DEPARTMENT OF TRANSPORTATION

The Department (ODOT) administers programs and activities related to Oregon's transportation systems. ODOT develops highways, roads, bridges, railways, public transportation services, and bicycle and pedestrian paths. ODOT also implements transportation safety programs, administers driver and vehicle licensing, and regulates motor carrier activity.

DEPARTMENT OF TRANSPORTATION	2009-11 Actuals	2011-13 Leg. Approved	2013-15 Current Service Level	2013-15 Governor's Budget	2013-15 Co- Chairs' Budget (1.0)	% Change 2011- 13 LAB to 2013-15 CSL
General Fund	16,912,732	2,000,010	21,137,928	2,757,944	0	956.9%
Lottery Funds	80,439,321	72,614,930	95,261,416	95,261,416	0	31.2%
Other Funds	3,612,722,722	3,612,523,281	3,273,588,556	3,837,879,235	0	-9.4%
Other Funds Nonlimited	25,401,967	254,917,008	18,158,214	18,158,214	0	-92.9%
Federal Funds	103,713,381	135,086,355	100,982,195	101,614,474	0	-25.2%
Federal Funds Nonlimited	11,921,871	21,621,528	21,621,529	21,621,529	0	0.0%
TOTAL FUNDS	\$3,851,111,994	\$4,098,763,112	\$3,530,749,838	\$4,077,292,812	\$0	-13.9%
Positions	4,692	4,613	4,608	4,540	0	-0.1%
FTE	4,547.06	4,521.79	4,519.34	4,455.13	0.00	-0.1%

Major Revenues	Budget Environment	Comparison by Fund Type
 The largest Other Fund sources are motor fuels taxes, weight mile tax, driver and vehicle licenses, federal highway funds, and bond proceeds. There are also fees such as truck registrations and Sno-Park permits. Nonlimited Other Funds are used to accommodate re-funding of borrowings and for the Oregon Transportation Infrastructure Bank. Federal Funds support safety, rail, public transit, and motor vehicle and motor carrier programs. General Fund is used for debt service and public transit. Lottery Funds pay debt service on non-highway projects such as urban transit systems. 	 Recession's influence on personal driving/gas buying Increase in general population and aging population in particular Base cost of gasoline influence in driving and tax collection Decrease in federal revenues (gas tax last increased in 1990) Short-term federal funding driving short-term state planning. 	DEPARTMENT OF TRANSPORTATION \$4,500 \$4,500 \$3,500 \$3,500 \$3,500 \$3,000 \$3,500 \$2,500 \$3,638.1 \$3,867.4 \$3,856.0 \$1,500 \$1,500 \$5,000 \$3,638.1 \$3,867.4 \$3,291.7 \$3,856.0 \$1,500 \$5,000 \$5,000 \$3,638.1 \$3,867.4 \$3,291.7 \$3,856.0 \$1,500 \$5,000 \$5,
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- 1. Aging highway and bridge infrastructure needs are outpacing revenue growth. While there are increasing vehicle miles traveled, and while the fuels tax was increased from 24ϕ to 30ϕ in 2011, those increases do not yield sufficient fuels tax revenue for needed repairs and maintenance. There are enough moving parts to challenge an exact shortfall calculation. The calculation ultimately depends on condition goals, such as percent of roads in fair or better condition, percent of bridges that are not distressed, or desired number of new construction miles.
- 2. The **State Radio Project** (SRP) is directed by ODOT. It will replace aging public safety communications systems statewide and bring the state into compliance with Federal Communications Commission standards. Project work will extend into 2013-15 to complete microwave modernization, initial trunked radio repeater installations, and final site work for narrowbanding and microwave components.

When the project is finished, the resulting statewide system's ongoing operations will need to be funded. The Governor's budget includes packages for operations support.

- 3. The **Columbia River Crossing** (CRC) project would erect a new bridge on Interstate 5. The current estimate is \$3.0 to \$3.5 billion, shared among the federal government, Washington, and Oregon. The Governor recommends \$450 million bond limitation in his 2013-15 budget; the first biennium's debt service would be \$43 million from the highway fund. The project could take 7 to 9 years to complete.
- 4. At current service level, ODOT Other and Federal Funds **Debt Service** is 12 percent of Other and Federal Funds limitation. That means \$416 million in highway funds are not available for needed highway and bridge work. Conversely, the associated borrowing provided around \$3 billion for highway and bridge jobs and projects. The Governor is recommending \$45.7 million new debt service for CRC and SRP borrowing.

5. DMV proposes legislation to increase **fees** for dealer, dismantler, and related business certifications to cover costs in the Business Regulation Section.

DEPARTMENT OF TRANSPORTATION/HIGHWAY DIVISION

The Highway Division supports producers, shippers, markets, transportation facilities, and car drivers as well as alternative modes of travel such as bicycles, transit, bus, motorcycles, and pedestrians. Division activities include designing and building new road miles, maintaining existing infrastructure, repairing or improving roads in disrepair, repairing or replacing bridges, and maintaining or creating alternative transportation modes. There are more than 74,500 miles of roads owned by federal, state, county, and city governments. State highways are about 10% of the total, but carry 58% of the traffic with more than 19.4 billion vehicle miles per year.

HIGHWAY	2009-11 Actuals	2011-13 Leg. Approved	2013-15 Current Service Level*	2013-15 Governor's Budget	2013-15 Co- Chairs' Budget (1.0)	% change 2013-15 CSI to 2013-15 GB
General Fund	802,278	-	-	-	-	n,
Other Funds	2,289,417,445	2,512,477,740	2,177,689,529	2,614,943,194	-	20
TOTAL FUNDS	\$ 2,290,219,723	\$ 2,512,477,740	\$ 2,177,689,529	\$ 2,614,943,194	\$-	20
Positions	2,721	2,656	2,628	2,599	-	-1
FTE	2,614.21	2,600.90	2,575.41	2,549.39	-	-1
* CSL is before downward modification for expected H	lighway Division revenue s	hortfall of \$8,898,257.	•	-		

Major Revenues	Budget Environment	Comparison by Fund Type
 The largest Other Fund sources are motor fuels taxes on passenger vehicles, boats, aircraft, and the weight mile tax paid on trucks that are 26,000 pounds or heavier. Driver and vehicle licenses, federal highway funds budgeted as other funds, and bond proceeds provide additional funding. There are also fees such as truck registrations and Sno-Park permits. Statute requires transferring certain portions of the collected revenues to cities, counties, and other state agencies. 	 Aging highway infrastructure requires more maintenance and a larger share of ODOT's revenue each year. The fuels tax is not keeping pace with infrastructure cost growth. Oregon is expected to grow to 4.3 million people by 2020, placing additional stress on highways and bridges. Oregon's population is aging. Ensuring mobility for older citizens could mean changes such as more visible pavement markings, traffic signal displays, signing, etc. Environmental concerns require changes to practices, additional work, and increased costs to accomplish traditional activities. 	Highway \$3,000 \$2,500 \$2,000 \$1,500 \$1,500 \$2,289 \$2,512 \$2,178 \$2,615 \$1,000 \$500 \$0 2009-11 2011-13 2013-15 2013-15 2013-15 CSL GB General Fund/Lottery © Other Funds © Federal Funds

- 1. Oregon's transportation system will need to accommodate a 41 percent **increase in population** and an 80 percent increase in freight traffic by 2030.
- 2. **Pavement** smoothness requires periodic resurfacing. The longer the resurfacing is delayed the costlier to do the work. The Department is maintaining slightly over 85% fair or better condition but expects to see that percentage erode as revenues such as American Recovery and Reinvestment Act of 2009 (ARRA) and special bonding proceeds phase out.
- 3. ODOT uses "not distressed" as its **bridge** performance metric. Bridges are "distressed" if they have freight mobility, safety, deterioration, or serviceability needs and are structurally deficient by federal criteria. The Oregon Transportation Infrastructure Act and ARRA funding brought the percentage of "Not Distressed" bridges up to 76% in 2011. Funding for state bridges drops from a high of \$85.7 million in 2009 to \$51.0 million in 2012, then averages \$55 million per year in 2013-15. Reductions relate to paying back bridge program bonds and declining federal revenues.
- 4. The Department has lead responsibility for the **State Radio Project** (SRP). The total project budget is \$209.9 million (including expenditures of the Oregon Wireless Infrastructure Network project), mostly funded from bond proceeds. The purpose is to replace aging public safety communications systems statewide. ODOT and Oregon State Police (OSP) are the primary project agencies.

The Governor recommends \$39.9 million **bond funding** in 2013-15. Debt Service was requested at half General Fund and half highway fund. In the Governor's budget, however, debt service is all highway fund, which raises a constitutional question, as the highway fund can only be used for ODOT's proportion of system use. Oregon State Police system use needs to be covered with non-highway funds. Total **project cost** is higher than originally estimated, by around \$25 million, including a prudent level of contingency funding. ODOT is re-evaluating project scope, timing, and resource options. Staying within the original budget will mean some trunking and microwave work will not be completed, or will be completed at a minimal level. The goal is ensuring that law enforcement safety is not compromised. No additional budget has been requested to cover the shortfall. A legislative oversight work group is working with ODOT on acceptable options.

When the project is finished, the resulting statewide communications system's **ongoing operations** will need to be funded above the base ODOT wireless budget. The Governor's budget includes packages to begin the shift to operations. Total cost of the packages in 2013-15 is \$7.2 million.

Beyond 2013-15 there will be additional project costs, unknown at this time, for a **broadband** development phase. The federal government is currently designing this phase, implementation is several years away.

Including the SRP predecessor project, Oregon Wireless Interoperability Network, capital authorization is \$267.6 million. To date \$159.4 million in bonds have been sold. Debt service in the base budget is \$37.5 million in 2013-15. **Decision points** are the project \$25 million shortfall, and the proper division of debt service and operating costs between highway fund and General Fund.

5. The **Columbia River Crossing** (CRC) project would erect a new bridge on Interstate 5. The current estimate is \$3.0 to \$3.5 billion, shared among the federal government, Washington, and Oregon. The Governor recommends \$450 million for six-year capital construction and bond proceeds limitation in his 2013-15 budget; the first biennium's debt service would be \$43 million. The project could take 7 to 9 years to complete.

6. Congress passed a highway and transit bill last year that maintained the status quo for funding, but only through September 30, 2014 (MAP-21). Federal highway funding is usually for 6-year periods. The federal gas tax, the main tool used to fund federal transportation funding, is unlikely to increase this year. It has been nearly 20 years since the last increase. Inflation along with the increasing fuel efficiency of vehicles means the per-gallon fee lacks the purchasing power it once had. The same is true of the state fuels tax.

As a result, many states, including Oregon, are looking for ways to fund their aging transportation infrastructure. Since the 2001 legislative establishment of the **Road User Fee Task Force** (RUFTF), ODOT has worked on options the state might have for replacing the current fuels tax. RUFTF has conducted two pilot projects, in 2006 and 2012, to determine the feasibility of charging passenger car drivers by the mile rather than by the gallon. The 2012 pilot ends in January 2013.

There is also a legislative concept (HB 2453) to require highmileage vehicle drivers to pay a per-mile road usage charge or flat annual road usage charge, starting July 1, 2015. High mileage vehicles are those with a rating of 55 or more miles per gallon of gasoline or gasoline equivalent. (This page intentionally left blank)

DEPARTMENT OF TRANSPORTATION/DRIVER AND MOTOR VEHICLE DIVISION

The Driver and Motor Vehicles Division (DMV) licenses and registers over 3 million drivers and 4 million motor vehicles and enforces motor vehicle-related laws. There are 60 DMV offices statewide serving more than 12,000 walk-in customers each day. In addition, DMV staff process more than 9 million transactions and respond to over 1.5 million phone inquiries each year. Law enforcement agencies access DMV computer information files more than 70 million times each year, and businesses and individuals make about 3 million DMV record requests each year.

DRIVER AND MOTOR VEHICLE SERVICES	2009-11 Actuals	2011-13 Leg. Approved *	2013-15 Current Service Level**	2013-15 Governor's Budget	2013-15 Co- Chairs' Budget (1.0)		% change 2013- 15 CSL to 2013- 15 GB
Other Funds	147,888,745	157,450,268	174,012,276	162,271,640	-		-7%
Federal Funds	1,465,740	3,396,725	3,487,151	3,487,151	-		0%
TOTAL FUNDS	\$ 149,354,485	\$ 160,846,993	\$ 177,499,427	\$ 165,758,791	\$-		-7%
Positions	862	861	859	841	-		-2%
FTE	838.46	837.46	836.25	818.25	-		-2%
* LAB is through December Emergency Board action	s.					Ī	

** CSL is before downward modification for expected revenue shortfall of \$2,124,874

Major Revenues	Budget Environment	Comparison by Fund Type
 DMV is supported from fees for various services. The two major sources of revenue are: Vehicles – registration for cars, recreational vehicles, and snowmobiles; basic and custom license plates; titles; and trip permits. Individuals – driver licenses and identification cards. The division also sells DMV records. Revenues in excess of division operating expense and debt service are transferred to other ODOT divisions, other state agencies, and local governments. 	 As Oregon's population becomes more ethnically diverse, the workforce needs to become more culturally competent to serve customers. Increasing numbers of older drivers are referred to the medically at-risk driver program. Aging computer systems (mainframe systems) are expensive to maintain and operate. There is little appetite to take on a complete business process and information technology system overhaul. The depressed economy has reduced demand for car title work and possibly influenced the drop in accident reports, enabling staff redeployment or hold vacancies longer. 	Driver and Motor Vehicles \$200 \$150 \$150 \$150 \$148 \$157 \$174 \$162 \$00 \$200-11 \$201-13 \$2013-15

1. Fees. The business regulation unit is to be funded 75% from the fees charged to regulated business and is not highway fund eligible. The remaining 25% is from the Transportation Operating Fund (unreimbursed gas tax paid for fuel that won't be used on the road, such as for lawnmowers). Because the balance that is funded by the regulated business has been declining, the division proposes statutory fee increases for dealer, dismantler, and related business certifications to make up the difference (HB 2263). The fee changes would be effective January 1, 2014 and are expected to generate \$308,000 in 2013-15.

The dismantler fees were last raised in 2005, dealer fees in 2001, vehicle dealer certificates in 1999. Related fees that are in rule are also to be increased January 1, 2014.

2. Real ID. The division is working to comply with the federal Real ID Act created to establish national standards for issuing driver licenses and identity cards. In December 2012, the division received a deferment on the January 15, 2013 deadline to show compliance. Implementing this and other federal acts requires significant business process change and computer system enhancement, which the federal government will not help fund. Failure to implement and to show progress toward implementation would cause Oregon driver licenses and identity cards to not be accepted for official purposes, such as boarding aircraft.

OTHER		G	over	nor's Packag	es		
OTHER	Ge	neral Fund	0	ther Funds	Total		
Transportation Program Development							
ConnectOregon V	\$	-	\$	60,855,529	\$	60,855,529	
Oregon Sustainable Transportation Initiative				192,661		192,661	
Public Transit							
Lane Transit District		757,944		15,220,000		15,977,944	
Senior and Disabled Transportation		2,000,000				2,000,000	
Rail							
Passenger Rail Program				14,300,000		14,300,000	
TOTAL	\$	2,757,944	\$	90,568,190	\$	93,326,134	

DEPARTMENT OF TRANSPORTATION/**OTHER** The Governor's budget includes several additional policy packages.

MAJOR CHALLENGES AND DECISION POINTS

- ConnectOregon V continues a four-biennium program to invest in air, rail, marine, and transit infrastructure, improving connections between the highway system and other modes of transportation; 134 projects are complete and 64 additional projects are in the design and construction phases. The program is supported by Lottery bond proceeds and Lottery Funds debt service. In total, ConnectOregon I -IV provided \$340 million. Debt service in 2013-15 for I – IV is \$47.1 million. ConnectOregon V adds no 2013-15 debt as the bond sale is late in the biennium.
- 2. The Governor added Package 513, Oregon Sustainable Transportation Initiative (OSTI). It provides funding for the Department of Land Conservation and Development to support one of three Planner 3 positions. The work involves integrating the Governor's 10-year energy plan with transportation planning, such that sustainability scenarios related to greenhouse gas production are included in the planning process.
- 3. The Lane Transit District package provides \$15.2 million bond proceeds for local match for the **West Eugene EmX** Extension and General Fund debt service of \$757,944. This will attract \$75 million federal funding. The entire project will provide a 61-mile network of

connected rapid transit corridors by 2031, to reduce congestion in the Eugene/Springfield area. In 2011-13, the state provided \$4.3 million lottery bond funding for the project.

- 4. The Governor adds back \$2 million General Fund for **Senior and Disabled Transit**. It was in the 2011-13 budget as one-time funding. This will fund grants to local transit districts supporting senior and disabled citizens.
- 5. Passenger Rail funding would allow the two daily Amtrak Cascades roundtrips between Eugene and Portland to continue to operate. Normally these trips are funded by the sale of custom license plates. In 2013-15, however, that funding is estimated to fall \$14.3 million short. State highway funds cannot be used. Ridership has increased 37% from 2007 to 2011. Ticket sales, however, do not support the entire cost. If the package is not funded, roundtrips will be reduced to one per day. Also, there are two new Talgo train sets expected to be delivered to Oregon in March 2013. Without operations funding, the sets will not be used and Oregon would need to lease or sell them. Negotiating final costs with Amtrak could be complete sometime between September and December 2013.

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DEPARTMENT OF TRANSPORTATION/DEBT SERVICE

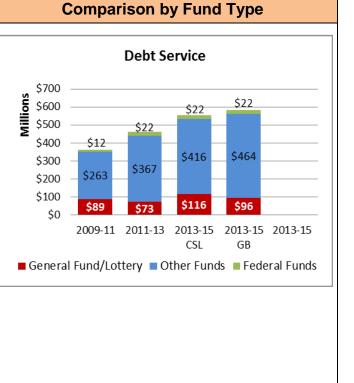
DEBT SERVICE	2009-11 Actuals	2011-13 Leg. Approved	2103-15 Current Service Level*	2013-15 Governor's Budget	2013-15 Co- Chairs' Budget (1.0)	%change 2013-15 CSL to 2013- 15 GB
General Fund	8,999,171	10	21,137,928	757,944	-	-96%
Lottery Funds	80,439,321	72,614,930	95,261,416	95,261,416	-	0%
Other Funds	251,268,982	367,214,388	415,690,341	464,052,646	-	12%
Other Funds Nonlimited	11,440,948	-	-	-	-	n/a
Federal Funds Nonlimited	11,921,871	21,621,528	21,621,529	21,621,529	-	0%
TOTAL FUNDS	\$ 364,070,293	\$ 461,450,856	\$ 553,711,214	\$ 581,693,535	\$-	5%

Major Revenues

- The Highway Fund and Federal Funds support general obligation and revenue bonds for roads and bridges. Oregon Transportation Initiative Act (OTIA) I, II, and III and the Jobs and Transportation Act (JTA).
- Federal funding provides an interest subsidy on taxable OTIA bonds, such that the state can issue them at a cost not greater than tax-exempt bonds. In 2013-15 the amount is \$21.6 million and will be used for debt service payments.
- Lottery bonding supports non-road projects such as short line and industrial rail spur infrastructure, Metro commuter rail, Portland street car, and the air, marine, rail, ports, and ConnectOregon projects.
- General Fund is to be used for the State Radio Project insofar as it is balanced against the highway fund according to the OSP/ODOT usage split.

Budget Environment

- The federal government is offering funding for the Columbia River Crossing. The Governor's budget assumes dedicated revenue bond proceeds in 2013-15 of \$450 million, and debt service of \$43.1 million.
- Infrastructure conditions favor borrowing as a quicker way to repair distressed roads and bridges, adding debt service obligations.



		1. Other and Federal Funds debt service in the 2011-13 LAB is 10% of total Other and Federal funds budget. In the 2013-15 budget, that number rises to 12%. The issue is determining the proper amount of borrowing and of debt to carry, given that highway fund revenues are not rising as fast as costs to maintain and repair the transportation infrastructure.
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