



## Special Session Transportation Budget Framework

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### **Problem:**

Due to a significant budget gap, the Oregon Department of Transportation (ODOT) must implement severe operational cuts that will lead to hundreds of layoffs and reductions in the core state and local transportation and maintenance services that Oregonians rely on. Absent a funding solution, ODOT must close 12 maintenance facilities across the state, meaning slower response times for emergencies and weather-related maintenance.

On July 21, legislative leadership committed to finding a funding solution during a special session and pledged to backfill dollars if needed. Governor Kotek then directed ODOT to postpone the first wave of layoffs until September 15, allowing time to reach a funding solution and give impacted staff more time to make contingency plans for their livelihoods and benefits. However, those layoffs and a second wave of layoffs, slated for January 2026, will take place if additional revenues are not secured during a special session.

### **Solution:**

To address this crisis, Governor Kotek has proposed a funding solution to meet the immediate needs of the agency and its partners so that Oregonians don't lose critical services. The framework outlined below is intended to deliver adequate funding for the State Highway Trust Fund in the 2025-27 biennium.

Half of the revenue from the gas tax, registration fees and title fees will go to ODOT to prevent layoffs, service reductions, and maintenance station closures. Remaining state highway dollars will flow to counties and cities as part of the traditional 50/30/20 split. Additionally, funding from the 0.1% payroll tax increase will be directed to the Statewide Transportation Improvement Fund (STIF) to support local transit districts across the state.

**Revenue Sources and Increases:** This table reflects increases to base rates and surcharges. It does not include all state and local fees.

Revenue Source	Increase	Raised Total Base	Surcharge Increase
Gas Tax	\$0.06	\$0.46	NA
Base Registration - 0-39 Miles Per Gallon (MPG) Vehicles	\$42	\$85	0
Registration - 40+ MPG Vehicles*	\$42	\$85	\$30
Registration - Electric Vehicles*	\$42	\$85	\$30
Registration - Utility trailers or light trailers, low-speed vehicles	\$42	\$105	NA
Registration - Mopeds and Motorcycles	\$42	\$86	NA
Title**	\$139	\$216	0
Payroll Tax	0.1%	0.2%	NA

*\*The 40+ mpg registration surcharge of \$35 will increase by \$30 to \$65. The \$115 registration surcharge for EVs will increase to \$145. Surcharges for less efficient vehicles will not change.*

*\*\*Base fee only; vehicles pay a surcharge based on fuel efficiency. This surcharge will not change.*

## Additional Policy Elements

In addition to providing immediate resources for basic services at ODOT, cities, counties, and transit districts, the Governor’s proposal also includes focused solutions in the following categories:

**Weight Mile Simplification and Diesel Tax Modernization:** The bill simplifies weight-mile rates from 85 separate tax rates down to 10, in order to alleviate administrative burdens on trucking companies and the state. The measure also raises the point of taxation for diesel fuel to the same point as gasoline is taxed – the point of first sale, distribution or use in Oregon. This will reduce complexity, provide stronger enforcement to reduce fuel tax evasion, and align Oregon with other states. Oregon is currently the only state to tax diesel at the pump, instead of higher in the distribution chain.

**Ratepayer Fairness:** The bill requires an updated methodology for assessing cost allocation between light and heavy vehicles prior to the next Highway Cost Allocation Study (HCAS), and establishes a **revenue neutral** and **automatic** mechanism to address future imbalances in a timely manner.

**Funding Reliability:** In order to take meaningful steps to modernize how we pay for transportation in the future, the Road User Charge (RUC) sections from HB 2025 have been included with two modifications. The first change is the removal of commercial delivery vehicles, and the second altered the implementation timeline. Mandatory enrollment would begin on the following dates for the following types of vehicles.

- 7/1/27: Existing EVs
- 1/1/28: New EVs
- 7/1/28: Hybrids/plug-in hybrids

Vehicles paying RUC won't have to pay supplemental registration fees.

**Removal of Obsolete Tolling Language:** There are a handful of statutory references to tolling, including ORS 383.150, that are no longer needed to advance pending projects. These sections of law will be repealed.

**Accountability:** In addition to accountability measures that are already in progress, the accountability provisions of House Bill 2025 have been carried over into the proposal. Some of these provisions include:

- A performance audit by Secretary of State
- Governor has the authority to hire and fire the ODOT director
- A repurposed Continuous Improvement Advisory Committee that will oversee on-time and on-budget delivery of major projects and report regularly to the Joint Committee on Transportation
- Greater legislative oversight on major projects and agency performance measures through review of the scope, schedule, and budget of major projects by the Joint Committee on Transportation
- Additional OTC and legislative review when local scope elements are added to state projects without corresponding local investment