

House Interim Committee on Transportation
Thursday, November 21, 2013
State Capitol, Salem, Oregon Legislative Administration

Members Present: Rep. Cliff Bentz, Acting Chair; Rep. Kevin Cameron, Rep. John Davis, Rep. Margaret Doherty, Rep. Chris Gorsek, Rep. John Lively, Rep. Caddy McKeown, Rep. Nancy Nathanson, Rep. Julie Parrish

Members Excused: Rep. Tobias Read, Chair

Update on Business Oregon's Business Expansion Program

Tim McCabe, Director of the Oregon Business Development Department (OBDD), provided a [fact sheet](#) and an overview of the Department's Business Expansion Program. The program began from efforts by Governor Kulongoski to help an existing Oregon business find an additional site in the state for expansion; at the time, the only resource available was the Business Reserve Fund. The existing program was developed out of the process used to meet the needs of the business in that instance.

To qualify, a business must have 150 or more employees at the time of eligibility, plan to hire at least 50 new employees for its new facility, pay wages at 150 percent or more above the state or county average, and do business in the traded sector; retail businesses are excluded. Applicants must also be willing to stipulate that the expansion would not have otherwise occurred without the incentive. The program was initially allocated \$4 million, which has been used to fund three companies and a total of 503 new jobs, which has led to a collection of approximately \$2 million in additional property taxes. A current deal is pending to bring 75 new jobs to the Salem area, and a second deal is in the works that would require more than the \$4 million allocated previously to the fund; this would require an additional state investment.

Committee questions and comments included: how the Department determined the 150-employee threshold; what happens if the business cannot, or will not, maintain the required number of jobs or pay level for the required three years; whether there are statistics demonstrating that the program actually prevents business relocation; whether the program could be classified as a business subsidy; whether sufficient transparency exists to convince the public of the efficacy of the program; whether other states use a more long-term strategy; and whether other states use the same program.

Future of Transportation Funding

Karmen Fore, Governor Kitzhaber's Transportation and Sustainable Communities Policy Advisor, provided testimony regarding Oregon's transportation infrastructure and long-term strategies for providing funding for its maintenance and improvement. She emphasized that Oregon's multimodal system has provided the state with an advantage in terms of economy, environment and livability, and that significant improvements in the last decade have left the state with a good system, one that provides an attractive place to do business.

Ms. Fore identified several challenges to the state transportation system moving forward:

- *Constrained finances* – the State Highway Fund is fully committed to maintenance of the current system, debt service and agency operations;
- *Gas consumption is down* – resulting in lower revenues;
- *Seismic concerns* – a number of bridges and other facilities are in danger of not surviving a major earthquake;
- *Bonded indebtedness* - the Oregon Transportation Improvement Act (OTIA) and the Jobs and Transportation Act (JTA) addressed system needs, but the state will be paying for those projects for the next few decades;
- *Declining pavement* – with the exception of areas addressed using federal stimulus funds, pavement will eventually need to be replaced, which costs much more than resurfacing;
- *No adequate funding for non-road modes* – this includes a need to find continuing funding for operation of the Amtrak Eugene-Seattle daily trains;
- *Struggling public transit agencies* – while some agencies benefited from investments in equipment, most face increasing pressure to pay for operations; and
- *Bicycle/pedestrian use* – the last decade saw a 25 percent increase in walking, while biking doubled during the same period; however, one quarter of survey respondents report that there is a lack of safe options for biking and walking in their community.

Ms. Fore then addressed some possible strategies for addressing these concerns:

- Consider raising the gas tax, possibly by indexing it to inflation;
- Raise vehicle registration fees, which are near the lowest in the nation;
- Consider utilizing a vehicle-miles-traveled road usage fee;
- Consider utilizing innovative financing to maximize bonding;

Committee questions and comments included: whether it would be possible to add a nominal fee to Amtrak tickets to pay for operations; whether there is opportunity to transition to natural gas as a motor fuel; consideration of an alternate approach to the incremental increase system used in the past; how to convince Oregonians in general, and rural Oregonians in particular, of the need for general and strategic transportation investment; and the potential for resurrecting passenger rail service to eastern Oregon.

Oregon Driver and Motor Vehicle Services Division Fee Study Report

Tom McClellan, Administrator of the Driver and Motor Vehicle Services Division (DMV) of the Oregon Department of Transportation (ODOT) and Amy Joyce of DMV presented [testimony](#) regarding an internal study that was undertaken in 2012 and recently completed to examine the efficacy and use of fees collected by DMV for driver licenses, identification cards, vehicle ownership and registration documents and other services. Moneys so collected are used to cover departmental costs and to accrue to the State Highway Fund. The project was overseen by an advisory committee.

John Radford, former State Controller and member of the DMV Cost Study Advisory Committee, provided context for the process that was utilized to conduct the study. He emphasized the study's reliance on experts in cost accounting and methodology commonly used in business.

The report's key findings included:

- *Many fees are set below the cost to provide the service* – an example being the driving skills test administered to applicants for new driver licenses, which cost applicants \$70 but has a cost to the agency of \$295;
- *Contribution to the State Highway Fund by DMV is declining* – although total revenues have increased, much of the increase over recent years has been allocated to debt service for bridge and highway projects under the Oregon Transportation Improvement Act (OTIA) and the Jobs and Transportation Act (JTA); and
- *Moves of service delivery have increased* – as an example, online registration renewal costs \$6 less per transaction than renewal in person at a DMV field office.

The report also included three recommendations for action:

- Increase fees as needed to recover agency cost for service;
- Include a surcharge for services at DMV field offices (as opposed to online); and
- Consider pursuing additional funding to pay for upgrades to the DMV computer system.

Committee questions and comments for this panel included: whether statutory fees were considered sufficient to cover agency costs; whether all fees would require statutory amendment to change; reasons for the discrepancy between DMV and private entity costs for providing driver license road tests; potential for privatizing all driver license road tests; and the possibility of lowering the cost of online transactions as opposed to raising the price of transactions at DMV offices.

Addressing Choke Points in the State Rail System

Hal Gard, Administrator of the Oregon Department of Transportation (ODOT) Rail Division, offered a slide [presentation](#) describing types and locations of choke points on Class I and short line railroads in Oregon. Choke points can be both physical and/or temporal, and usually fall in to one of the following categories:

- *Track bottlenecks* – areas where single track, sharp turns, grade crossings or bridges either require trains to slow or prohibit two trains from passing each other;
- *Yard bottlenecks* – typically a function of yard capacity versus the volume of traffic; and
- *Temporal* – too much traffic during particular hours, such as is the case on the Portland & Western line shared by the West Side Express (WES) Commuter Rail line.

Michael Rock, ODOT's State Rail Plan Project Manager, discussed the activities of the State Rail Plan Steering Committee, which is undertaking the project of revising the state rail plan, which is required to bring the state into compliance with the federal Passenger Rail Investment and Improvement Act (PRIIA) of 2008. Because the state's rail system is mostly privately owned, it makes developing a list of needed projects more difficult than the process used for developing the Statewide Transportation Improvement Program (STIP). Some of the criteria that have been considered by the steering committee for investments include:

- Class I rail bottlenecks;
- Preservation of short line railroads;

- Terminals, yards and transload facilities; and
- Shared use corridors (freight/passenger/high-speed passenger/transit).

Committee questions and comments for this panel included: whether choke points are identified by track design or by track conditions; when the last state rail plan was completed (2001); desire for development of a 'to-do' list of projects; and how best to convey the needs of the system to taxpayers.

Finally, a panel of port and railroad representatives offered their perspectives. Kathryn Williams from the Port of Portland offered [slides](#) and emphasized that 78 percent of goods moving through the Port of Portland ship by rail during some part of their journey. The Port's goal is to preserve system capacity to handle unit trains, long hauls and local moves. She reviewed several recent rail and yard improvements at the Port, many of which having been made possible by the *ConnectOregon* program. Patrick Kerr, representing Portland & Western Railroad and its parent company, Genesee & Wyoming Railroad, [testified](#) to the importance of preserving the system for today and tomorrow and issues related to maximizing rail investments. Martin Callery, representing the International Port of Coos Bay, discussed the Port's acquisition and management of the former Central Oregon & Pacific rail line. He emphasized the need to take a system approach to making investments, and cautioned that failure of the rail system, or any transportation mode, would have negative consequences for all transportation modes.

Committee questions and comments for this panel included: how far in advance planning must occur to address bottleneck problems; how to impress upon the public the need for rail investments; how to calculate the cost of rail system congestion; whether there is room for additional sidings to address congestion if there were money available to pay for them; and the cost per mile for rail construction.