

IMPACT STATEMENT

Legislation title: Extend a Heavy Vehicle Use Tax to fund Portland's Street Repair and Traffic Safety Program (Ordinance; amend Code 7.02.500)

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Purpose of proposed legislation and background information:

Portland streets are one of our most valuable public assets. Due to lack of funding, the City is behind in addressing the maintenance needs of many of our streets and the condition of our streets continues to decline, leading to more costly future maintenance costs. Additionally, we lack funding to complete many critical traffic safety improvements to help take care of Portlanders, providing safe routes to students to walk to school and seniors to access transit.

Traditional sources of transportation funding are not able to provide the level of revenue needed to adequately address street repair and traffic safety needs and there is widespread recognition that local governments must develop new or additional mechanisms to supplement existing transportation funds.

This legislation will ask City Council to consider amending the City of Portland Code, Title 7 by ordinance, by amending Chapter 7.02, included as Exhibit A to provide for the renewal of a program dedicated to street repair and traffic safety through a temporary, 3.0% heavy vehicle use tax on state weight-mile tax paid by businesses who are also subject to the Portland business license tax.

Financial and budgetary impacts:

Change in current and future revenues - If passed in the February 6, 2020 City Council vote, this Legislation will begin generating revenue no earlier than January 1, 2021 and will generate approximately \$11 million net revenue over the four-year period. The revenue will be raised by a temporary, 3.0% tax on Oregon weight-mile tax paid by businesses that are subject to the Portland Business License Tax. The measure also creates a program dedicated to street repair and traffic safety that will be funded by the temporary tax. This program will also be temporary and will sunset 4 years after the tax implementation date established by the tax administrator.

FY 20-21 Budget Impacts - This legislation will generate revenue in FY 20-21 based off \$2.75 million of average net revenues annually, prorated based on implementation date. Administering the tax collections is estimated to cost approximately 5% of net revenues annually, starting in FY 20-21, prorated based on program implementation date. These estimates are medium confidence.

Change in expenses - This legislation will authorize additional spending on both new and existing projects. New safety and capital maintenance projects will be funded and will provide new capacity for ongoing maintenance work.

Current and future staffing levels - This legislation is not expected to increase current staffing levels. Projects that are funded by this revenue are expected to be contracted out.

Long-term financial impacts for the City – There will be positive financial impacts for the City by performing earlier preventive maintenance, thereby avoiding more costly future repair costs. There will be an increase in the City's ability to address long-standing safety needs that will reduce fatalities and injuries.

Financial Agreements – This legislation will result in new contracts. The majority of work will be contracted out. This will give the Portland Bureau of Transportation (PBOT) the opportunity to meet equity contracting goals. PBOT will be partnering with a local agency to administer the collections of the program.

Community impacts and community involvement:

This proposal emerged as part of transportation revenue generating discussions that began in 2014. In the initial phase of these discussions, the City did extensive public outreach on potential funding options and projects that would be funded with additional revenue. Eleven public Town Hall meetings were conducted across the City, including one geared towards small businesses. Two Citywide scientific telephone surveys were conducted in English. Those surveys were translated into five languages and put online: Chinese, Somali, Vietnamese, Spanish, and Russian.

To ensure that we were increasing our understanding of specific transportation needs of Portland communities that are often missed in traditional outreach, PBOT contracted with the Office of Equity and Human Rights to work with the Community Engagement Liaisons (CEL).

In addition to public meetings, survey work, and targeted outreach, the City formed a 26-person Transportation Needs and Funding Advisory Committee to develop potential revenues and expenditures. This group was useful in identifying funding priorities and other critical elements of a successful program.

After reaching an impasse on moving forward with the Street Fee proposal. The City received additional feedback from Portland's City Club recommending that City move forward with a City Gas Tax. In developing the original proposal, City staff reviewed this temporary gas tax proposal with NWNW, NECN, SE Uplift, EPNO, SWNI, CNN, Portland's Bureau Advisory Committee, Freight, Bike, Pedestrian modal committees, Venture Portland, and Portland Business Alliance.

City Council then approved a temporary, 10-cent motor fuels tax to move to the May 2016 ballot. However, this tax exempted heavy trucks that were subject to the State weight-mile tax. The decision not to apply the diesel tax to heavy trucks was based on a concern that heavy trucks, with fuel tanks averaging between 120-300 gallons would bypass Portland's only truck stop.

To ensure that heavy trucks contribute their corresponding fair share of a potential 10-cent temporary fuels tax, Council directed PBOT staff to convene a freight subcommittee and provide options to generate revenue. Applying the State's Highway Cost Allocation Study to cities, it was determined that heavy trucks had a cost responsibility of 13% or \$11 million over four years.

Several revenue generating mechanisms were considered by the freight subcommittee. They first reviewed the concept of a diesel load fee which is a fee on each diesel load from Portland terminals. The subcommittee had concerns that a portion of the revenue from a load fee would be generated outside of Portland. The subcommittee then reviewed a surcharge on the City's Business License Tax based on net income or number of trucks. There was concern that these options did not accurately reflect trucking activity.

Finally, a Heavy Vehicle Use Tax was considered. Businesses that have a Portland Business License and pay the Oregon weight-mile tax will be assessed a heavy vehicle use tax. Since businesses that deliver a product by truck to a Portland address are required to have a Portland business license, the heavy vehicle use tax will be applied to businesses based in Portland and to businesses that ship to Portland addresses.

In comparison to the other mechanisms under consideration the Heavy Vehicle Use Tax seems to be the most fair and efficient because it is tied to business activity in Portland, weight-mile taxes, and it is relatively simple to administer. The Heavy Vehicle Use Tax on Oregon weight-mile tax paid has emerged as the preferred option.

This proposal benefits all of Portland by repairing streets and making safety improvements that will reduce fatalities and serious injuries. PBOT has long-standing transportation maintenance and safety needs that will be undertaken by the Street Repair and Traffic Safety Program.

Budgetary Impact Worksheet

Does this action change appropriations?

- YES: Please complete the information below.
- NO: Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount