

Oregon Department of Transportation

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
General Fund	23,456,104	25,306,026	118,926,339	18,371,940	18,371,940
Lottery Funds	113,596,785	115,592,980	115,171,361	126,019,800	125,155,188
Other Funds	3,177,138,042	4,226,441,397	4,788,882,934	4,501,609,074	5,301,523,418
Other Funds (NL)	159,904,194	18,000,000	1,342,190,947	18,000,000	18,000,000
Federal Funds	76,499,539	113,670,758	310,512,126	126,003,195	125,925,657
Federal Funds (NL)	20,156,997	21,243,619	21,243,619	--	--
Total Funds	3,570,751,661	4,520,254,780	6,696,927,326	4,790,004,009	5,588,976,203
Positions	4,706	4,867	4,867	4,759	4,759
FTE	4,485.91	4,710.09	4,710.09	4,654.19	4,659.19

* Includes Emergency Board and administrative actions through January, 2021.

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 communities and economy thrive. This is accomplished through ODOT's administration of programs centered around the following key responsibilities:

- Maintain and modernize Oregon's system of highways, roads, and bridges;
- 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 to local governments and non-profit organizations.

ODOT also is responsible for overseeing safety and development of passenger and freight railways; initiatives to reduce highway fatalities; policy development and distributing federal and state grant funding for public transit services; and coordinating local, state and federal transportation priorities through regional and state planning efforts.

Due to scheduled phase-ins of fees and taxes prescribed by HB 2017 (2017 session), State Highway Funds have recently replaced revenue from Federal Funds (budgeted as Other Funds) as the largest share of agency resources. State Highway Funds are constitutionally dedicated motor fuel taxes, weight mile taxes and driver and vehicle fees. General Fund and Lottery Fund revenues in the 2021-23 Governor's Budget are limited to debt service on projects related to the Connect Oregon program, the Highway Improvement projects and State Radio Project.

Transportation Operating Fund revenues (which are unrefunded gas taxes for non-road use fuel, such as for lawnmowers) serve as flexible source of funding that can be used to fund projects or directives that are not eligible for Highway or Federal Funds.

CSL Summary and Issues

The 2021-23 current service level budget is \$4,790,004,009 (all funds). This is a \$1.7 billion, or 26.42%, reduction from the 2019-21 legislatively approved budget. The change is due primarily to one-time expenditures not continued in CSL that were made in the current biennium for safety measures and debris removal stemming from wildfires. In addition, ODOT reports that \$21.2 million in Federal Funds Non-limited expenditures related to debt service was mistakenly removed from CSL during the process of building the budget, and will need to be corrected.

The Current Service Level consists of:

- \$11.2 million in non-PICS Personal Services adjustments across divisions, including estimated increases in expenses related to employee benefits;
- \$240 million in phased-in expenses related to timing of projects approved for action in the 2019-21 biennium
 - \$84 million in local government grants for highway fund projects
 - Ongoing costs (licensing software and maintenance) of the Planning, Data and Analysis Division totaling \$852,067;
 - \$75.6 million for special programs projects including investments in ADA ramps
 - \$22.1 million in new preservation projects assumed for 2021-23
 - \$26 million in new highway maintenance projects;
 - \$19.5 million in new highway modernization projects;
 - \$4.1 million in DMV for maintenance and support costs associated with the new Driver and Vehicle system that has been implemented by the Service Transformation Project
 - \$8 million for additional Motor Carrier Safety Assistance grants expected to receive Federal Funds in 2021-23;
- \$179.5 million in phased-out expenditures, including:
 - \$32.4 million in Highway maintenance projects
 - \$84.5 million in Bridge projects
 - \$50.3 million in modernization projects
 - \$10 million in expenses related to the DMV Service Transformation project, reflecting completed portions of the program;
 - \$2 million in one-time transportation safety initiatives
- Inflation factors applied to personal services and services and supplies, totaling \$136.1 million

Policy Issues

Agency priorities for 2021-23 include an emphasis on economic opportunity and inclusivity for both workforce and stakeholders; investments in transportation system preservation, safety, access, congestion relief, and technology, while also considering climate change; and sufficient

and reliable funding. Environmental factors impacting the Department include increasing population (which drives demand for services and congestion on roads); aging transportation infrastructure that is increasingly costly to maintain; and increases in highway fatalities since 2013.

As vehicles gain efficiency, less is collected in fuel tax revenue to support projects and eligible operations costs that can be directly tied to highway fund-related activities. For more general operating expenses (such as centralized services including Human Resources, communications, accounting for other programs, etc.), ODOT relies on a cost allocation model which charges expenses against Other Funds and Federal Funds pursuant to each grant and funding stream's rules and restrictions. ODOT anticipates an inflexion point sometime in the 2025-27 biennium when cost growth for operating expenses exceeds available revenue. As such, it has begun evaluating business practices, prioritizing activities, and seeking efficiencies in an effort to keep its operating expenditures and available revenue in balance.

Wildfire - The 2021-23 legislatively adopted budget will likely need to be adjusted to reflect continued costs related to wildfire clean-up activities. While some costs are expected to be reimbursed with FEMA dollars (an estimated \$76.50 million FF), an additional \$47.1 million GF will be required for the state's portion of matching dollars (25% of the total FEMA eligible costs), and non-FEMA eligible costs such as most commercial properties and structures on federal lands. Work related to tree and road clearing is expected to be completed by October, 2021, while structural debris removal will likely be ongoing through April, 2022.

Other Significant Issues and Background

Real ID - A continued surge in those seeking a Real ID is expected as the federal deadline of October 1, 2021 nears for requiring additional documentation for activities including flying and entering certain federal buildings. These transactions can only be done in person at DMV offices, and take longer to process. To handle the surge in expected demand, ODOT has proposed extending 25 limited duration positions (6.25 FTE) for a period of six months into the 2021-23 biennium for the program. If granted, the positions would be supported with Other Funds from the Real ID surcharge fee of \$30.

HB 2015 eliminated a requirement that a person provide proof of legal presence before they could be issued a noncommercial driver license or permit, or identification card. The agency had to be ready to issue these documents by January 1, 2021. The agency reports that it conducted 4,000 Spanish language drivers tests in the first week compared to the typical number of 5000 for an entire year. Based on this and other states' experience, ODOT is estimating that 60% of those now eligible will apply for documents in the first six months of availability. Actual administration of these exams is expected to take longer due to COVID-related guidance that limits the capacity of field offices to appointment only services and limitations on the number of employees and customers in buildings. To address inquiries and meet the demand for the documentation, ODOT will be proposing to continue 42 limited duration positions (10.5FTE) for the first six months of the 2021-23 biennium and 17 limited duration positions for one year (8.5 FTE), at a cost of \$3.1 million Other Funds. It should be noted that due to the amount of time required to administer both knowledge and practical driver exams, the fees charged do not cover the full cost of providing these services, but are instead subsidized by vehicle charges (such as registration and title fees).

HB 2017 - HB 2017, the Transportation Funding Package, passed by the 2017 Oregon Legislature, established a historical investment in Oregon's transportation system. Once fully phased in, the total investment will be more than \$600 million in annual revenue across all modes of transportation in the state. The legislation included increases to the motor fuels tax; vehicle title and registration fees; and the weight-mile tax on heavy trucks. HB 2017 also created new sources of revenue, establishing a 0.5 % privilege tax on new vehicle purchases, a 0.1% employee payroll tax (transit tax), and a \$15 tax on purchases of new adult bicycles costing \$200 or more. These new and increased taxes and fees fund improvements to the transportation system and reduce congestion, increase transportation options, and enhance safety. This legislation provides additional revenue for these specific categories of projects: bridge and seismic retrofitting; and preservation and culverts; and maintenance, providing 16.6% of all available funding for projects in these categories in the 2019-20 Fiscal Year. According to a December 2020 report, \$718.9 million in revenue was anticipated for the 2019-21 biennium, of which ODOT retained \$355.7 million, plus \$20 million set aside for Safe Routes to Schools projects. ODOT projects \$773.3 million in 2021-23, assuming escalations in HB 2017 fees and fuel taxes occur pursuant to statutory triggers (which ODOT reports is on track to happen). Distributions related to the Rose Quarter project begin after the next 2 cent gas tax increase goes into effect in 2022. HB 2017 funds have supported or will support 119 projects in whole or in part between 2017-2023. ¹

Interstate Bridge Replacement Program - The Interstate Bridge Replacement Program (on Interstate 5 over the Columbia River), a partnership between Oregon and Washington, began the task of establishing the cooperative partnerships and decision-making processes to address needed improvements, as well as estimate the resources necessary to complete the project. A preliminary range of capital costs for the program is estimated between \$3.2 and \$4.8 billion, depending on the scope of improvements and transit mode. Funding is assumed to come from a combination of Federal Transit Administration Capital Investment Grant, toll revenue (which may include toll supported revenue bonds); and other existing and anticipated funding from each state. A preliminary estimated funding gap of \$1.8-2.3 billion still exists, and the program is transitioning to technical analysis and community engagement to identify solutions with broad support. To date, Oregon has committed \$15 million to the project. Even assuming everything goes perfectly, construction would not likely begin until the 2025-27 biennium. ²

Budget Note Reports - The Department of Transportation, per budget note, reported on the status of its legislatively directed consolidation of the Special Transportation Fund and Statewide Transportation Improvement Fund³. This consolidation was formalized through the passage of SB 1601 during the first 2020 Special Session.

¹ [HB2017_SemiannualRevenue&ExpenditureReport_Dec2020.pdf \(oregon.gov\)](#)

² [Interstate Bridge Replacement Program: December 2020 Progress Report \(oregon.gov\)](#)

³ <https://olis.oregonlegislature.gov/liz/2019I1/Downloads/CommitteeMeetingDocument/208878>

A report and request for funding for the City of Sherwood's Pedestrian Connector Project implementation ⁴ were also provided pursuant to budget notes included in HB 5050 (2019).

ODOT has not yet completed a study and provided a report on the estimated cost of completion of the I-5 Boone Bridge Project, per a budget note contained in HB 5050.

Audit and Management Reviews - In September 2020, The Secretary of State released a report calling on ODOT to standardize practices and elements related to work zone safety as it delivers transportation projects. ⁵ In December 2020, the Secretary of State Audits Division released the results of a risk assessment related to reviewing the engineering rates charged by firms ODOT contracts with⁶. The assessment was conducted at the request of ODOT. ODOT's current procedures were found to be generally sound, but improvements were suggested to ensure that references to appropriate guiding documents were up to date and appropriately identified.

Governor's Budget - The Governor's Budget includes standard adjustments to DAS charges, Attorney General rates, long-term vacancies, elimination of services and supplies inflation, and savings related to software solutions. Program Option Packages are included for replacement of two maintenance stations, and for replacement of Heating, Ventilation, and Airconditioning systems in agency owned buildings, totaling \$32 million Other Funds.

Key Performance Measures

A copy of the ODOT Annual Performance Progress Report can be found on the LFO website:

https://www.oregonlegislature.gov/lfo/APPR/APPR_ODOT_2020.pdf

⁴ <https://olis.oregonlegislature.gov/liz/2019I1/Downloads/CommitteeMeetingDocument/208945>;
<https://olis.oregonlegislature.gov/liz/2019I1/Downloads/CommitteeMeetingDocument/208746>

⁵ <http://records.sos.state.or.us/ORSOSWebDrawer/Recordpdf/7519833>

⁶ <http://records.sos.state.or.us/ORSOSWebDrawer/Recordpdf/7672728>