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191615

Ordinance

Amend Tax Rate Code to extend a Heavy Vehicle Use Tax to fund Portland Street Repair, Maintenance, and Traffic Safety Program (amend Code Section 7.02.500)

Passed

The City of Portland ordains:

Section 1. The Council finds:

1. One of the primary responsibilities of the City of Portland is to protect public safety, health, and welfare by ensuring safe and well-maintained streets for its community members, businesses, and visitors.
2. The City is behind in addressing the maintenance needs of much of its aging infrastructure. Portland's 4,878 lane miles of paved streets show continuing decline, with 56% percent of the city's busiest streets in poor or very poor condition, the most expensive categories to repair.
3. Deferring these improvements will result in higher costs in the out-years since it is more expensive to rebuild streets after they have failed than it is to perform timely street repair.
4. There is widespread recognition that local governments must develop new or additional mechanisms to supplement existing resources to fund their transportation needs.
5. Thirty-one local jurisdictions (29 cities and two counties) in Oregon have implemented a local tax on fuel to address their respective transportation needs. The rationale of a motor vehicle fuels tax is that those using the transportation system have a responsibility to help pay the costs required to maintain the assets and improve the safety of that system.
6. In July 2014 the Portland Bureau of Transportation (PBOT) began community conversations on a fair and reasonable approach to raising new revenue to fund outstanding street repair and traffic safety needs. PBOT convened a funding advisory committee, a business workgroup, and a nonprofit and low-income workgroup. The workgroups were comprised of representatives of more than 60 different groups and

Changes

[Ordinance 191615](#)

March 1, 2024

[View all changes](#)

Introduced by

[Commissioner Mingus Mapps](#)

Bureau

[Transportation](#)

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Requested Agenda Type

Regular

organizations across Portland.

Date and Time Information

Requested Council Date

January 31, 2024

Changes City Code

7. The three workgroups agreed there is considerable need for new funds to address the street repair needs of existing infrastructure and to address known traffic safety needs. A new revenue-generating mechanism is needed because PBOT's current budget is insufficient to address the problems.
8. In September 2015, the City Club of Portland published a report, "Portland's Streets: End the funding gridlock."The City Club recommended a motor vehicle fuels tax, specifically stating, "The City should immediately pursue a fee for use. At the moment, the most technically feasible is a city motor vehicle fuels tax. A motor vehicle fuels tax would generate revenue from most users – including those transporting goods across Portland streets and those who don't reside in Portland – and would discourage congestion and pollution."
9. The traditional sources the City has relied on for transportation funding – State Highway Trust Funds and parking revenues – continue to fail to keep pace with inflation and produce the level of revenue needed to adequately address street repair, maintenance and traffic safety needs;
10. In 2016 voters approved a temporary 10 cents per gallon tax on motor vehicle fuels in Portland for vehicles not subject to weight-mile tax;
11. In the development of Fixing Our Streets: 2016-20, Council directed PBOT to staff a subcommittee of the Portland Freight Committee to continue to research other potential mechanisms for generating revenue from heavy weight vehicles that currently pay weight-mile taxes. The subcommittee was directed to ensure that heavy weight trucks pay their fair share as it corresponds to the 10 cent fuels tax. The subcommittee met four times and City Council held a work session to review the initial findings.
12. 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 load fee impact would be felt in regions 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.
13. Lastly, 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.

14. This tax was considered 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.
15. Based on a review of numerous options and discussions with the freight subcommittee, City staff recommended the Heavy Vehicle Use Tax as the preferred option.
16. The Heavy Vehicle Use Tax was enacted by City Council in 2016 as a companion to the ten cents local fuels tax.
17. In 2020, both the 10 cents per gallon tax on motor vehicle fuels in Portland for vehicles not subject to weight-mile tax and the Heavy Vehicle Use Tax for businesses that have a Business License Tax in Portland and that pay the Oregon weight-mile tax were renewed.
18. In the first eight years of the Heavy Vehicle Use Tax Program it brought in about twenty million dollars and funded a range of projects on the freight priority network including bridge, paving and operational investments.
19. The Heavy Vehicle Use Tax Funds have also been leveraged to secure additional grant funds for projects including the Burgard Bridge Replacement and the Central Eastside Railroad Crossing Study.
20. Between 2024 and 2028 a temporary ten (10) cents per gallon tax on motor vehicle fuels in Portland for vehicles not subject to weight-mile tax is estimated to raise \$70.5 million over four years.
21. Portland's temporary motor fuels tax, if passed by the voters in May 2024, will not include a 10 cent diesel tax on vehicles over 26,000 pounds.
22. Applying Oregon's cost responsibility methodology to the City of Portland indicates that 87% of revenue should come from light vehicles and 13% from heavy vehicles. Since it is estimated that Portland's temporary fuels tax will generate \$70.5 million from light vehicles, a cost responsible allocation from heavy vehicles would be \$10.5 million – 13% of \$81 million of four-year revenues.
23. The tax will be calculated based on statewide weight-mile taxes paid by businesses. It is estimated that a rate of 2.6% will annually generate \$10.5 million over four years. For example, a business that paid \$10,000 in Oregon weight-mile taxes would be assessed an annual heavy vehicle use tax of \$260 (2.6% of \$10,000).
24. Due to the fact that a relatively small number of businesses account for most of the heavy truck activity and, therefore, most of the costs

associated with heavy trucks, most businesses will pay a relatively small amount. On the flip side, a handful of very large trucking businesses will pay more based on their volume of trucking activity.

25. The Heavy Vehicle Use Tax shall have a four-year revenue target, beginning with tax year 2024, of \$10.5 million plus City costs. If at the end of tax year 2025, the City projects four-year revenues to be above or below the target by an amount that is more than 10 percent of the target, the City will adjust the rate for subsequent tax years to reach the four-year target. The Revenue Division of the Bureau of Revenue and Financial Services is authorized to adopt an administrative rule to implement this change, if needed.
26. The Heavy Vehicle Use Tax will be in effect for a four-year period regardless of the outcome of the May 2024 election on Portland's temporary 10 cent fuels tax.
27. PBOT will allocate the revenue from the temporary Portland Heavy Vehicle Use Tax to the Street Repair, Maintenance and Traffic Safety Program.
28. As detailed in Exhibit B, an Oversight Committee will be appointed to ensure program accountability by reviewing revenues, expenditures, and program/project implementation. The Citizen Oversight Committee will provide an annual report to City Council and the public.
29. In advance of the annual review of projects by the Oversight Committee, City staff will review the draft list with Portland's Freight Advisory Committee and report their recommendations to the Citizen Oversight Committee.
30. The Heavy Vehicle Use Tax revenues will be used to address needs along the Priority Freight Network with revenue split between 1) bridgework 2) road maintenance 3) and operations and safety.
31. The City will annually audit the Street Repair, Maintenance and Traffic Safety Program.


NOW, THEREFORE, the Council directs:

- A. City Code Chapter 7.02 is amended as set forth in the attached Exhibit A.
- B. The Director of the Revenue Division shall revise or develop and adopt administrative rules as are necessary for the implementation, collection, and administration of the Heavy Vehicle Use Tax.
- C. That an Oversight Committee (Exhibit B) will review revenues, expenditures, and the implementation of the Street Repair,

Maintenance and Traffic Safety Program and ensure the program's accountability.

- D. The funds collected from the Portland Heavy Vehicle Use Tax, which are estimated to be \$10.5 million over four years, shall be used for the purposes of street repair, maintenance and traffic safety. Projects will be reviewed by Portland Freight Committee and will be reviewed and approved by the Oversight Committee.
- E. Funds should be used to address needs along the Priority Freight Network with revenue split between 1) bridgework, 2) road maintenance, and 3) operations and safety.
- F. The Street Repair, Maintenance and Traffic Safety Program will receive an annual independent financial audit.

Documents and Exhibits

 [Exhibit A \(https://www.portland.gov/sites/default/files/council-documents/2024/hvut-exhibit-a-code-final-2024-002-dbedits.docx\)](https://www.portland.gov/sites/default/files/council-documents/2024/hvut-exhibit-a-code-final-2024-002-dbedits.docx) 27.62 KB

 [Exhibit B \(https://www.portland.gov/sites/default/files/council-documents/2024/hvut-exhibit-b-oversight-committee-2024-002.docx\)](https://www.portland.gov/sites/default/files/council-documents/2024/hvut-exhibit-b-oversight-committee-2024-002.docx) 21.72 KB

An ordinance when passed by the Council shall be signed by the Auditor. It shall be carefully filed and preserved in the custody of the Auditor (City Charter Chapter 2 Article 1 Section 2-122)

Passed by Council
January 31, 2024

Auditor of the City of Portland
Simone Rede

Impact Statement

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, maintenance 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, 2.6% 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 January 31, 2024 City Council vote, this Legislation will begin generating revenue no earlier than January 1, 2025 and will generate approximately \$10.5 million net revenue over the four-year period. The revenue will be raised by a temporary, 2.6% 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 24-25 Budget Impacts - This legislation will generate revenue in FY 24-25 based off \$2.6 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 24-25, 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 or performed by existing staff

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.

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. 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.

The City received additional feedback from Portland's City Club recommending that City move forward with a City Gas Tax. However, because a gas tax exempts heavy trucks that are subject to the State Weight-Mile tax, PBOT also developed a proposal for a Heavy-Vehicle Use Tax.

In developing the original proposal for a local gas tax and Heavy Vehicle Use Tax, city staff reviewed the temporary 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.

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 sub-committee 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%.

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.

In 2016, City Council passed the original temporary HVUT program as a complement to the voter approved fuels tax. For the tax years, 2017 to 2020 the rate was 2.8% of the statewide weight mile tax. For tax years 2021 to 2022 the rate was 3% of the statewide weight mile tax. For tax years 2023 and 2024 the rate was reduced to 1.25% of the statewide weigh mile tax as a result of an automatic reduction in rates caused by revenue above the forecast.

For tax years 2025 through 2028 the rate is 2.6%. The HVUT proposal for tax years 2025 through 2028 continues the resource allocation structure used in the previous program. Revenues are allocated to the priority freight network for bridge, roadway maintenance and operations and safety improvements.

100% Renewable Goal

N/A

Agenda Items

67 Time Certain in [January 24, 2024 Council Agenda](https://www.portland.gov/council/agenda/2024/1/24)
(<https://www.portland.gov/council/agenda/2024/1/24>)

Passed to second reading

Passed to second reading January 31, 2024 at 9:30 a.m.

106 Regular Agenda in [January 31, 2024 Council Agenda](https://www.portland.gov/council/agenda/2024/1/31)
(<https://www.portland.gov/council/agenda/2024/1/31>)

Passed

Commissioner Carmen Rubio Yea

Commissioner Dan Ryan Yea

Commissioner Rene Gonzalez Yea

Commissioner Mingus Mapps Yea

Mayor Ted Wheeler Yea