the first state to adopt the gas tax. In 2009, we should be the first state to repeal it, with an effective date of 2019. In the meantime, we should offer consumers a choice of alternative ways to pay for their road usage, with an aim to find a complete replacement ten years from now. As part of this work, within the next two to three years, all new vehicles should be equipped with metering technology that provides customers the option of paying for roads through a mileage fee.

2. *Reduce congestion and provide greater customer choice by optimizing use of existing roads and highways and designing and building our urban communities in ways that reduce the need for lengthy automobile trips*. A quick, relatively low-cost strategy for reducing congestion is to improve the volume of passengers (but not vehicles) on existing roads through innovation. Four tools are particularly promising: 1) greater application of car-sharing, using sophisticated dispatch methods, 2) increased transit services, especially during peak hours, 3) coordination of traffic signals across jurisdictions to speed up traffic flows and 4) quicker emergency responses to clear roads after accidents. Passenger car traffic can also be reduced by mixing commercial, office and residential developments together and by providing greater choices among cars,

transit, bicycles, and walking. Oregon is a leader in designing urban areas to provide greater options. But while we reduce discretionary car trips, we need to take a fresh look at policies that will provide more flexibility and speed for freight movements, especially in critical corridors.

3. *Develop new transportation planning and project selection tools to assure that each dollar spent on new transportation capacity achieves the greatest return on investment.* Our existing transportation planning and project selection methods focus on supplying transportation services, particularly road and highway facilities. They are not designed to analyze the least-cost method of providing transportation services across modes; they do not evaluate demand management, nor do they consider the comparative economic, environmental and social costs and benefits of alternative solutions. We need to build on our ground breaking models integrating land use and transportation to develop new models for least-cost transportation planning.

4. *Accelerate the deployment of electric and electric-hybrid vehicles.* This past year, Oregon stepped up to become a leader internationally as a test-bed for hybrid-electric and electric vehicles. Governor Kulongoski, the Transportation Commission, Oregon utilities, the Oregon University System, and civic groups have rallied behind this opportunity to make Oregon an international leader. International auto manufacturers have responded, seeing Oregon's high demand for hybrid vehicles as a strong sign of consumer interest. Oregon has a burgeoning electric car industry cluster that can be supported by this initiative.

   The benefits of accelerating electric vehicle development and use are substantial. Customers will benefit from lower fuel prices while knowing they are reducing their environmental footprint. Electric vehicles can reduce carbon emissions by 75 percent over conventional vehicles. When the electricity is derived from hydro or wind, which would be the case much of the time in Oregon, the benefits are even more substantial. For the economy, we are likely to benefit as a first mover in this arena, building and attracting a cluster of firms here that specialize in electric vehicle technology. And, we will burnish our reputation for innovation and sustainable practices.

   To take advantage of this opportunity, we need to do three things. First, we need to commit to provide the leadership within the business, public sector, and wider community to develop a detailed implementation plan, with anticipation that electric vehicles are likely to be ready in 2010. Second, we need to build the electric plug-in infrastructure to support these vehicles. Oregon electric utilities have already taken the lead. They will need to work with building owners, corporations and individual residents to set up the first tests. Third, we need to work with electric vehicle manufacturers to support early purchases of these vehicles. In some cases the automobile companies will be focused on fleet purchases. We will need to open our doors to them. In other cases, individual customers will be the targets. Tax credits could help motivate early adopters, just as they did for hybrid vehicles a few years ago.

   As we do this work, we will need a place to collaborate and learn about different strategies for promoting this opportunity. The Governor has created an Alternative Fuel Vehicles Development Group to coordinate the myriad players that will be needed for Oregon to sustain a lead. Oregon's reputation for collaboration and sustainable

development make us a natural place for leadership on electric vehicles. We need to seize the opportunity.

The Implementation Challenge: The Need for a Transportation Utility Commission

The current governance structure for transportation will make it difficult, if not impossible to implement the broad strategies recommended above. Authority is scattered, and lines of responsibility between city, county and state roads and highways have become blurred as population growth has made the distinctions and categories incoherent. The Legislature is asked to set rates to pay for the transportation system without a clear accounting of local, as well as state, needs and without a clear theory of funding responsibility among state and local jurisdictions.

Currently, the Legislature, county commissions and city councils all have responsibilities to set taxes rates to pay for roads and other transportation services. The lines of responsibility for raising these funds are blurry at best, and there is little common data to account for needs across the system. About half of state gas taxes (and weight mile charges) are distributed to cities and counties under a fixed formula, but there is no common accounting for the city and county road conditions or needs. Cities and counties, in turn, are expected to contribute some of their local revenue to support their local roads, but there is not a clear rationale for determining the relative share between state and local taxes. In any event, the capability of local governments to contribute to their roads is highly constrained because of property tax limitations and the pending loss of federal timber receipts. And the Legislature, despite inflation and improving vehicle mileage, hasn't increased the gasoline tax since 1993.

Because the responsibility for system finance is so diffuse, it suffers from neglect and lack of accountability. While the data is far from perfect, it is very clear that we aren't keeping up with basic maintenance needs for the overall system. This is particularly disturbing because an optimal maintenance schedule (in terms of life cycle costs) requires maintenance well before the need is perceived by the public. Waiting for potholes to appear is like waiting to repair a shoe until a gaping hole is present. An optimal cycle is estimated to be four times less expensive than delaying until ruts have been created.

Given the lack of clarity for responsibility and the complexity of determining the actual needs, it is unfair to blame elected officials for the failure to maintain our infrastructure. Instead, we need to examine the system itself and redesign it. We have an analogy for another critical infrastructure, our energy utilities. Rather than relying on the Legislature and local governments to set those rates, we have a professional agency to determine revenue needs and to set the rate design, the Public Utility Commission. We propose that the Legislature create a similar body to oversee our transportation systems.

Currently, we simply aren't generating enough dollars to pay for a backlog of needed improvements. As our population grows, we will need new roads and upgrades on existing ones, even as we adopt policies to make better use of the infrastructure we have. Under the current system, we aren't generating those dollars.

The Governor's Vision Committee reviewed the concept, and recommended that the Legislature give the proposed Transportation Utility Commission limited powers initially, but with the expectation that it would assume greater responsibility as the model proves itself. In the first biennium the Commission would have the responsibility to establish:

- A common chart of accounts for city, county and state transportation departments. With these accounts, easy comparison should be possible across jurisdictions, and the accounting information should provide the basis for determining revenue needs.
- A revenue requirement estimate for each jurisdiction
- A conceptual framework for a rate design to pay for the road services. The design would broadly address two questions: What is the weighting of responsibility between local and state jurisdictions and what combination of fixed and variable (including peak and off peak) charges are appropriate.
- A framework for least cost planning
- Alternative rates to the gas tax for immediate implementation as an option for customers. This effort would continue the work of the Road User Fee Task Force (RUFTF).

Make a Timely Decision on the Columbia River Crossing and Finance It

The Columbia River Crossing (Project) is essential to the economic and environmental sustainability of Oregon. Growing congestion at the I-5 bridge not only hurts adjacent regional and state economies, it also is the weak link of the entire trade corridor between Mexico and Canada. Current congestion slows traffic and impedes efficient freight mobility, causing significant financial loss for Oregon businesses. The congestion also causes the highest accident rate along I-5.

A 39-member task force, representing public agencies, businesses, environmental groups and local communities in both Oregon and Washington met for three years and recommended a Locally Preferred Alternative (LPA). The LPA encompasses a five-mile segment of I-5 between Portland and Vancouver and includes seven interchanges, a replacement bridge, light rail extending to Clark College in Vancouver, bike lanes and pedestrian paths. Governors Kulongoski and Gregoire support the Project and have appointed the Project Sponsors Council to advise on important details, including the design and the number of lanes.

Public support and funding for the Project are critical to its success. The departments of transportation in both states are working to secure federal funding. In addition to federal funding, the Project will be seeking funding from both state legislatures. Currently under review, we need a timely decision on the Project and to address the financing challenges it faces.

Transportation Initiative Leaders

Steve Clark, Community Newspapers
Patrick Reiten, Pacific Power

Background Resources

- Governor Kulongoski Jobs and Transportation Act of 2009. November 2008
- Transportation Vision Committee Report to Governor Ted Kulongoski. October 2008
- Oregon's Transportation System: Critical Needs. Oregon Department of Transportation (December 2006)
- Oregon Transportation Plan
- Oregon County Roads Needs Report (November 2006)
- "Strengthening Our Investment in Roads and Bridges" (PDF) -- Oregon Business Plan White Paper (January 2003)

- Oregon Transportation Investment Act (OTIA)
- Oregon Dept. of Transportation Innovative Partnerships Program
- Oregon Rail Plan
- I-5 Rail Capacity Study
- Columbia River Channel Coalition (www.channeldeepening.com)
- Oregon Department of Aviation (www.aviation.state.or.us)
- Oregon Aviation Plan
- Port of Portland
- "Freight Rail and the Oregon Economy"
- "Marine Terminals Master Plan"
- Cost of Congestion to the Economy of the Portland Region
- The Cost of Highway Limitations and Traffic Delay to Oregon's Economy
- "Freight Rail Bottom Line Report"
- "Freight Capacity for the 21st Century"