

**FINANCIAL ASSUMPTIONS FOR THE  
DEVELOPMENT OF METROPOLITAN  
TRANSPORTATION PLANS  
SFY 2012 - 2040**

**Oregon Department of Transportation  
Planning Section  
Long-Range Planning Unit  
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## **INTRODUCTION**

The 2005 Federal Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) requires metropolitan planning organizations (MPOs), public transit operators (PTOs), and state transportation departments to cooperatively develop estimates of funds available to support long-range transportation plans. Plans financially constrained in this way force early choices to be made about projects affecting mobility, land use and air quality. This requirement is one part of a federal effort to encourage more effective long-range planning and decision-making.

Long-range plan development is a separate process from development of Statewide Transportation Improvement Programs (STIPs). However, the process utilizes some STIP regional distribution methodologies, and STIP projects must be selected from MPO long-range plan project lists.

This document describes the methodology the Oregon Department of Transportation (ODOT), Oregon's MPOs, and directly affected PTOs adopted to meet the SAFETEA-LU requirement as it concerns state and federal funding sources and the distribution and use of revenue expected from these sources. The methodology was developed by an ad hoc committee. The committee consisted of ODOT staff, staff of each of Oregon's six MPOs, and representatives of the seven PTOs in the MPOs' planning areas.

The process of developing this methodology requires (1) projections of state and federal revenue, (2) consideration of other factors affecting revenue availability (e.g., inflation, sharing with local governments, etc.), (3) an estimate of how much of this revenue will be required for state highway maintenance, preservation, and other uses (e.g., debt service, Federal Transit Administration programs), (4) calculation of resources remaining for highway modernization and their geographic distribution, and (5) the geographic distribution of transit funds for transit programs. Long-range projections of revenue from highway user fees depend not only upon the political climate, but also economic structure and conditions, population and demographics, and patterns of land use.

Once long-range revenue projections are developed, current law revenues, new revenues, the effects of inflation, and the amounts needed to maintain present infrastructure must be jointly considered to determine amounts that can be expended on highway and transit capacity improvements. These amounts can then be distributed among regions.

It is quite difficult to forecast transportation revenues over a long period of time. Fortunately, long-range plans are revised and updated on a frequent basis. The revenue assumptions contained in this document will be reconsidered as part of that on-going process. The first long-range revenue estimates under this requirement were published in 1995. As under previous efforts, current conditions and historical trends indicate that it is reasonable to assume some increased revenue.

This paper is organized in three sections. This first examines individual revenue sources, the second considers remaining factors, and the third discusses methodological implications and presents findings.

## **REVENUE SOURCES**

Revenue sources relevant to this exercise are those received from the federal government and those generated by the State of Oregon. Assumptions and the process of developing assumptions about these sources of funding are discussed below.

Assumptions concerning locally-generated revenue will be developed by individual MPOs.

### **State Highway Fund Revenue**

The previous long-range forecasting effort divided consideration of state Highway Fund revenue into two parts. One part addressed operations, maintenance and preservation (“OM&P”) needs. The other part addressed modernization needs. For this effort, the committee decided to initially consider the Highway Fund as a whole, with subsequent division between OM&P and modernization as required by statute, or as OM&P needs allow.

The committee considered several scenarios of growth in Highway Fund revenue. Scenarios ranged from decline to growth in excess of inflation:

1. Current law
2. Current tax law with declining fuel consumption due to greenhouse gas reduction initiatives
3. Total revenue increase with inflation (3.1 percent annual average rate of growth) after SFY 2013
4. Total revenue increase greater than inflation (4.1 percent annual average rate of growth)

Through state fiscal year (SFY) 2015, revenue projections under these scenarios are based upon a set of econometric equations that include factors such as fuel price, fuel efficiency, population, per capita personal income, trade sector employment, new vehicle titles and historical data. After SFY 2015, the revenue projections are based on the recent trend with business cycle peak and trough effects removed.

An assumption of no change in highway user tax rates (i.e., a current law assumption) would result in only modest revenue increases over the course of the next 29 years. Such increases would be well below the level needed to maintain the purchasing power of the State Highway Fund. This situation would result in a sharp decline of state pavement and

bridge conditions. An even sharper decline in purchasing power would occur if consumption of fuel was reduced as a result of greenhouse gas reduction policies, and no replacement revenue was assumed. The historical record of Highway Fund revenue indicates rejection of these scenarios is warranted (see page 1 of the Appendix).

At the other end of the spectrum, Highway Fund revenue increases at a rate slightly greater than that of inflation would result in much higher levels of Highway Fund revenue growth. However, the current social environment indicates such scenarios are overly optimistic. Hence, scenarios along these lines were also rejected.

While an assumption of Highway Fund revenue growth equal to the rate of inflation would produce significantly more revenue than a current law assumption, by itself, it would still be insufficient to meet near-term OM&P needs; particularly if proportionately more revenue is distributed to cities and counties. Over a longer period of time however, 2012-2040 OM&P needs are mostly met by increases in Federal funds (see below). Therefore, this scenario was adopted.

Some highway user fee increases are necessary for this scenario to be realized. The committee did not assume the needed tax or fee increases would take any particular form. The annual amounts of current law revenues with the average state, county and city shares noted, as well as the new revenues assumed for the state, counties, and cities, are listed on pages 2 and 3 in the Appendix.

Highway Fund revenue distribution is legislatively established. A base-level of Highway Fund revenue is distributed as follows: 60.05 percent is dedicated to state highway programs; 24.38 percent is dedicated to county road programs, and; 15.57 percent is dedicated to city street programs. The county share is proportionately distributed according to vehicle registrations, except that \$500,000 per year is reserved to improve the equity of county road programs. The state contributes another \$250,000 per year for this purpose. The city share is proportionately distributed according to population. However, \$500,000 per year is reserved from this share to fund the Special City Allotment (SCA) program. The state contributes another \$500,000 per year to the SCA program. Slightly greater proportions of Oregon Transportation Investment Act (OTIA) revenues are distributed to counties and cities. Jobs and Transportation Act (JTA) revenues have a distribution of 50 percent for state highway programs; 30 percent for county road programs, and; 20 percent to city street programs.

Through administrative agreements, the state contributes several million dollars each year from its share of Highway Fund revenues to the support of local road projects and programs. These include the Immediate Opportunity Fund (IOF), state match of certain federal funds, and other programs (see the Other Assumptions section).

New revenue resulting from future increased tax rates is expected to be shared among the state, counties and cities on a “50-30-20 percent” basis rather than the previous “60.05-

24.38-15.57 percent” basis. This represents a substantial shift of resources away from the state highway system and towards local road systems.

Oregon Revised Statutes (ORS) 366.507 requires ODOT to spend a certain amount of revenue on highway modernization. Certain program expenditures (e.g., debt service) qualify as modernization expenditures under this statute. These are subtracted from the required amounts to calculate the actual amounts that will be available for highway modernization. None of these amounts can be transferred to Federal Transit Administration (FTA) programs. Estimated amounts required under this statute are shown on page 8 in the Appendix. Further discussion of how these estimates were developed is provided in the Other Assumptions section.

In 2009, the Legislature authorized ODOT to fund a list of projects totaling \$960.3 million. This is in addition to modernization amounts required under ORS 366.507. Of the \$960.3 million, \$840 million is authorized to be financed through the sale of bonds, and the remaining \$120.3 million is to be financed through cash flow. Revenue needed to pay for the projects and their debt service is provided by the increased tax and fee rates contained in House Bill (HB) 2001 (2009). Estimated cash outlay for debt service and cash flow financing of these projects is shown in the Appendix (page 8) and is fully considered in the calculations of resources available for other purposes and projects.

The MPOs already know the location and funded amounts of these projects. These projects will be included in their next financially constrained metropolitan transportation plan updates.

Finally, it is important to note that, other than during recessions, Oregon is a high population growth state. Previous long-range revenue forecasting efforts have noted that population growth means increasing demand for highway capacity and more congestion. As a result, in a long-term context, it is reasonable to expect the Legislature will enable some increase in highway modernization funding to occur.

### **Federal-Aid Highway Revenue**

Congress has not yet developed a multi-year replacement for SAFETEA-LU. Formal Federal guidance had been issued for this situation under TEA-21, but not specifically for SAFETEA-LU. After considerable discussion, the committee decided to follow the TEA-21 guidance. Under that guidance, funds distributed according to congressionally established formulas may be assumed to increase after the expiration of the authorizing act at the same rate as they increased over the course of the authorizing act. In Oregon, the annual average growth rate of SAFETEA-LU between 2005 and 2009 was 5.59 percent. That rate was then applied to FFY 2010 actual funds and each year thereafter to produce the formula funds forecast.

Federal formula funds include a myriad of small programs listed under “Other Local Allocations.” As these programs are small and exist for special situations, the geographic distribution of their funds will be handled by the MPOs. This is consistent with past practice, which has worked well.

While High Priority Project Program (HPPP) funds are interpreted to be discretionary (i.e., non-formula) funds, they come out of the national total formula amounts. As a result, they also are assumed to increase at the 5.59 percent annual rate. HPPP funds are assumed to be entirely modernization funds. Oregon has a historical record of attracting other federal discretionary modernization funds in the amount of about \$10 million per year. As they are functionally similar to HPPP funds, these funds are grouped together. The allocation of this set of funds is assumed to be 41 percent to ODOT, and 59 percent to local governments.

Sub-state distribution of HPPP funds is an important issue. Previously, the committee developed three different approaches to distribution of HPPP funds. In an effort to simplify the process and develop firm estimates, the committee is now basing HPPP fund distribution on proportion of urban major collector and higher road miles (20 percent weight), and population (80 percent weight).

Congress has been authorizing discretionary bridge and pavement preservation programs (e.g., Projects of National and Regional Significance, Transportation Improvement Program, Discretionary Bridge, Freight Intermodal Distribution Pilot Grant Program, etc.) in which ODOT has been a major recipient. These amounts are currently about \$41.5 million per year. The committee assumed this amount would remain frozen for the next six years, and would increase with inflation after FFY 2017.

Finally, it should be noted for certain large projects (1) that are a high priority for the region, (2) that can only be built with large federal earmarks, and (3) the likelihood of obtaining such earmarks is questionable, an available alternative is to place the projects on an “illustrative projects list.” These lists describe projects “*that would be included in the adopted transportation plan if reasonable additional resources beyond those identified in the financial plan were available.*” When funding becomes available for these projects, they could be quickly moved into the official long-range transportation plan.

### **FTA Urban Formula Funds**

Most FTA urbanized area formula funds (Section 5307) are used to finance capital equipment purchases and to finance preventive maintenance on existing capital equipment. In areas having a population of less than 200,000 or in areas that are now over 200,000 but were under 200,000 before the 2000 Census, some of these funds may also be used to finance transit operations.

The committee assumed the growth of FTA Section 5307 funds would be the same as the growth of FHWA formula funds. Supporting this assumption is the linkage between federal highway program growth and Section 5307 program growth. They are largely funded from the same revenue source—the Federal Highway Trust Fund. As federal fuel tax rates have increased, the increased revenue has supported both highway and transit programs in a roughly fixed proportion. Therefore, these programs are likely to grow in a similar manner.

### **FTA Sections 5310 and 5311**

FTA Sections 5310 and 5311 are not usually considered as funding sources for development of long-range plans in metropolitan areas. Section 5310 revenue finances specialized equipment purchases by non-profit organizations that provide transportation services to the elderly and people with disabilities. Section 5311 revenue finances public transportation projects outside urbanized areas and/or beyond MPO jurisdiction. Neither program has a significant impact on air quality in areas under MPO jurisdiction. If programs supported by these revenue sources are incorporated into long-range plans, their rate of growth should be the same as that of Section 5307 growth.

### **FTA Section 5309 Funds**

Most FTA Section 5309 funding is provided on a discretionary basis, and is only provided after application by an eligible transit provider. The committee considered Section 5309 funding in three categories; light rail transit (LRT) discretionary, LRT rehabilitation (or “Rail Modernization”) funding, and non-LRT discretionary (primarily for bus programs). The amounts the committee assumed for each category and year are shown on pages 19 and 20 in the Appendix.

The committee only considered one long-term FTA Section 5309 scenario. That is extension of near-term capital improvement plans by public transit operators through 2040. Section 5309 requests for non-LRT items (primarily bus replacement) have a proven success record; in part because FTA considers regional distribution of these funds. Most future non-LRT Section 5309 requests are expected to be modest. When requests are larger than usual, there is a reason and a strategy for obtaining the funds. For instance, Lane Transit has a plan and strategy in place to obtain BRT funding. It is reasonable to assume requests like this will be met. Requests by providers in MPO areas are expected to range between \$2 and \$37 million per year in nominal dollars; less in constant dollars.

The Portland area has had remarkable success in obtaining Section 5309 funding to finance LRT construction. This region is in the process of planning several “new start” projects. Given the region’s desire for the projects and the region’s historical success, the committee proposes to assume the Section 5309 component of the region’s funding

strategy will be successful. This component assumes a total of \$1.9 billion in 2011 dollars of Section 5309 support for rail transit expansion from 2012 through 2040.

Lastly, a limited amount of LRT rehabilitation funding (i.e., Section 5309 formula “Rail Modernization” funds) is expected to be available in the Portland area as LRT facilities age. Such amounts will range between \$10 and \$19 million per year through from 2012 through 2040 in 2011 dollars.

### **State Funds for Rail Programs**

Beyond debt service for lines existing or under construction, no state funds are expected to be used to fund construction of new LRT lines, or to match federal LRT rehabilitation funds. The ConnectOregon program has a history of funding high priority freight rail projects in MPO planning areas. Unfortunately, it is not clear that this program will be continued in the future.

### **State Match of FTA Capital Funds and Other State Funding**

In the distant past, the state tried to provide one-half of the local match for non-LRT transit capital expenditures financed by federal-aid. In recent years this has not occurred. The state is focusing the resources it has available for transit programs on programs serving the elderly and people with disabilities (see below).

Through a variety of mechanisms, the state is also funding a number of ad hoc public transit capital projects with lottery funds. Many of these include Federal participation, but the expenditures are not part of a matching funds program. The amounts available for ad hoc public transit capital projects are expected to gradually increase with personal income through 2030. Once debt service for already funded projects is mostly paid off in 2030, the committee believes it is likely the state will significantly increase public transit capital funding beginning around 2031. Distribution is assumed to be made on the basis of MPO share of statewide population. The assumed dollar amounts are shown on page 15 in the Appendix.

The state provides transit and transportation districts with payments “in-lieu-of” local taxes on state government. The committee assumed this revenue source will increase or decrease at the same rate as Oregon personal income.

The state also provides mechanisms through which cities that operate public transit services can sell state Business Energy Tax Credits (BETC). These mechanisms are not available to transit and transportation districts. Since their use depends upon highly specific local circumstances and local decisions, the committee chose to treat BETC revenue as a local source. The cities of Bend, Corvallis and Wilsonville are expected to explicitly address BETC as a revenue source in their financial plans.

Other than the increases outlined above, no new state source of funding is assumed for public transit purposes. There is no historical record of this occurring, there is no specific strategy in place, and there is no high level political support for a specific proposal to provide a new state funding source for public transit.

### **Special Transportation Fund**

There appears to be a consensus that the state should take primary responsibility for funding programs serving the elderly and people with disabilities. This is reflected in the recent growth of the Special Transportation Fund (STF). The STF provides financial support for operations, as well as funding for specialized equipment purchases by non-profit organizations that provide transportation service to the elderly and people with disabilities. Indirectly, STF funded programs can result in enhanced service to the general public by funding required Americans with Disabilities Act compliance activities when additional service for the general public is implemented. In addition, this program can directly provide additional transit capacity to the general public on a space-available basis.

About a quarter of STF revenue is derived from a 2¢ per pack cigarette tax. About three-quarters is derived from miscellaneous unrestricted revenues available to the state. From biennium to biennium, these revenue sources are not very consistent. However, the Legislature has a history of finding ways to increase STF revenue in real terms. As the near-term financial climate will make this difficult, STF revenues are only assumed to increase with inflation after 2011. A STF revenue forecast is provided on pages 12 and 13 in the Appendix.

### **Private Participation**

Private sector participation in Oregon highway and transit projects is generally on a relatively small scale, and is not predictable. Also, it is project-specific. Legislation in 2003 created new opportunities for private sector participation in transportation projects. A state program designed to take advantage of this legislation has begun operation, but has not yet resulted in any construction projects. At this point, private sector participation cannot be forecasted on a long-term, statewide basis.

In 1997, the Oregon Legislature created the Oregon Transportation Infrastructure Fund (OTIF). It may be used for either public or public-private projects. This fund is designed to provide loans to projects that can generate enough cash flow to pay off the loans. As such, the OTIF is not a new source of revenue, but is a financing tool that can facilitate project implementation.

Possible funding from private sources is project-specific and is more easily dealt with on a local level than in this forum. Therefore, the committee chose to leave estimates of private sector participation with the individual MPOs.

## **OTHER ASSUMPTIONS**

Additional factors, beyond direct funding amounts, affect the availability of resources for highway and transit system continuity and improvements. Such factors include the expected rate of inflation, funding amounts needed to maintain and preserve the existing transportation system, legislative mandates, and factors affecting geographic distribution of funds. These are discussed below.

### **Inflation**

The rate of inflation has a direct impact on the purchasing power of transportation funds. It is the purchasing power of available funds that determines the expansiveness of long-range transportation plans.

Initially, the committee considered inflation scenarios of two percent annually (from a high-profile economic forecast) and four percent annually (from informal Federal Highway Administration (FHWA) guidance). The current monetary stimulus, fiscal stimulus, international holdings of U.S. dollars, assumed economic recovery, dramatic growth in emerging markets, and changing demographic profile of the U.S. indicate the two percent scenario is too low. On the other hand, continual cost increases at the rate of four percent per year, considering their compounding effects, seemed too high to a majority of committee members. The previous assumed rate was 3.1 percent; which has also been adopted by the statewide plan. As a result, the committee decided to continue the assumption of a long-term inflation rate of 3.1 percent annually.

### **State System OM&P**

A high priority of the Oregon Transportation Commission (OTC) has been to maintain and preserve the existing transportation system. Expenditures on OM&P activities preclude expenditures on system expansion (i.e., modernization). Projecting state highway system modernization funding levels is a primary goal of this effort. In order to estimate resources available for modernization activities in MPO areas, transportation providers must know the amount of available resources that will be expended on all other activities.

One of the largest and potentially most controversial of these is pavement preservation. While ODOT has a long-range goal of improving state highway pavement condition to 90 percent fair-or-better, on-going funding to meet this goal does not appear to be likely. In

the past, ODOT OM&P needs estimates were based (with minor adjustments) on Scenario 3 of the 1999 Oregon Highway Plan. This would maintain pavement condition at the 78 percent fair-or-better level. These figures were updated to reflect the non-American Recovery and Reinvestment Act (ARRA), non-bridge<sup>1</sup> budget for the 2009-2011 biennium. These figures are slightly higher than, but close to, the old Scenario 3, and reflect current non-ARRA expenditures.

ARRA expenditures enabled ODOT to improve the condition of state highways, but are no longer available. The assumptions for the first half of the 2012-2040 planning period indicate pavements conditions will decline, with partial recovery in the second half of the period.

An emerging state system priority is improved system operations and management through “intelligent transportation systems” (ITS). About 18 percent of current operations expenditures are ITS expenditures. As there is a growing emphasis on this sort of investment, the committee assumed that in the future ITS expenditures would be about 20 percent of total ODOT operations expenditures. The resulting figures are shown on page 8 in the Appendix.

### **Bonding Program**

Periodically, policy-makers contemplate the use of ODOT’s existing cash-flow to back bonds issued to finance highway modernization projects. In the long-run, this reduces amounts available for modernization due to the need to pay interest at a rate above the rate of inflation. This occurred under OTIA III. The committee has assumed no new bonding of existing revenues.

However, the committee recognizes bonding may be a useful tool. If bonding is used, whether backed by existing revenues or new revenues, its costs should be reflected in the long-run calculation of available resources. As a reminder, individual local governments have authority to issue bonds financed with actual revenues (existing and new).

### **Legislative Requirements**

The Oregon Legislature has placed a number of requirements on ODOT regarding how the state share of Highway Fund revenues is spent. These requirements concern city streets (SCA program), county equalization, bicycle and pedestrian facilities, bond revenue, and modernization expenditures. Most of these programs are figured into the calculation of resources needed for OM&P.

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<sup>1</sup> Prior to SFY 2015, bridge expenditures reflect the large OTIA III bridge program. After SFY 2014, bridge expenditure estimates reflect OTP bridge need estimates.

The exception is the modernization expenditure category. The legislative directive concerning modernization expenditures is contained in ORS 366.507. Under the adopted scenario, from SFY 2012 - 2027 the annual amounts available for modernization as a result of this statute will be greater than the modernization amount that would be available if the state paid for its OM&P needs before spending any funds on modernization. After SFY 2027, amounts available for modernization exceed the amounts required to be spent on modernization by ORS 366.507. The committee assumed most, but not all, of this excess would be used to fund OM&P needs that were unfunded during SFY 2012-2027.

### **TMA Designations**

When metropolitan areas exceed 200,000 in population, they become eligible to be designated as transportation management areas (TMAs). Among other things, TMA status reallocates federal apportionments within a state. TMAs receive a specific apportionment of federal funds, while the apportionment for state highways is reduced by the amount received by TMAs within the state. For this reason, it is important to consider the impacts of these changes when estimating amounts of federal funds expected to be received in coming decades. The Portland, Eugene, and Salem areas are already designated as TMAs. The committee assumed the Rogue Valley MPO will become a TMA in SFY 2022.

### **Federal-Aid Highway Distribution by Jurisdiction**

Most federal-aid highway funds are apportioned or allocated to the state. However, some funds are allocated specifically for local governments (e.g., the TMA case). Other funds are apportioned to the state for expenditure on local projects or in local areas (e.g., Congestion Mitigation and Air Quality (CMAQ) funds, a share of Surface Transportation Program funds, a share of Bridge funds). Still others are distributed to local jurisdictions by the state through intergovernmental agreements (e.g., Transportation Growth Management grants, Transportation Enhancement funds, another share of Bridge funds). Finally, the state transfers part of its share of STP funds to FTA or alternative mode programs to support local transit, bicycle, pedestrian, and TDM programs.

Completion of this project requires an assumption to be made concerning how federal-aid highway funds are distributed. The committee assumed the existing agreements and distribution methods remain as they are currently written. This includes the activities of the Transportation Enhancement Committee and the CMAQ Committee. The funds controlled by these committees are distributed on a discretionary basis.

It also assumed annual ODOT STP transfers to alternative mode programs would be \$34 million per year, with \$10 million set-aside for FTA Section 5310 programs, and the total amount increasing ten percent every five years. On a long-term basis, geographic

distribution is expected to be the same as for all other STP funds. MPOs will determine whether the funds are used for transit, bicycle, pedestrian, transportation demand management (TDM), or project development purposes.

### **Regional Distribution of State-Controlled Funds Available for Modernization**

Long-range plan development requires an assumption indicating how and where funds under OTC control and available for modernization will be distributed. The OTC determines allocation of these resources. The committee recognizes that OTC decision-making depends on many elements, and in the long-run cannot be precisely predicted. However, since this is a necessary component to plan development, the committee needed to adopt a methodology.

In the past, the committee assumed modernization funds would be allocated according to regional proportions of population, state system lane-miles, and estimated revenues paid into the Highway Fund. However, this often led to confusion with the STIP development process. The STIP development process relies upon similar factors to distribute modernization funds. Therefore, the committee decided to use the latest STIP development regional allocation formula to project the long-range distribution of modernization funds.

The distribution of projected modernization funds according to the STIP formula is by ODOT Region. Sub-distribution of these projected funds to MPO areas will be determined by deliberation among the MPOs, other affected local governments, ODOT Region Managers and Planners, Area Commissions on Transportation, and the OTC. For long-range forecasting purposes, associated MPOs and Region Planners will work together to determine the proportion of regional funds that are forecasted to be spent in each MPO area. The distribution of actual funds is determined by the OTC.

### **Regional Distribution of State-Controlled Funds Available for OM&P**

The committee assumed that ODOT's OM&P needs as defined in the Appendix (page 8) will be funded where they arise and to the extent funds are available. Over the relatively long-term planning horizon of MPO transportation plans, these needs are not expected to be disproportionately distributed. These expenditures are assumed to be distributed on a lane-mile basis, with a double-weight in the Portland area.<sup>2</sup>

### **Flexibility for MPOs to Modify Assumptions**

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<sup>2</sup> On a lane-mile basis, Portland area OM&P costs are about twice the statewide average.

By their very nature, long-term forecasts are highly speculative. As these forecasts are only fully revised every three to six years, the committee assumes MPOs have the flexibility to make adjustments among minor programs or minor adjustments to funding totals. Flexibility also exists to adjust for major, actual changes such as a new Federal authorizing act that is very different than forecast, or a legislative act that is not consistent with the long-term forecast.<sup>3</sup>

## **FINDINGS**

The development of financial assumptions for long-range transportation plans has been accomplished three times in the past, plus two partial updates. The process is now almost routine.

Now informal Federal guidance that revenues “*may be projected based on historic trends, including consideration of past legislative or executive actions*” remains ambiguous. It is not clear whether this requirement applies to actual revenue or the underlying tax and fee schedules that generate the revenue. It is also unclear whether the historic trend should be viewed in an arithmetic sense (i.e., revenue or tax rate growth at a fixed dollar rate) or a geometric sense (i.e., revenue or tax rate growth at a percentage rate). Assumptions that are too conservative imply that as the demand for highway and transit services increases, the willingness of society to pay for increased capacity decreases. Assumptions at the other end of the spectrum produce revenue figures that are unbelievably large.

The current outlook for public sector funding is gloomy. Yet the historical record indicates growth in transportation program purchasing power of Federal and state programs has been a normal occurrence. In contrast, the methodology adopted by the committee assumes Federal and state resources available for highway and public transit purposes will enable current programs to continue at roughly the same levels (in terms of purchasing power) through 2030. In the 2030s, purchasing power noticeably expands. Therefore, the committee has struck a reasonable balance between current pessimism about Oregon’s economic and financial outlook and the historical record.

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<sup>3</sup> ODOT and the committee’s predecessors have a track record of providing partial updates for new Federal authorizing acts in a timely manner.

**APPENDIX:**

**REVENUE TABLES AND SUPPORTING MATERIALS**