

Department of Transportation

	2011-13 Actuals	2013-15 Leg. Approved*	2015-17 CSL LFO	2015-17 Governor's
General Fund	1,970,000	11,060,000	17,289,285	37,697,995
Lottery Funds	72,614,922	93,953,970	114,855,747	113,842,213
Other Funds	2,793,642,941	3,838,134,402	3,099,642,389	3,203,891,886
Non-limited Other Funds	242,708,238	514,529,209	18,158,214	18,158,214
Federal Funds	111,311,859	121,380,415	107,136,132	110,160,851
Non-limited Federal Funds	21,621,529	21,621,529	21,621,529	21,621,529
Total Funds	3,243,869,489	4,600,679,525	3,378,703,296	3,505,372,688
Positions	4,629	4,553	4,550	4,516
FTE	4,511.65	4,465.97	4,452.98	4,416.81

*includes Emergency Board and administrative actions through December 2014

Program Description

The Oregon Department of Transportation (ODOT) develops, maintains, and manages Oregon's transportation system in a safe and efficient manner that enhances the state's economic competitiveness and livability. The agency administers programs related to Oregon's system of highways, roads and bridges; railways, public transportation services, transportation safety, driver and vehicle licensing, and motor carrier regulation. The five-member Oregon Transportation Commission and the Department's director are all appointed by the Governor and confirmed by the Senate. Historically, ODOT has focused primarily on constructing and maintaining highways. Increasingly, however, the agency has emphasized the multi-modal nature of Oregon's transportation system, and using designated General, Federal, and Lottery Funds, it has broadened its focus to develop alternatives to automobiles and trucks in congested areas and otherwise underserved areas.

Major Department divisions include the Highway Division, containing programs for building, preserving, modernizing, maintaining, and operating the state's 8,000 miles of highways and more than 2,700 bridges; the Driver & Motor Vehicle and Motor Carrier divisions, licensing drivers and vehicles and regulating the commercial transportation industry; and the Transportation Program Development division, which administers the ConnectOregon multi-modal grant and loan program, among other responsibilities. Other programs include Public Transit, Rail, Transportation Safety, and Central Services.

CSL Summary and Issues

ODOT’s largest revenue sources are motor fuel taxes, weight-mile taxes, driver and vehicle license fees, federal highway funds, and bond proceeds. The Department is managing to its declining federal and fuel tax revenue sources by gradually “right-sizing” the agency to its anticipated ongoing revenue streams. Reduction packages in each division reduced the agency’s requested budget by a total of \$22.2 million and 82 FTE. 2015-17 will be the second biennium of “right-sizing” efforts, which are intended to achieve an ongoing balanced budget through attrition and business process improvements rather than layoffs.

Other revenue sources include fees and charges for such things as Sno-Park permits, truck registrations, and specialty license plates. Lottery Funds pay for debt service on non-highway projects funded by the *ConnectOregon* grant and loan program. General Fund supports senior and disabled transit, debt service associated with the State Radio Project, and passenger rail. The chart below shows the differences in proposed General Fund appropriations between the Co-Chairs’ budget framework and the Governor’s budget.

Comparison of Co-Chair Framework to Governor's Budget			
<i>General Fund Only</i>			
ODOT 2015-17			
Item	Co Chair Framework	Governor's Budget	Difference
DMV/ODVA Information Sharing	51,835	51,835	0
Senior & Disabled Transit	9,270,000	9,270,000	0
Debt Service: State Radio Project	7,967,450	7,967,450	0
Passenger Rail	5,000,000	10,408,710	5,408,710
Highway Fund Repayment*	0	<u>10,000,000</u>	<u>10,000,000</u>
Total:	22,289,285	37,697,995	15,408,710

**For expenses incurred by the Highway Fund on behalf of the Oregon State Police for the State Radio Project.*

Other requested policy option packages include:

- \$32.7 million Other Funds limitation and 45.8 FTE to modernize the DMV’s business processes and associated information technology systems. This project is currently estimated to take ten years to complete at a total cost of about \$90 million.
- A related \$6.3 million Other Funds limitation request to allow the DMV to pay the merchant fees associated with the use of debit and credit cards for payments in field offices.

- \$100 million in net Lottery bond proceeds for the *ConnectOregon* multimodal transportation grant/loan program. The Governor’s Budget includes \$58.6 million in Lottery bond proceeds for this program.

ODOT’s capital improvement requests total \$14 million in Other Funds limitation for:

- Major repairs and replacements, \$2 million

- Construction of a maintenance station on I-84 (Meacham), \$7.5 million
- Construction of a maintenance station on the South Coast (Coos Bay), \$4.5 million.

Policy Issues

With the recovery of the economy, Oregon’s highway fund revenue streams are stabilizing, at least through the end of the 2015-17 biennium. ODOT’s three major revenue sources—motor fuel taxes, weight-mile taxes, and license and registration fees—are improving somewhat as motor fuel consumption, and trucking activity increase. As the population increases, DMV revenues should improve as well. The Road User Fee program—to test the feasibility of levying a per-mile charge on passenger and other light vehicles rather than a gas tax—will begin in July, 2015, further extending the “user pays” principle in the state’s transportation finance model. Federal funding, however, is currently unstable: while the federal MAP-21 program is authorized through May, 2015, longer-term federal funding for surface transportation has not been authorized. The agency has taken a conservative approach to budgeting federal funds for 2015-2017, requesting limitation of \$850 million for projects and services the federal government has already approved, whether planned or underway.

Major capital investment programs authorized in the past fifteen years—Oregon Transportation Investment Acts I-III, the Oregon Jobs and Transportation Act, and construction projects funded with American Recovery and Reinvestment Act (ARRA) dollars—will by and large be completed shortly after 2018. These bond-funded programs have supported a robust heavy construction industry in Oregon, which has built or repaired hundreds of miles of roads and bridges. The “long tail” of debt service on the borrowed funds, combined with very slow growth in local revenues, uncertain Federal revenues, and the effects of inflation will limit Highway Fund expenditures in future years to highway maintenance projects, agency operations, and debt service payments, leaving nothing for construction programs to address population growth, transportation system enhancements, or other improvements.

Oregon will undoubtedly require transportation system improvements in the future to address seismic concerns and to maintain the state’s economic competitiveness. Recently-published reports detail the cost of seismically retrofitting Oregon’s bridges, and the cost to Oregon’s economy of allowing transportation infrastructure to deteriorate. The *Seismic Plus* report recommends a phased approach to retrofitting, renovating, or replacing Oregon’s bridges at a total estimated cost of \$5.13 billion through all five phases, covering 718 bridges and the cost of stabilizing 1,185 rockfalls and landslides. The *Rough Roads Ahead* report evaluates the impact of deteriorating bridge and highway infrastructure on Oregon’s economy, with particular emphasis on the effects on business competitiveness of higher transport costs due to traffic congestion, poor pavement conditions, and bridge weight restrictions. Maintaining the highway system to its current state of repair is estimated to cost \$405 million per year more than is currently budgeted for this purpose. By way of comparison, ODOT’s Highway Maintenance program has budgeted \$473 million for the 2015-2017 biennium. The total budget for the

Highway Division in the upcoming biennium—including the Preservation, Bridges, Safety & Operations, Modernization, Special Programs, and Local Governments programs—totals almost \$2.2 billion.

The DMV collects one of the three largest sources of revenue for ODOT using largely manual, paper-based processes and antiquated information technology systems. The Department finds itself increasingly out of step with business processes expected by its customers, and has difficulty programming its systems to meet modern business and information security requirements. Beginning in 2015-17, the DMV is proposing a service transformation project to overhaul both its business processes and its information technology. The agency will be seeking about \$32.7 million in Other Funds expenditure limitation and 45.8 FTE in the 2015-17 biennium. The project is currently estimated to take ten years and cost about \$90 million.

Other Significant Issues and Background information

It should be noted that \$7.9 million of General Fund in the Department’s base budget is a part of a larger General Fund request related to debt service associated with the State Radio Project. ODOT’s agency requested budget contained a policy option package to appropriately allocate financial responsibility for the project between ODOT/the State Highway Fund and other users of the system, primarily the State Police. This package was not included in either the Co Chairs’ framework budget or the Governor’s budget. Shared support for the State Radio Project between ODOT and other system users remains an open question.

Recent Oregon Transportation Commission meetings have heard concerns about rail freight safety, particularly about oil cargo, but also about coal transport. The main north-south rail line through Oregon is at capacity, affecting both freight movement and passenger rail; traffic congestion on rail lines is a national issue as well. Relatedly, Oregon’s passenger rail service does not have an adequate ongoing source of operating funding.

Legislation affecting ODOT (2013 and 2014):

- HB 2264, driver education programs
- HB 2265, photo radar in highway work zones
- HB 2708, Fallen Hero roadside memorial signs
- HB 2800, Interstate 5 bridge replacement project
- HB 2973, repealing highway maintenance pilot project
- HB 3438, photo radar in school zones
- SB 260, *ConnectOregon V*

- SB 487, slow-moving vehicle emblem requirements
- SB 810, voluntary program for vehicle road usage charges
- SB 833, driver cards
- HB 4047, Task Force on Transportation and Customer Service Efficiency
- HB 4131, payment of fuel taxes for alternative fuel vehicles
- HB 4149, expedited vehicle titling

Secretary of State audits 2013-15:

- Oregon Department of Transportation: *Better Workforce Planning Needed to Maintain Staff Expertise for Quality Construction* Report No. 2014-12, June 2014
- Oregon Department of Transportation: *Statewide Single Audit of Selected Federal Programs for the Year Ended June 30, 2013* Management Letter, April 2014
- Oregon Department of Transportation: *Selected Financial Accounts For the Year Ended June 30, 2013* Management Letter, April 2014
- Oregon Department of Transportation: *Weight-Mile Tax Collections Can Benefit the State and Commercial Motor Carriers.* Report No. 2013-32, December 2013
- Oregon Department of Transportation: *TEAMS Computer System is Reliable, but Some Controls Need Strengthening* Report No. 2013-25, August 2013

Emergency Board Actions 2013-15:

- May, 2014 Emergency Board Item #41 established a \$1,590,307 Federal Funds Capital Construction expenditure limitation and a \$278,841 Other Funds Capital Construction limitation for the renovation of the Salem Baggage Depot next to the Amtrak passenger rail station in Salem, Oregon.
- December 2014 Emergency Board item #18 allocated \$1,680,000 for special needs transportation to the Oregon Department of Transportation from the special purpose appropriation made to the Emergency Board for senior services.

2013-15 Budget Notes:

- The Department was directed to prepare and submit a report to the Legislature on **the effects of implementing SB 833**. This measure was referred for a vote of the people and was defeated, negating the requirement for a report.

- The Department was directed to develop a **comprehensive report on highway and corridor feasibility studies** that have been completed over the last ten years and the actions that the studies generated, particularly studies that addressed east-west corridors across the state. The required report was presented to the Transportation and Economic Development subcommittee of the Joint Ways and Means Committee at its February 11, 2014 meeting during the 2014 Legislative session.
- The Department was directed to provide a **report on all internal audits** performed during the 2011-13 biennium. The required report was presented to the Transportation and Economic Development subcommittee of the Joint Ways and Means Committee at its February 11, 2014 meeting during the 2014 Legislative session.
- The Department was directed to **ensure that ConnectOregon V funds are used efficiently and effectively**. One recommended action is to withhold five percent of ConnectOregon V project awards, releasing the amounts withheld after project completion and upon receipt of performance reports. As required by the budget note, ODOT has included retainage withholding and release requirements in its ConnectOregon grant agreements. Retainage is withheld at 5% of the reimbursement amount. The Department has not encountered any issues with receiving reports to date, as none of the ConnectOregon V projects are yet complete.

Co-Chairs' Budget Framework Discussion

Other than funding for the passenger rail program, no specific budget details or issues were identified in the Co-Chairs' budget framework for this agency.