

# Cascade Quarterly

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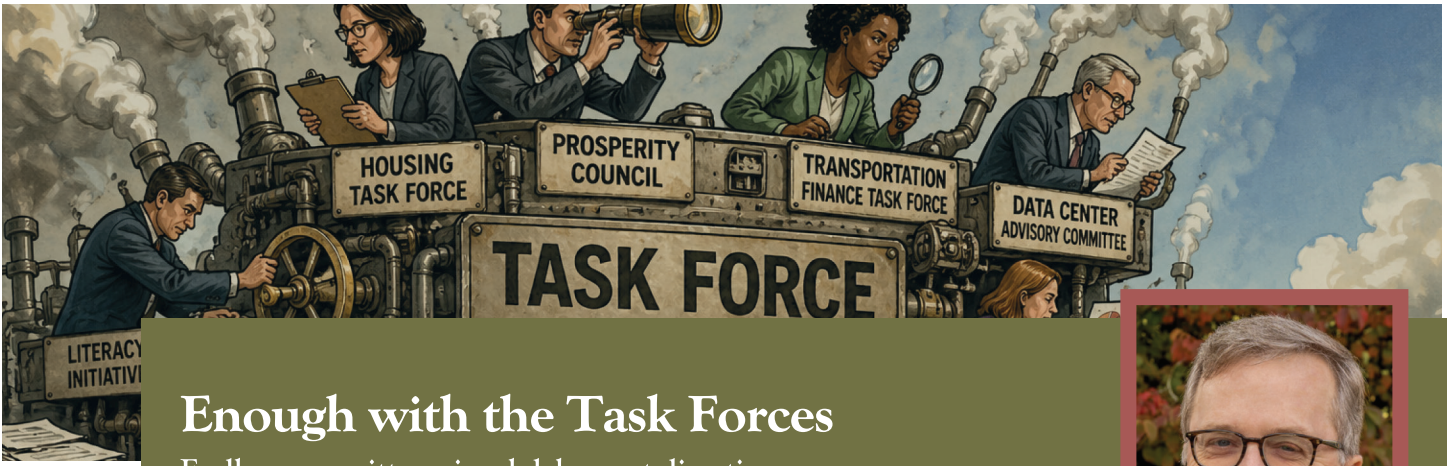
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## Enough with the Task Forces

Endless committees signal delay, not direction.

By John A. Charles, Jr.



On January 20 Governor Tina Kotek convened a Statewide Data Center Advisory Committee to address policy issues related to the siting of new facilities. A week later she created the Governor's Prosperity Council to advise her on strategies to achieve the goals in her Prosperity Roadmap.

In mid-March she announced another task force to help draft a transportation finance strategy.

These are just the latest in a long string of "Blue Ribbon Panels" she has appointed since her first day as governor. Other topics being studied are housing production, tribal relations, literacy, racial justice, drug overdose, behavioral health, homelessness, and the revival of Portland's central city.

I've served on such task forces in my career, and they can sometimes be useful. More often they simply become a means of evading responsibility. If you have an advisory committee of highly accomplished people and you implement their recommendations, it provides political cover if things go wrong.

Most of the time the information a leader needs is already known. The only thing lacking is the courage to act.

The Prosperity Council is a prime example. Scottish economist *Adam Smith (1723-1790)* laid out the blueprint for wealth creation 250 years ago when he released *An Inquiry into the Nature and Causes of the Wealth of Nations (1776)*. Other smart people have weighed in since then, but the basic formula hasn't changed. If Gov. Kotek is serious about increasing prosperity, she needs to embrace limited government, enforcement of property rights, low taxation, free trade, and market-based pricing.

Look around Oregon and it's obvious that we haven't been following these principles for a long time. Portland has the second-highest marginal tax rate of any city in the entire country (behind only New York), and that creates a drag on the rest of the state.

We have the most restrictive land-use regulations of any state, which makes it costly and difficult to build *anything, anywhere, at any time.*

Oregon is the worst state in the country to die in if you have assets, due to our punitive death tax. This incentivizes high-net-worth seniors to leave Oregon.

We have numerous tax-financed slush funds in the billions that shouldn't even exist, including the Energy Trust of Oregon, the Multnomah County Pre-School for All giveaway, and the Portland Clean Energy Benefits Fund.

The most reliable sources of fuel for electricity generation – natural gas, hydropower, coal, and nuclear – have all been banned, so we are again squandering billions of dollars on expensive and unreliable energy sources such as wind and solar.

All these factors form insurmountable barriers to wealth creation and yet the governor could address them any time she wants. Her Prosperity Council is one more way to procrastinate past the next election.

The same is true with the transportation finance stalemate. We don't need more advisory groups. I was appointed to the Oregon Road User Fee Task Force by the House Speaker in 2001 and served 10 years. We studied every possible mechanism for highway funding and made recommendations, but few were ever enacted.

The most foundational recommendation was that users of the system should pay for it without subsidies from non-users. Fortunately, Oregon has a long history of this "cost responsibility" approach going back to 1919 when Oregon became the first state to adopt a motor fuel tax to get Oregon out of the mud. But over time this policy has been diluted through broad-based taxation and massive amounts of borrowing.

We've also prevented private sector firms from building new infrastructure even when there is market demand and the availability of willing investors.

Gov. Kotek has done nothing but play political games with road funding for the past three years. According to press accounts, she now plans to exclude state legislators from serving on her new task force. How will that help when she asks for legislative approval in 2027 for whatever tax package she dreams up?

Time is running out for the governor. Oregon's dysfunction is the direct result of progressive policies she has embraced for her entire political career; and now it's too late to replace them. But it's also too late to make them work, because central planning always fails. So, the plethora of advisory groups serve as an artificial fog machine designed to confuse voters just long enough to get her through her final election.

The majority of voters are non-affiliated with a major party. Maybe this November they will provide us with alternative leadership – if alternatives become available. We will know by the end of May.

*John A. Charles, Jr. is President and CEO of Cascade Policy Institute, Oregon's free market public policy research organization. He researches, writes, and presents testimony and analysis on state and local issues important to the freedom and opportunity of all Oregonians.*

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## Educational Choice Is Expanding Nationwide – Will Oregon Join In?

By Kathryn Hickok

National momentum toward school choice for all children has been building since 2020—and it hasn't slowed down. Last year, eight states enacted new private school choice programs or expanded already-existing ones. The Texas Education Freedom Accounts program was the largest-ever school choice program at launch. Since its application process opened in February 2026, more than 274,000 Texas students have applied for 90,000 available spaces.

Families choosing to opt into a school choice program may direct a portion of the state education funding allocated for their child to pay for education costs including private school tuition and other education services. More than 1.5 million children now benefit from educational choice across the United States. With 75 programs in 34 states, plus Washington, D.C., and Puerto Rico, more than half of America's K-12 students are eligible to participate in a school choice program.

Parents today want to choose schools and education resources that best meet their children's academic and developmental needs and that reflect their values. Public opinion polls consistently show majorities of voters across demographic groups agree with the statement that parents should "have the right to use tax dollars designated for their child's education to send their child to the public or private school which best serves their needs."

Education savings accounts, vouchers, education tax credits, and tax credit scholarships are different policy approaches with the same goal: They empower parents to choose the best learning options for their children by putting education funding directly into their hands. States can learn from each other's policy approaches as they craft programs to suit the needs of their own families and voters.

Here's a brief rundown of how these programs work  
(see <https://www.edchoice.org/school-choice/types-of-school-choice/>):

**Education Savings Accounts**, also called "Scholarship Accounts," are publicly funded, government-authorized savings accounts that have restricted but multiple uses. They are normally funded

by some (or all) of the state-level education funding allocated for the student. Parents may use their children's ESAs to pay for tuition, tutoring, online programs, therapies for students with special needs, and instructional materials. ESAs often can be used for home education expenses as well. Some ESA programs allow funding to roll over from year to year and to pay for higher education if a balance remains after 12<sup>th</sup> grade.

**Vouchers** allow parents to direct part of the public funding set aside for their children's education for use at tuition-based schools. Under voucher programs, education funding is allocated to a participating family to pay tuition at the child's private school. In June 2020, the Supreme Court held in *Espinoza v. Montana Department of Revenue* that states that enact private educational choice programs (like vouchers and ESAs) cannot exclude their use at religiously affiliated schools (see <https://ij.org/case/montana-school-choice>).

**Individual education tax credits** give parents state income tax relief for approved educational expenses. Oklahoma's Parental Choice Tax Credit is a refundable tax credit. Refundable tax credits help families who may have lower tax liabilities to benefit from the program.

**Tax credit scholarship programs** allow taxpayers to receive tax credits for donating to nonprofit organizations that provide scholarship awards to eligible children. Tax credit scholarship programs have operated at the state level for many years (Arizona and Pennsylvania notably have had long-standing tax credit programs). The Federal Scholarship Tax Credit enacted in 2025 as part of the One Big Beautiful Bill Act is the first federal-level school choice tax credit. The FSTC promotes school choice by offering a tax incentive for voluntary, individual donations to qualifying nonprofit scholarship organizations that operate in states whose governors opt in.

States that empower parents to choose the right fit for their children's educational needs are opening doors of opportunity for generations of students. It's time Oregon allowed all students access to the educational options that will be most effective and successful for them. The "school choice states" provide legislative models that Oregon can follow so every child will have the chance to reach his or her full potential in the right school.

**Kathryn Hickok** is Executive Vice President at Cascade Policy Institute and Director of Cascade's Children's Scholarship Fund-Oregon program. She specializes in research and policy in school choice legislation and other key issues relating to education.

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# Rebuilding the User-Fee Principle That Made America Mobile

Highways Worked. Transit Subsidies Didn't. Congress Can Fix That.

by Randal O'Toole



## The Interstate Model: A Megaproject That Worked

In 1956, Congress created the *Interstate Highway System*, possibly the largest and most successful megaproject in history. Although interstates are just 1 percent of U.S. roadway miles, they carry 26 percent of all highway traffic and about 20 percent of all passenger travel and freight shipped in the U.S.

Interstates succeeded because of two key decisions. First, they were paid for almost exclusively out of gasoline taxes and other highway user fees. Oregon was the first state to dedicate gas taxes to roads in 1919. By 1930, all other states had followed Oregon's example, and Congress did the same in the 1956 highway law.

Second, the roads were built on a pay-as-you-go basis. At the *insistence* of Tennessee **Senator Albert Gore, Sr.**, father of the future vice president, states were not allowed to borrow against their projected share of future gas taxes. This ensured that, if no one drove on the interstates, the states wouldn't be left heavily in debt for roads we didn't need.

Together, these policies affirmed the user-fee principle for government transportation. Not only were users expected to pay for what they used, those fees rewarded agencies for providing facilities that people wanted and punished them with lower revenues for producing facilities people didn't use. While tolls make better user fees than gas taxes, in the 1950s more than half of toll revenues went to collection costs while collection costs consumed only 5 percent of gas taxes.



*Caption: The Interstate Highway System makes up 1 percent of road miles in the U.S. but carries more than 20 percent of all passenger and freight travel. ( Source: National Transportation Statistics, table 1-40; Highway Statistics, table VM-1)*

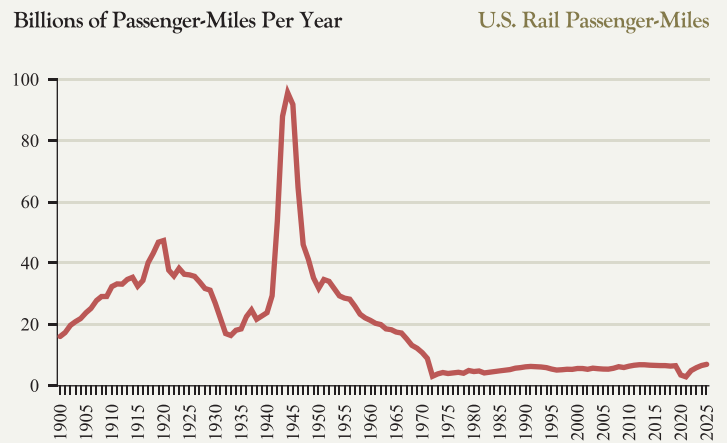
## The Myth That Highways Killed Passenger Trains

The Interstate Highway System has been blamed for the decline of U.S. passenger trains and urban transit. In fact, transit ridership and passenger train travel began declining in the 1920s. After a brief boom during World War II, that decline accelerated in the early 1950s, years before Congress passed the interstate highway law.

Concerned that the railroads shouldn't be obligated to lose money on trains few were riding, Congress passed a 1958 law making it easier for railroads who were losing money on interstate trains to discontinue such trains by simply notifying the Interstate

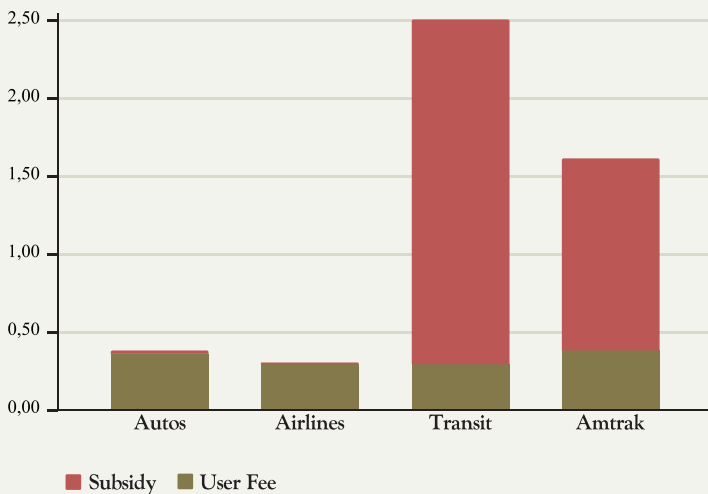
Commerce Commission. However, many people in four major cities, Boston, Chicago, New York, and Philadelphia, rode commuter trains that crossed state lines. When railroads announced that they wanted to discontinue those trains, the American Municipal League predicted that a “collapse of commuter service” was “a threat to the survival of American metropolitan areas.”

## The Real Commuter Crisis and Transit's Shift to Subsidies



**Caption:** The decline in intercity passenger trains began long before interstate freeways falling rapidly after the war. Today, the average American travels more than 13,000 miles per year by automobile, 2,300 miles a year by airline, but less than 20 miles per year by Amtrak. (Source: Census Bureau, Amtrak)

**Dollars Per Passenger-Mile Passenger User Fees & Subsidies in 2024**



**Caption:** Urban transit is the most heavily subsidized form of travel in the United States, costing taxpayers more than \$2.20 per passenger-mile in 2024 compared with 2¢ for driving and 1¢ for air travel. Amtrak spent more than \$1.20 in tax dollars for every passenger-mile. (Source: Highway Statistics table HF-10; National Transportation Statistics tables 3-32 and 3-35; National Transit Database; and Amtrak monthly performance report for September 2025)

This so-called *commuter crisis* was blamed on Congress when the real culprit was that passenger trains cost more to run than buses and cars. The consensus in the urban transit industry was (as the president of the Portland Traction Company *wrote in 1955*), “It is not economically possible [for rail transit] to compete with this newer and better type of transportation,” meaning buses.

The Municipal League estimated that replacing commuter trains with roads would cost \$17.4 billion (about \$200 billion in today's money). In retrospect that would have been a lot less expensive than what actually happened.

In 1964, Congress responded to pressure from the cities by offering federal subsidies for commuter trains operated by state or local governments. Since Congress couldn't pass a

law that benefitted just four cities, it extended the offer to all state or municipally owned transit agencies.

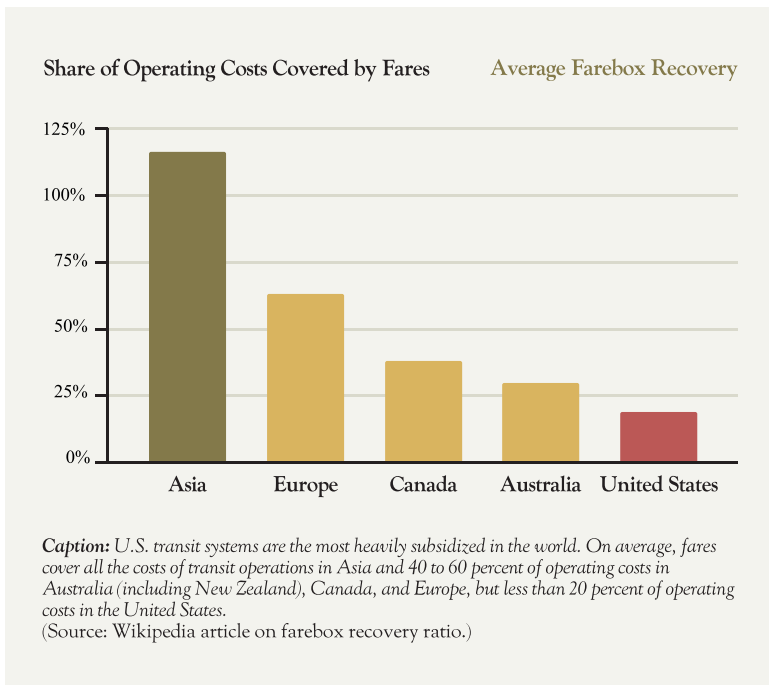
Up until then, most U.S. transit systems were private, and even the publicly owned ones were funded mainly or entirely out of fare revenues. The 1964 law opened the flood gates to tax subsidies: within a decade, almost all transit systems were government-owned and heavily subsidized.

Congress's failure to apply the same user-fee principle to transit that it had set for highways has made transit the epitome of everything wrong with socialism. Since 1964, taxpayers have spent well over two trillion dollars subsidizing transit, yet the number of transit rides taken by the average urban resident fell from 61 in 1964 to 27 in 2024.

Transit worker productivity massively declined as the number of people hired to run transit systems nearly tripled even as total ridership dropped. U.S. transit systems are now the most heavily subsidized in the world, getting more than **80 percent** of their operating costs (and all capital costs) from taxpayers, compared with less than **40 percent** in Europe while in Asia transit fares on average cover **115 percent** of operating costs.

## Siphoning the Gas Tax and Pork-Barrel Spending

In 1982, the Interstate Highway System was 99 percent complete, but Congress decided to raise the gas tax and dedicated 20 percent of the increase to transit. Today, 15 to 20 percent of federal gas taxes go to transit.



In 1991, Congress created a transit capital grant slush fund that offered billions of dollars to transit agencies wanting to build rail transit systems they had previously agreed were obsolete. Rather than being based on a user-fee principle, this money is handed out on a first-come, first-served basis, leading agencies to compete to see which could build the most expensive megaprojects so they can get the most federal dollars.

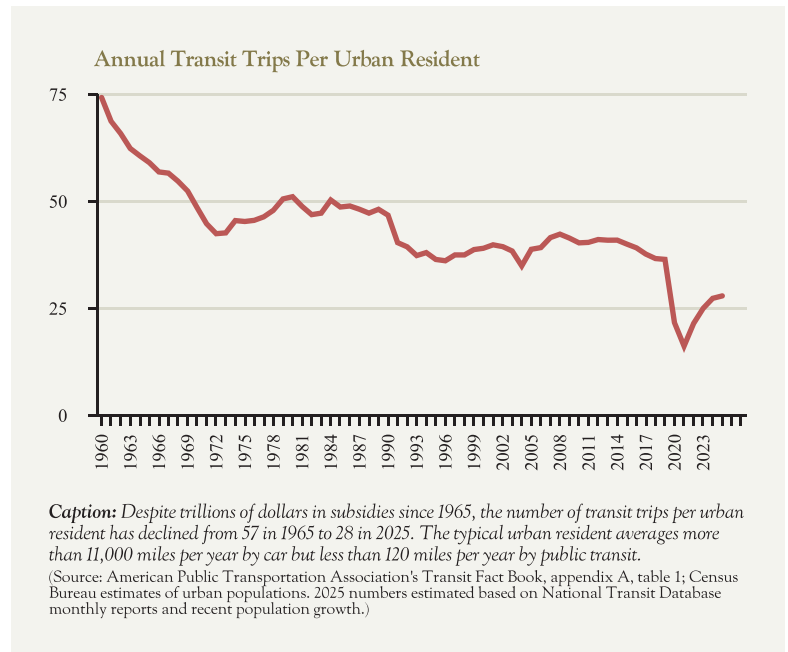
To offset the loss of gas taxes to transit, Congress appropriated general funds to the Highway Trust Fund. This led to a pork fest as members of Congress began earmarking a large share of those funds to bridges to nowhere, museums, and other projects that either had nothing to do with transportation or that state

“ Since 1964, taxpayers have spent well over two trillion dollars subsidizing transit, yet the number of transit rides taken by the average urban resident fell from 61 in 1964 to 27 in 2024. ”

transportation agencies considered too low a priority to fund. Earmarks came out of each state's share of funds so the earmarks didn't appear to cost taxpayers more money; they just wasted money on things that shouldn't be funded out of highway user fees.

## Transit Built for Downtowns, Not Riders

Federal funding to transit was mostly independent of how many riders transit agencies carried. This made agencies more responsive to what politicians want, such as glitzy light-rail trains, than to what transit riders need. Although less than 10 percent of jobs are in central city downtowns, most transit systems, including Portland's TriMet, are designed mainly to serve downtown workers. Agencies living off taxpayer dollars don't care that few of the 90-plus percent of non-downtown workers ride transit because transit doesn't go where they need to go.



## What Congress Should Fix in This Year's Reauthorization

Congress can fix these and other problems when it revisits federal highway and transit funding this year. At least some in Congress want to return to the days of earmarks and bridges to nowhere. Instead, Congress should avoid trying to micromanage state and local agencies with earmarks or complex funding formulas, and it should also avoid giving agencies incentives to waste money on megaprojects or other ineffective programs.

In particular, Congress should end diversions of gas taxes to transit and, at the same time, end the use of general funds for highways. Highway funds should be distributed to the states based on state and local highway user fees, thus affirming the user-fee principle.

Congress should also abolish competitive grant programs that lead transit and highway agencies to spend wildly on unnecessary projects just to get federal dollars. Finally, if federal dollars are to be used for transit, they should be proportional to the fare revenues transit agencies collect.

Some may question whether the federal government should fund state and local transportation at all. While these steps don't defund transportation, they would reinforce, rather than dilute, the user-fee principle, making both highway and transit agencies more responsive to users. As transportation users, that's something we all should want.

*Randal O'Toole is a transportation and land-use policy analyst, a Cascade Policy Institute adjunct scholar, and author of several books including Romance of the Rails: Why the Passenger Trains We Love Are Not the Transportation We Need.*



## The Federal Scholarship Tax Credit: An Opportunity Oregon Shouldn't Miss

Keep scholarship dollars working for Oregon kids.

By Kathryn Hickok



Last July, Congress passed, and President Trump signed, the first federal-level legislation promoting educational choice nationwide. The One Big Beautiful Bill Act created a federal tax credit of up to \$1,700 for individual filers who make charitable contributions to qualifying scholarship granting organizations (SGOs) in participating states.

The Federal Scholarship Tax Credit (FSTC) represents a significant expansion of school choice nationwide through private charity. The FSTC (alternatively called the Education Freedom Tax Credit) will take effect in 2027 and apply to individuals who make charitable cash contributions to qualifying scholarship organizations. (It won't apply to gifts made through foundations, donor advised funds, or businesses.)

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*[Opting in] would allow Oregonians' charitable contributions to stay here in Oregon and improve our children's access to all education choices.*  
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Each governor must “opt in” before scholarship nonprofits in his or her state can participate. The governor also must provide the U.S. Department of the Treasury with a list of the state's eligible SGOs, determined by a set of objective criteria. As of early April 2026, 27 governors have made an “advance election to participate.”

The Treasury Department is currently working on the regulatory details. The forthcoming regulations will clarify compliance and reporting requirements for scholarship organizations that want to participate. More information will be available in the coming months.

The law was written to be widely inclusive of education-related expenses for which tax-credit-funded donations can be used by scholarship organizations. Tax-credit-funded scholarships can be used by children attending public schools as well as private options.

Scholarship organizations set their own parameters for how their scholarships can be used by students, within limits set by federal law. Scholarships can cover the costs of tuition, home education expenses, tutoring, extracurriculars, and many other reasonable education expenditures. New scholarship organizations likely will incorporate in local communities across the country to meet all different kinds of educational needs.

While the Federal Scholarship Tax Credit is sure to benefit many worthy nonprofits and increase their ability to award private scholarships to more children, it's important to note that not every scholarship or financial aid program will be eligible to participate.

The Treasury Department defines an eligible "scholarship granting organization" (SGO) as "a charity that uses at least 90 percent of its income on scholarships for education choice options for eligible K-12 students." The SGO must operate within an opt-in state and be certified as eligible by the governor. It must benefit at least 10 different students attending more than one school. Also, participating SGOs' administration expenses will be capped by law.

Governor Tina Kotek's office indicated in August that she did not intend for Oregon to opt in, making her one of three governors to publicly say "no" to the FSTC. In early March, however, Education Week reported that "a spokesperson for Kotek said that the governor 'has not determined' whether the state will participate and will await final regulations from the U.S. Treasury Department before deciding." If Gov. Kotek does not opt Oregon in by 2027, a future governor would be free to do so.

Regardless of Governor Kotek's decision, Oregonians can still receive the tax credit if they donate to SGOs in opt-in states that award scholarships to children. High-quality, established scholarship programs already do excellent work providing school choice to students in states whose governors have opted in.

The Federal Scholarship Tax Credit has the potential to greatly increase the amount of charitable funding donated to scholarship nonprofits who help students get a better education by choosing their education option. We encourage Gov. Kotek to opt Oregon into the FSTC program. Doing so would allow Oregonians' charitable contributions to stay here in Oregon and improve our children's access to all education choices.

Opting in would signal to Oregonians across the state that they could start new, eligible SGOs able to award scholarships targeted to the specific educational needs of children in their communities. This would represent an unprecedented expansion of privately funded educational choice in Oregon.

Information about the Federal Scholarship Tax Credit is available on the website of the Internal Revenue Service at: <https://www.irs.gov/government-entities/federal-state-local-governments/federal-scholarship-tax-credit-fstc>. To know more about how you may benefit from the tax credit in 2027, please consult your tax advisor.

*Kathryn Hickok is Executive Vice President at Cascade Policy Institute, Oregon's free market public policy research organization, and Director of Cascade's Children's Scholarship Fund-Oregon program. She specializes in research and policy in school choice legislation and other key issues relating to education.*



*Save the date for Cascade's 35th  
Anniversary dinner on October 1, 2026.  
Look for details in June.*

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personal responsibility,  
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