

## SENATE REVENUE COMMITTEE

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JUNE 11, 2001 — 8:30 A.M. - HEARING ROOM B - STATE CAPITOL BUILDING

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Members Present: Senator Ted Ferrioli, Chair

Senator Susan Castillo

Senator Tony Corcoran

Senator John Minnis

Senator Charles Starr

Member Excused: Senator Lee Beyer, Vice Chair

Senator Gary George

Staff: Paul Warner, Legislative Revenue Officer

Richard Yates, Economist, Legislative Revenue Office

Carol Phillips, Committee Assistant

Witnesses: Representative Bruce Starr, House District  
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Bruce Warner, Director, Oregon Department of  
Transportation

Mike Marsh, Oregon Department of Transportation

### TAPE 158, SIDE A

004 Chair Ferrioli Meeting called to order at 8:43 a.m.

OPENED WORK SESSION ON HB 2142-A

021 Rep. Bruce Starr Presented information in support of HB 2142-A.

This bill would provide the state's transportation system an infusion of badly needed cash to deal with transportation needs all across Oregon. Gave brief history of transportation bills in recent years. Most of the \$400 million to be raised for the "Oregon Transportation Investment Act" will be spent primarily on modernization and preservation of the state's highway system. The bill specifies that projects to be funded under this program must be selected by February 1, 2002. Pointed out there is little opposition to this bill.

077 Rep. Starr

Continued with testimony regarding the costs associated with this bill. HB 2142-A raises vehicle title transfer fees. Funds to repay the bonds will come from HB 2142-A, HB 2139 (DMV fee bill), and HB 3068 (required by Attorney General to pass this bill to either charge utilities or discontinue program allowing utilities access to right of way). These three bills will raise the \$71.2 million necessary to repay the bonds. Pointed out that a transportation package has not been passed or enacted since 1991, and the last time the gas tax was increased was in 1993. There have been no increases in any highway user fees since that time.

161 Rep. Starr

Stated that people ask him why Oregon does not just go to the federal government and ask for more money. Said that Oregon's congressional delegation in Washington, D.C. works together for federal transportation funds. Pointed out that states that have investment in transportation infrastructure at the local level have greater leverage when it comes time to go after those federal funds. Believes it is absolutely essential for Oregon to "step up to the plate" and provide the state's congressional delegation with whatever extra tools the state can in order to "arm-wrestle" more funds from the federal level. Urges an aye vote on this bill.

190 Chair Ferrioli

Commended Rep. Starr on his presentation on the bill. Pointed out that critics of the approach

presented in HB 2142-A say this format changes the traditional connection between cost responsibility- based funding systems for road construction, i.e. the weight/mile system and the gas tax. These two examples are connected with road usage. HB 2142-a presents a departure from that type of association.

204 Rep. Starr

Pointed out that trucks will pay more in transfer fees than they currently do. Added that per legislation passed in 1999, the Department of Transportation will submit a quarterly highway transportation spending plan of projects listed by region and their cost. This is something that was never provided before the legislation was passed.

Extensive questions and answers followed.

278 Sen. Minnis

Voiced several concerns with HB 2142-A. Added that amendments should be drafted regarding consultation between the Oregon Transportation Commission (OTC) and the legislative assembly.

Further discussion, with questions and answers interspersed.

337 Chair Ferrioli

Commended Rep. Starr for his leadership on this bill and in getting Oregon/Idaho AAA and the Oregon Trucking Association together to agree on it. Questions remain about how the projects will be selected and completed. The state is divided into five regions for the purpose of determining projects. The question of accountability and legislative oversight remains.

366 Sen. Castillo

Thanked Rep. Starr for his leadership on the bill and for addressing the transportation needs of Oregon. Feels it is an issue important to the state's economy and to communities across the state.

387 Chair Ferrioli      Joined the committee members in thanking Rep. Starr for his leadership in bringing HB 2142-A.

396 Rep. Starr          Final comments regarding HB 2142-A.

#### INVITED TESTIMONY

421 Bruce Warner      Testified in support of the bill. Exhibit 4.  
Explained that key elements of the bill include:

- An authorization of \$400 million (for new projects) of Highway User Tax Revenue Bonds.
- An outline of general categories for eligible projects which includes preserving existing roads and bridges and addressing roadway configuration limitations that limit capacity.
- A requirement to ensure that projects are equitably distributed across all regions of the state.
- A direction to the Oregon Transportation Commission to consult with local governments, metropolitan planning organizations, and regional advisory groups when developing additional criteria.
- A requirement for the OTC to complete project selection by February 2002.
- An increase in vehicle title fees from \$10 to \$30 for passenger vehicles and from \$10 to \$90 for heavy trucks and trailers.

#### **TAPE 159, SIDE A**

021 Warner              Continued testimony by reading portions of Exhibit 4. Regarding the question by Sen. Minnis, stated it is Oregon Department Of Transportation's (ODOT's) intention to involve legislators individually and as a group in the decision-making process for selecting projects to be funded. Even though it is not specified in the bill, reiterated that legislators will be consulted in the decision-making process for selecting projects.

- 048 Chair Ferrioli For the record, asked Mr. Warner to clarify between priorities that have been set in State Transportation Improvement Project (STIP) and projects to be named later under this bill. This issue causes committee members some concern because it appears to be providing a \$400 million blank check. Asked for assurance that the new projects to be funded are not those already on the STIP list.
- 063 Warner Explained that the STIP is a fiscally constrained document, meaning the Department programs for completion only those projects ODOT actually has revenues for. Each region knows their specific needs, i.e. bridge repair, pavement preservation, etc.
- Extensive questions and answers interspersed.
- 096 Chair Ferrioli Agreed that working with local governments is good, but the experience legislators have had with locally elected officials in the STIP project has not been satisfactory. Stated there has been dialogue and priorities provided by the local governments, but very often the STIP project does not reflect that priority. Asked if that same type of process is used, what assurance would local governments to see their priorities addressed?
- 106 Warner Responded that the Department attempts to work with local governments in a partnership manner. But because there is not enough money to address all of the needs of the various local jurisdictions and of the state system, obviously a "cut line" must be made, which means some projects will not be done.
- 111 Chair Ferrioli Pointed out that people understand that aspect. The remaining concern is that when the "cut line" is made, the list may only dimly reflects local priorities.

- 115 Warner Asked the Chair for more information on that example because his involvement with local governments and regional bodies has been just the opposite of the Chair's example. Recently went on a tour of Central Oregon, and the feedback he received is that ODOT is doing an excellent job of working with local governments and regional advisory groups in identifying essential project needs.
- 133 Chair Ferrioli Discussed the Bend Bypass situation and how it used all available dollars for a three-year period, thus leaving many road and bridge improvement projects unfunded even though they were essential. Discussed upcoming Redmond Bypass project.
- 151 Warner Discussed upcoming Redmond Bypass project and other types of projects to be included under terms of HB 2142-A. Gave a breakdown of expenditure distribution for STIP improvement projects. 1997 through 2000 breaks down as follows:
- Region 1: Portland Metro area received 22% of funds.
- Region 2: Western Central/North Coast received 25% of funds.
- Region 3: Southern (west of Cascades) received 23% of funds.
- Region 4: Central (north to south) received 15% of funds.
- Region 5: Remaining (eastern portion of state) received 15%.
- Extensive discussion with many questions and answers interspersed.
- 300 Mike Marsh Testified in support of HB 2142-A. Provided clarifying information about separation regarding the bond limit. Legislative Counsel

wanted to be sure that HB 2142-A could be moved. The similar bill currently before the Ways & Means Committee could be amended as necessary. Further comments regarding the two bills.

Extensive questions and answers interspersed.

- 340 Marsh Clarified that the amount specified in this bill is a one-time bonding authority level of \$400 million. Funds will not be issued until actually needed for specific projects. Further explained regarding timing, will work with the Treasury Department when the revenues are required and will work with them to identify the pace of bonding that will return the money when it is needed. Explained that the way the bond limit process works there is a limitation, which is either accomplished in a bond limit bill that goes through Ways & Means Committee or a separate piece of legislation like HB 2142-A, which gives authority to OTC to request this \$400 million.
- 440 Richard Yates Added that the typical way of control this type of funding is to limit the amount of bonds outstanding. In that way as bonds are paid off new bonds can be issued with a limit on the total amount allowed to be outstanding.
- 451 Sen. Minnis Asked if any thought was given to a rolling \$400 million authority.
- 459 Chair Ferrioli Agreed that the rolling authority question speaks to the issue of where the legislature fits in and how to get feedback from the group compiling the list of projects to fund. Asked if the state really expects to process enough title transfers to retire \$400 million in bonded debt over an undetermined period of time?
- 471 Marsh Responded that the forecast confirms enough money could be generated by the increased title

transfer fees. An ODOT economist will provide an end-of-session forecast shortly. On the basis of information currently on hand, the estimate of revenues to be received is correct.

Questions and answers interspersed.

**TAPE 158, SIDE B**

- 027 Marsh Continued comments regarding HB 2142-A. Explained that the projected \$71.2 million of revenues available per biennium includes revenues not associated with vehicle title transfer fees. Other DMV fees will be adjusted under HB 2139. Utility permit and inspection fees go into the revenues to be applied toward the \$400 million bond debt.
- Further discussion, with questions and answers interspersed.
- 092 Sen. Minnis Asked if charts and graphs were available to show the anticipated cash flow. Feels it is important to show committee members how ODOT arrived at its assumptions. Asked witness what the assumed interest rate is and an anticipated amortization schedule.
- 097 Marsh Stated he would be happy to provide that information to committee members at a later date. Charts and graphs were not prepared for this presentation.
- 098 Sen. Minnis Asked witness why charts and graphs are not available for this presentation. Was ODOT not prepared for this meeting?
- 100 Marsh Advised that initial work had been done on the subject but ODOT has not gone to bond-rating agencies to perform calculations with them to get exact figures. ODOT expects the rate to be 5% or slightly less based on the current market condition.



- 105 Sen. Minnis Asked witness if the committee was expected to say "Yes" to the bill based simply on oral testimony alone.
- 106 Marsh Responded that analysis has been performed, and ODOT is confident it can bond for \$400 million. Further comments including federal statutes regarding arbitrage and non-usage of bonded revenues. That practice was allowed in 1985 but not now.
- 127 Chair Ferrioli Stated it sounds like Mr. Warner and Mr. Marsh are putting their professional reputations on the line, indicating a high degree of comfort with the ability of ODOT to repay its bonded indebtedness and cover its other expenses on the cash flow projections made using the increases in title transfers and DMV service fees.
- 144 Yates Extensive discussion of HB 2142-A's revenue impact (Exhibit 3).
- 216 Chair Ferrioli Stated that the question remaining is "Where is the legislative oversight in this process and where does legislative interface occur?" It does not appear to be within the parameters of the bill. If because of an economic downturn large quantities of population leave Oregon and transfer fees are reduced significantly from projections, what happens then?
- 229 Marsh Replied that there will be legislative involvement on the expenditure side of the process. Within the law a change (called the Transportation Accountability Act) was made in the 1999 legislative session, which separates the project selection process from the legislative process to ensure direct citizen involvement through the public awareness process for the STIP. By statute, project selection is done on a separate track.

- 238 Marsh Regarding expenditure accountability tracking, there are two elements involved: the legislative emergency board and the State Treasury. Periodic reporting is required by statute. In order to implement the bill, OTC must obtain necessary expenditure authority from the Emergency Board.
- Several questions and answers interspersed.
- 284 Chair Ferrioli Summarized by stating if normal processes are followed, OTC would supply quarterly reporting, and expenditure limitation would be acted on by the emergency board. Every other month substantive sub-committee hearings would be held to present facts of requests and approve requests to be sent to the legislative Emergency Board, thus providing several opportunities for legislators to interface with OTC regarding projects.
- 294 Marsh Continued comments regarding HB 2142-A.
- Further questions and answers interspersed.
- 301 Sen. Minnis Several questions regarding legislative authority, budget authority, and other aspects of implementing the actions described in HB 2142-A, which were answered by Mr. Marsh.
- 367 Chair Ferrioli Stated that the distribution of STIP improvement projects by state region was very informative. Asked Mr. Warner if those same percentages of distribution might hold true under the \$400 million described in HB 2142-A.
- 378 Warner Responded that those percentages have been true over the past four or five years. It is anticipated that the \$400 million will be distributed somewhere in the same range.

383 Chair Ferrioli Asked Mr. Warner how much of this bonding would be used for capacity projects. Other committee members expressed concern that capacity be a primary focus along with preservation. Wanted confirmation of that for the record.

395 Warner Stated that the bill is written to deal with preservation and modernization. Although percentages are not specifically stated in the bill, that is the intent.

Further questions and answers.

403 Chair Ferrioli Stated that it is inappropriate at this point for the Chair to demand specificity regarding the list of projects to be completed. The Chair will be looking for local participation to be a primary indicator of direction in this project. As discussed earlier today, a single focus within a region on a large project obviating the completion of many small projects would be far less serviceable to local communities than many smaller projects that solve problems, eliminate bottlenecks, repair obsolete or dangerous stretches of highway, etc.

424 Sen. Minnis As printed on page 2 line 7 of the bill, asked what is the meaning of "a financially constrained list" regarding lane capacity projects.

430 Warner Replied that in most large areas of the state there are plans that outline projects for a fifteen to twenty year period that are based upon fiscal constraint, or the realities of money that is available. In other words, they will work off the list already in place.

468 Sen. Starr MOTION:

MOVES HB 2142-A TO THE SENATE  
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RECOMMENDATION.

- 471 Chair Ferrioli Stated that until today's hearing, HB 2142-A had not been heard in a revenue committee. Pointed out that revenue committees ask different kinds of questions than other committees do. It would not be expected for revenue measures to come to the Senate Floor without having been heard substantively in a revenue committee, either on the Senate or House side.
- 483 Sen. Minnis Agreed with the Chair on his comment. Is discouraged that the committee does not have more time to spend with this bill.
- 492 Chair Ferrioli Stated that the committee learned information this morning that was not previously known. For example, the requirement that OTC appear before the legislative emergency board for limitation authority was not known to the Chair.

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**TAPE 159, SIDE B**

- 036 Chair Ferrioli ORDER:
- ROLL CALL VOTE; MOTION PASSES: 4 —  
1 — 2
- SENATORS VOTING AYE: CASTILLO,  
CORCORAN, STARR, FERRIOLI
- SENATOR VOTING NO: MINNIS
- SENATORS EXCUSED: L. BEYER,  
GEORGE
- Sen. Starr will carry the bill on the Senate Floor.

042 Chair Ferrioli Adjourned the meeting at 10:08 a.m.

Submitted by, Reviewed by,

Carol Phillips Kim Taylor James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2142-A, Yates, Staff Measure Summary, 1 pp.
2. HB 2142-A, Yates, Fiscal Impact Statement, 2 pp.
3. HB 2142-A, Yates, Revenue Impact Statement, 1 pp.
4. HB 2142-A, Warner, Written testimony dated June 11, 2001, 1 pp.
5. HB 2142-A, Sen. George, Written testimony dated June 11, 2001, 1 pp.