

## Transportation

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	22,056,357	23,456,104	23,456,104	45,433,147	35,172,907
Lottery Funds	107,484,140	114,604,964	113,596,792	118,775,740	118,775,740
Other Funds	3,387,766,797	3,654,291,921	3,822,653,506	4,150,258,956	4,285,014,331
Other Funds (NL)	532,100,569	18,158,214	173,412,455	18,000,000	18,000,000
Federal Funds	118,275,491	105,699,330	105,756,768	112,026,315	111,945,060
Federal Funds (NL)	21,621,529	21,575,775	21,575,775	21,243,619	21,243,619
<b>Total Funds</b>	<b>4,189,304,883</b>	<b>3,937,786,308</b>	<b>4,260,451,400</b>	<b>4,465,737,777</b>	<b>4,590,151,657</b>
Positions	4,510	4,537	4,716	4,688	4,770
FTE	4,400.89	4,425.34	4,502.97	4,590.79	4,663.41

\* Includes Emergency Board and administrative actions through December 2018.

### Program Description

The mission of the Oregon Department of Transportation (ODOT) is to provide a safe and reliable multimodal transportation system that connects people and helps Oregon's economy thrive. ODOT is overseen by a five-member, citizen-led board called the Oregon Transportation Commission. Members are appointed by the Governor and confirmed by the Senate.

Key responsibilities include:

- Maintain, preserve and modernize state roads
- Issue driver licenses, driver permits, and identification cards
- Title and register vehicles
- Regulate and inspect vehicle-related businesses, and commercial trucks and buses
- Provide grants for transportation services to local governments and non-profit organizations
- Collect revenue from motor fuel taxes, and other vehicle and driver-related taxes and fees

The Oregon Constitution requires revenue from motor fuel taxes, weight-mile taxes, vehicle taxes, and driver fees to be used for highway projects (roads). These constitutionally-dedicated moneys represent the largest share of the agency's resources. Lottery Funds pay for debt service on non-highway projects supported by the Connect Oregon program. General Fund is used for debt service, rail, and senior and disabled transit. Some notable new sources of funding for "non-highway" programs administered by ODOT include the 0.1% statewide payroll tax, the vehicle dealer privilege tax, and the bicycle excise tax.

### CSL Summary and Issues

- The 2019-21 current service level (CSL) budget is \$4.46 billion (all funds). This is an increase of \$198.1 million (or 4.6%) over the 2017-19 legislatively approved budget (LAB). This increase represents the net change after all phase outs for completed projects and one-time costs, phase-ins for scheduled project payments in the next biennium, and adjustments for debt service, inflation and government service charges.

<b>ODOT CSL All Funds Budget by Program</b>		
<b>Program</b>	<b>2019-21 CSL</b>	<b>% of Total</b>
Highway	2,687,901,358	60.19%
Debt Service	549,772,522	12.31%
Public Transit	356,306,339	7.98%
Central Services	265,983,168	5.96%
Trans Dev	222,206,329	4.98%
DMV	213,168,088	4.77%
Rail	73,926,594	1.66%
Motor Carrier	70,619,707	1.58%
Infrastructure Bank	18,000,000	0.40%
Cap Improvement	7,853,672	0.18%
<b>Totals</b>	<b>\$4,465,737,777</b>	<b>100%</b>

- The **General Fund** portion is \$45.4 million, an increase of \$21.9 million (or 93.7%) over the 2017-19 LAB. This increase, as well as the **Lottery Funds** increase of \$5.2 million, is almost entirely driven by debt service. The CSL budget assumes debt service for the State Radio Project (\$21.2 million) will be paid using General Fund monies.
- **Other Funds** increased \$327.6 million (or 8.6%) compared to the 2017-19 LAB. This increase is driven by the implementation of HB 2017, and mostly affects Highway Division and Public Transit programs.
- The 2019-21 CSL budget for **Highway Division** programs is \$2.69 billion. This is a net increase of \$160.6 million or 6.4% compared to the 2017-19 LAB. The budget phases in \$463 million for HB 2017 projects added to the Statewide Transportation Improvement Plan (STIP). It phases out \$191 million for projects associated with the Jobs and Transportation Act.

ODOT Highway Division: Comparison of 2017-19 LAB to 2019-21 CSL				
State Highway Fund				
	<b>2017-19</b>	<b>2019-21</b>		
	<b>Legislatively</b>	<b>Current Service</b>		
<b>Program</b>	<b>Approved</b>	<b>Level</b>	<b>Change</b>	
			<b>Program Description</b>	
Maintenance	\$541,271,924	\$567,207,836	\$25,935,912	Snow/ice removal, pavement and shoulder repair, debris removal, and emergency response
Preservation	274,001,494	403,955,652	129,954,158	Resurface rough pavements on highways to add useful life and maintain safety
Bridge	325,853,130	552,126,635	226,273,505	Inspect, repair, preserve and replace 2,700 bridges, tunnels and culverts for safety
Operations	263,369,158	387,456,104	124,086,946	Landslide mitigation, traffic signaling, lighting improvements, traveler information
Modernization	344,154,839	166,105,480	-178,049,359	Build capacity improvements, such as new or widened lanes
Special Programs	367,926,888	403,518,038	35,591,150	Develop/maintain footpaths and bicycle trails, snowmobile facilities, and technical support
Local Government	410,699,743	207,531,613	-203,168,130	Partnerships with cities, counties, and regional governments to improve local road system
<b>Totals</b>	<b>\$2,527,277,176</b>	<b>\$2,687,901,358</b>	<b>\$160,624,182</b>	

- The 2019-21 CSL budget for **Public Transit** is \$356.3 million, an increase of \$193.6 million or 119%. HB 2017 provides a significant and ongoing increase in the base funding for the primary system of transit service delivery. Funds are distributed through formula-based and discretionary grants. The Statewide Transportation Improvement Fund (STIF) created by HB 2017 is supported by proceeds from the 0.1% payroll tax that took effect in January 2018.
- The CSL budget includes \$1.5 billion in **Federal Funds** from formula-based and competitive grants, an increase of about \$300 million, mostly for highway projects identified in the STIP. Most federal funds are budgeted as Other Funds since they are typically received as reimbursements to the State Highway Fund.
- The CSL budget assumes \$480 million in revenue bond proceeds. Authorization for these bonds was included in HB 2017.

### Policy Issues

**HB 2017 (2017).** Increased existing taxes and fees (motor fuel and weight-mile taxes, and DMV title and registration fees) to support highway programs and projects. Established new taxes to support non-highway programs and projects, including a new vehicle dealer privilege tax and bicycle excise tax to fund the Connect Oregon program, and a 0.1% payroll tax to fund investments in public transit. Requires OTC to allocate \$647 million to specific highway projects by January 1, 2024. Authorizes ODOT to issue highway use tax bonds for net proceeds of \$480 million to fund identified projects.

The Legislature has approved a total of 230 positions to implement HB 2017; 51 positions (35.63 FTE) were provided in HB 5045 (2017), and 179 positions (77.63 FTE) were provided in HB 5201 (2018). As part of the 2019-21 budget, ODOT is seeking an additional 44 positions (44.00 FTE) for HB 2017 workload.

**Connect Oregon.** The Connect Oregon program provides competitive grants to public, non-profit and private entities for investments in air, rail, marine and bicycle and pedestrian infrastructure. Since the program's inception in 2005, the Legislature has authorized \$457 million in tax exempt lottery-backed bonds with the goal of creating a diverse and efficient transportation system. The Lottery bond proceeds have been used to leverage hundreds of millions of dollars in public and private matching funds for projects across the state.

The Legislature's reliance on bonds to fund Connect Oregon has been necessitated by the lack of other sources of state support for investments in non-highway infrastructure. The state constitution prohibits use of highway fund monies for non-highway projects. However, in the 2017 legislative session, with the passage of HB 2017, the Legislature established dedicated sources of funding for the Connect Oregon program: the vehicle dealer privilege tax, and the bicycle excise tax, both of which took effect on January 1, 2018. These new taxes will provide ODOT an ongoing stream of revenue for Connect Oregon, and, in so doing, may relieve some pressure on the Legislature to authorize highly sought-after Lottery bonds for this program. Requests for Lottery bond proceeds typically far exceed capacity.

**REAL ID Implementation.** The REAL ID Act was passed by Congress in 2005, based on recommendations from the 9/11 Commission. It established standards that state-issued driver licenses and identification cards must meet to be accepted for certain federal purposes. In the 2017 legislative session, the Legislature passed Senate Bill 374 allowing DMV to issue REAL ID-compliant driver licenses and ID cards beginning July 2020. Previously, Oregon law prevented the issuance of REAL ID cards. The REAL ID cards will be optional. Oregonians who do not wish to get one can keep their standard driver license or ID cards. The federal government grants extensions to states that are working towards issuing REAL ID cards. Oregon currently has an extension valid until October 10, 2019. The extension means Oregonians can continue to use their current ID to board commercial aircraft and enter secure federal facilities.

**DMV Service Transformation Program.** The Service Transformation Program (STP) is a ten-year \$90 million project to transform DMV business processes and replace obsolete technology to enable more online and self-service capabilities, reduce paper processes, and streamline transactions for DMV, partner agencies and the public. It began during the 2015-17 biennium and is anticipated to extend through the 2023-25 biennium. During the 2015-17 biennium, DMV created a project governance structure, formed a program team, and procured a commercial off the shelf system. In the 2017-19 biennium, DMV has worked with Fast Enterprises to configure a software solution and update business processes. The new and improved Vehicles System is scheduled to begin roll out in January 2019. Work on the Driver System will begin in the last quarter of 2017-19 and continue into the 2091-21 biennium.

**State Radio Project Debt Service - Cost Sharing.** The State Radio Project (SRP) modernized the statewide public safety communication system used by ODOT and the Oregon State Police (OSP). The project was financed by bonds. As of January 1, 2018, the principal and interest on those bonds have an estimated total cost at maturity of \$258.7 million.

There has been a longstanding expectation that these project costs would be split between the State Highway Fund (SHF), which is ODOT's main source of support for highway projects, and the General Fund (GF), which is OSP's main source of support. The basis for cost sharing is

twofold: (1) the state radio system is a shared system, and (2) SHF monies are constitutionally dedicated to highway expenses and therefore cannot be used to support OSP system usage.

Historically, ODOT has assumed the costs would be evenly split, 50% SHF and 50% GF. Each biennium, the agency budget requests GF monies equivalent to half the estimated debt service. The Legislature generally has not gone along with this proposed funding scheme. Of the \$143.1 million approved by the Legislature to date for SRP debt service, for example, \$130.7 million (91.4%) was SHF and \$12.4 million (8.6%) was GF.

Since the SHF has now paid more than half of the estimated total debt service, ODOT asserts that all future SRP debt service must be paid from the General Fund. Accordingly, the 2019-21 agency request budget proposes to pay the full debt service for the biennium (\$21.2 million) using General Fund monies.

#### Other Significant Issues and Background

Some highlights of the Governor's Budget include

- HB 2017 Implementation: \$8.9 million OF and 44 positions (44.00 FTE)
- State Radio Program Operations and Maintenance: \$11.9 million OF
- DMV Service Transformation Project: \$22.1 million OF
- DMV Service Transformation Maintenance and Support: \$3.6 million OF
- REAL ID Implementation: \$3.7 million OF and 24 positions (15.12 FTE)
- DMV Third Party Driver Testing: \$527,374 OF and 3 positions (3.00 FTE)
- Open Data Web Portal - HB 3361: \$707,080 OF and 3 positions (3.00 FTE)
- Information Security and Compliance Positions: \$1.2 million OF and 5 positions (5.00 FTE)
- Capital Construction: \$12.0 million for South Coast Maintenance Station and \$8.0 million for Central Coast Maintenance Station
- Connect Oregon: \$20.0 million
- Southwest Corridor Light Rail Extension: \$25.2 million