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THE ECONOMIC IMPACT OF OREGON'S PROPOSED TRANSPORTATION PACKAGE: **SPECIAL SESSION UPDATE**

WHAT WE CAN EXPECT FROM LC-2

AUTHORS: THOMAS YOUNG, PH.D., MARK MCMULLEN & SERRA KIRSCH

ABOUT THE AUTHORS



Thomas Young, Ph.D. brings a wealth of experience at the touch points of economics including economic forecasting, public policy and public finance, econometrics, investing, survey research, and cost-benefit analyses to name a few. He received his Ph.D. in Business Economics, Industrial Organization, Econometrics, and Finance from the University of Utah. Thomas currently lives in Salt Lake City, Utah with his wife and four wonderful daughters.



Mark McMullen brings a wealth of expertise to CSI, having served as the longest-tenured Chief Economist for the State of Oregon under four governors. Before joining CSI, Mark held prominent roles, including Director of Consulting at Moody's Analytics and researcher at the Congressional Budget Office. He earned his undergraduate degree from Pomona College and completed his graduate studies at the University of Pennsylvania.

With strong ties to Oregon's heritage, Mark's family roots in farming and timber industries have shaped his understanding of the state's economic landscape. Alongside his professional accomplishments, Mark finds joy in his 28-year marriage and cherishes time spent with his three adult children.



Serra Kirsch recently earned a Master of Science in Economics from Portland State University, where she specialized in empirical macroeconomics and international finance. Before that, she spent two years conducting research in health economics, focusing on the impact of tobacco control policies. She completed her undergraduate education in Industrial Engineering and Economics in Istanbul, Turkey.

Growing up in Istanbul, she developed a strong interest in working on emerging market economies. In her free time, she enjoys rock climbing and scuba diving.

ABOUT COMMON SENSE INSTITUTE

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Oregon's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Oregonians. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Oregonians are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the Oregon economy and individual opportunity.

TEAMS & FELLOWS STATEMENT

CSI is committed to independent, in-depth research that examines the impacts of policies, initiatives, and proposed laws so that Oregonians are educated and informed on issues impacting their lives. CSI's commitment to institutional independence is rooted in the individual independence of our researchers, economists, and fellows. At the core of CSI's mission is a belief in the power of the free enterprise system. Our work explores ideas that protect and promote jobs and the economy, and the CSI team and fellows take part in this pursuit with academic freedom. Our team's work is informed by data-driven research and evidence. The views and opinions of fellows do not reflect the institutional views of CSI. CSI operates independently of any political party and does not take positions.

TABLE OF CONTENTS

About the Authors	1
About Common Sense Institute	2
Teams and Fellows Statement.....	2
Introduction.....	4
Updated Impact Estimates	5
Key Findings.....	6
Conclusion	8

INTRODUCTION

Although still large, the proposed transportation package being considered during the current special legislative session (LC-2) has been scaled down significantly relative to what was originally introduced in the May 2025 Session (HB 2025), with proposed revenue increases being cut by more than half.

While scaled down, revenue increases represent a significant drag on regional economic activity, with increased payroll taxes being particularly burdensome.

As with most long-term investments, the benefits of the proposed transportation infrastructure spending will compound over time and eventually offset the drag created by additional taxation. However, the return is low, with the **net spending per job estimated to be \$286,000**.

The current proposal will bring the system closer in line with Oregon's constitutional requirement that highway funding be split equitably between heavy and light vehicles. With most of the additional revenues being paid by light vehicles, a back-of-the-envelope estimate suggests that light vehicles would be responsible for roughly 70% of both highway costs and revenues this biennium.

The proposal does not address the long-term needs of Oregon's transportation system, with many investments that are estimated to generate large returns on investment remaining unfunded.

UPDATED IMPACT ESTIMATES

The updated *Transportation Package* (LC-2) introduces several significant revenue and spending changes. The smaller overall package reduces the tax increase and associated spending by approximately **\$791 million in the 2025–27 biennium** and growing to almost **\$1.4 billion in the 2033–35 biennium**.

Overall, the initial tax increase for the Transportation Package as measured by HB 2025-13 was **\$15.5 billion from FY 2025-FY 2035**. The newest special session bill, LC-2, **lowers that estimate by almost 2/3rds, to \$5.8 billion**.

From 2025 through 2035, most of the tax increase aspects of the newest version of the Transportation Package stem from:

- Taxes on gasoline of \$857 million.
- Taxes on vehicle registrations of \$1.7 billion.
- Taxes on titles of \$1.2 billion.
- Taxes payrolls of \$1.8 billion.
- New road usage charges of \$1.0 billion.
- Changes to the diesel tax and other transfers/savings.

FIGURE 1

Revenue Estimates for HB 2025-13, A28, and the Newest LC-2

In millions \$

Year	Total Revenue, HB 2025-13	Total Revenue, HB 2025-A28	Total Revenue, LC-2	Difference, LC-2 - v13	Difference, LC-2 - A28
2025-27	\$1,047	\$792	\$791	-\$256	-\$1
2027-29	\$2,595	\$1,812	\$1,107	-\$1,488	-\$705
2029-31	\$3,651	\$2,807	\$1,229	-\$2,422	-\$1,578
2031-33	\$3,957	\$3,042	\$1,296	-\$2,661	-\$1,746
2033-35	\$4,251	\$3,212	\$1,361	-\$2,890	-\$1,851

Source: CSI Analysis of the Oregon Legislative Revenue Office figures



KEY FINDINGS

Oregon's Transportation ReInvestment Package (TRIP), currently known as LC-2, has large economic impact potential, with negative and positive components. On net – when considering both the tax increases and spending portions – **the proposal is costly for each job generated, at \$286,000 per job.** Overall, the results produce:

- A 1,558 increase in jobs by 2030 (all figures in this list are 2030).
- A \$229 million increase in GDP.
- A \$192 million increase in Personal Income (mostly workers' income), but a \$21 million decrease in Disposable Personal Income.
- A \$325 million increase in business sales (Output).
- Inflation rises, by 0.12% in 2030.

FIGURE 2

Overall Economic Impact

When considering the tax increase portion with the spending portion, on net the bill may boost economic activity during the construction phases, with the number of jobs up 1,558 in 2030 and business sales (Output) up \$324 million. The overall impact has a very low return, producing a total of 20,224 annual jobs from 2026 through 2035, or \$286,000 per job. There are more efficient ways to generate jobs at a lower cost.

GDP, Output, Personal Income, and Disposable Personal Income figures are in Thousands of \$

Year	Total Employment	Private Non-Farm Employment	Population	Gross Domestic Product	Output	Personal Income	Disposable Personal Income	PCE-Price Index
2026	470	(209)	615	\$57,559	\$53,113	\$52,445	(\$52,501)	0.09%
2030	1,558	406	2,776	\$228,715	\$324,758	\$192,321	(\$20,627)	0.12%
2035	4,236	2,680	7,367	\$808,612	\$1,313,442	\$608,570	\$300,542	0.11%

Source: REMI, CSI Modeling



Portions of the proposal have positive returns compared to others that turn out to be losers when viewed from the lens of Oregon's future economic position.

Of the three main components – expanded funding for highway operations and maintenance, maintaining existing rail service and expansion to select areas, and public transit, the highway portion is responsible for the return on investment.

The Transit/Payroll Tax Portion Does Not Produce a Positive Return

On the payroll tax/transit component: Overall, in 2030, using the payroll tax to pay for current/expanded transit services:

- Reduces employment by 270 jobs, including a drop of 573 private sector jobs;
- Lowers business sales by \$23 million; and
- Reduces disposable personal income by almost \$200 million.

The downside effect from higher payroll taxes outweighs the potential positive effects from transit construction for a decade. Most of the downside impact is felt through reduced disposable personal income.

FIGURE 3

Transit and Payroll Tax Portion

When considering using the payroll tax to pay for existing and expanded transit service, the net result is a loss in jobs, GDP, business sales, and personal income by 2030.

GDP, Output, Personal Income, and Disposable Personal Income are in Thousands of \$

Year	Total Employment	Private Non-Farm Employment	Population	Gross Domestic Product	Output	Personal Income	Disposable Personal Income
2026	(99)	(288)	(74)	(\$3,080)	\$8,944	\$954	(\$97,238)
2030	(270)	(573)	(409)	(\$29,292)	(\$23,029)	(\$14,020)	(\$199,309)
2035	109	(237)	(281)	\$38,727	\$100,047	\$28,053	(\$201,141)

Source: REMI, CSI Modeling



CONCLUSION

Oregon's current transportation funding system is not sustainable over the long run. The state's significant dependence on fuel taxes will lead to less effective revenue generation going forward due to a lack of growth in vehicle miles traveled and the increasing fuel efficiency of the vehicle fleet. Alternative funding models have been considered that depend more heavily on fees, road usage charges, tolling and the like. Policymakers may also choose to tap into General or Other Funds if they feel the needs of the transportation system outweigh those of other public programs. For particularly lucrative transportation projects, policymakers may also want to consider aligning the desired development spending with one-time, rather than ongoing, revenue sources.

CSI's full report on the prior version of the transportation package is available on our website:

<https://www.common senseinstitute.us/oregon/research/infrastructure/the-economic-impact-of-oregons-proposed-transportation-package>.