

ANALYSIS

Item 40: Department of Transportation Interstate 5 Bridge Replacement

Analyst: Michelle Deister

Request: Approve, retroactively, the submission of a federal grant application to the U.S. Department of Transportation, National Infrastructure Project Assistance program, in the amount of \$600,000,000 to fund a portion of costs related to the Interstate Bridge Replacement program.

Analysis: The Interstate Bridge Replacement (IBR) program is a joint project with the State of Washington to plan and construct the replacement of the aging Interstate 5 bridge with a modern, seismically resilient multi-modal structure that offers improved mobility for people and freight. A core project team focused on administration, planning and community engagement was approved in 2022.

The Oregon Department of Transportation (ODOT) is requesting \$600 million from the National Infrastructure Project Assistance (Mega) program to be distributed over six years. This federal grant application is one of three federal revenue sources that collectively comprise \$2.6 billion of estimated resources in the IBR program's current financial plan. In addition, Washington and Oregon have committed to providing \$1 billion each toward the total project cost, which is currently estimated to total \$6 billion based on an estimated range of \$5 billion to \$7.5 billion. The state contributions will serve as match for the federal grant applications. Tolls are also assumed as a component of the financial plan, with the Oregon and Washington State Transportation Commissions ultimately responsible for setting toll rates based on updated cost estimates, traffic studies and financial analyses. A summary of all anticipated project funding sources is included in the agency's request letter.

The project is currently working through federal environmental review. A draft Supplemental Environmental Impact Statement is anticipated to be published and open for public comment this winter. The modified Locally Preferred Alternative and program area improvements will be studied as a part of this process; after the public comment period closes, the modified Locally Preferred Alternative will be refined in response to public input and other design considerations. At that point, a final Supplemental Environmental Impact Statement will be submitted for review, which will result in an Amended Record of Decision issued by the Federal Highway Administration and Federal Transit Administration. The program can then apply for permits, update cost estimates, and establish contracts in early 2025, in anticipation of construction beginning in 2026.

ODOT provided a notification of its intent to apply for the grant on August 3, 2023 and the application deadline was August 21, 2023. If funding is awarded, ODOT will request an increase in expenditure limitation, as needed. In the event the application is unfunded, IBR will reapply at the next available opportunity. The IBR program will also engage in value engineering, potential construction phasing, and pursuit of other, smaller federal grants to ensure that resources are available to complete the project.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means approve the request.

Request: Retroactive authorization to apply for a \$600 million grant from the U.S. Department of Transportation with the Washington State Department of Transportation to assist in funding the Interstate Bridge Replacement program.

Recommendation: Approve the request.

Discussion: The Oregon Department of Transportation (ODOT) is working as co-applicants with the Washington State Department of Transportation (WSDOT) on the Interstate Bridge Replacement (IBR) program. The U.S. Department of Transportation (USDOT), National Infrastructure Project Assistance (Mega) grant program provides federal financial assistance for two categories of Mega grants: 1) projects between \$100 and \$500 million; and 2) projects greater than \$500 million. The federal grant coordinators last biennium encouraged the co-applicants to apply for both Mega grant programs for the IBR. The co-applicants received the smaller planning grant but did not receive the greater than \$500 million grant. USDOT combined both federal fiscal year 2023 and 2024 funding into a single funding opportunity totaling \$1.8 billion.

Interstate 5 (I-5) is a major west coast transportation route and the I-5 bridge between Oregon and Washington supports not only transportation for local jobs and families, but it is the major trade route for regional, national, and international economies. One span of the bridge is over 100 years old; the two existing structures are at risk of collapse in the event of a major earthquake.

The IBR program has an estimated range of cost between \$5.0 and \$7.5 billion, with anticipated costs closer to \$6.0 billion. The Mega grant program does not require all non-federal match funding to be immediately secured or identified. Mega program grants may be used for up to 60 percent of future eligible project costs; other federal assistance grants that are non-Mega grants may be used to meet a portion of the federal match. The maximum amount of funding from all federal grant sources may not exceed 80 percent of the total project costs. The 2023 IBR financial plan assumes the following funding sources listed on the following chart (next page):

Funding Source	Potential Funding Range (in millions)	IBR 2023 Financial Plan (in millions)	Funding Status
US ODOT Mega Grant Program	\$360 -\$600	*\$500	Anticipated
Federal Highway Administration Bridge Investment Program	\$500-\$1,200	*\$1,000	Anticipated
Federal Transportation Capital Investment	\$900 -\$1,100	\$1,000	Anticipated
State of Oregon	\$1,000	\$1,000	Committed
State of Washington	\$1,000	\$1,000	Committed
Toll Funding	\$1,100 - \$1,600	\$1,237	**Committed
Existing State Funding	\$198	\$198	Committed
Total	\$5,058 - \$6,698	\$5,935	

* This number identifies the targeted federal grant funding amount from the IBR 2023 financial plan. The program is submitting applications for \$600 million from Mega and \$1,200 million from the Bridge Investment Program to provide capacity and flexibility for different grant outcomes understanding that we may not get the full amount requested in applications.

** The preliminary financial capacity assessment by the Oregon State Treasurer confirms the viability of a \$1,237 million contribution under a base case financing scenario. Additional work will be done to assess the full financial capacity of net toll revenues.

ODOT submitted a 10-day request notice to apply on August 3, 2023. The federal grant notice notification was published on June 23, 2023, with an application submission date of August 21, 2023. The federal grant award date was not announced, but ODOT anticipates a late 2023 or early 2024 announcement. Should the co-applicants be successful in receiving the grant, ODOT may return to a future committee meeting to request additional Other Funds expenditure limitation. If the co-applicants are not awarded the Mega grant in 2023, they intend to apply again at the next opportunity.



Oregon

Tina Kotek, Governor

Department of Transportation
Office of the Director
355 Capitol St. NE
Salem, OR 97301

August 24, 2023

Senator Elizabeth Steiner, Co-Chair
Representative Tawna Sanchez, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairs:

NATURE OF THE REQUEST

Working in concert with the Washington State Department of Transportation (WSDOT), the Oregon Department of Transportation (ODOT) requests retroactive permission to apply for a National Infrastructure Project Assistance (Mega) grant for \$600 million from the US Department of Transportation (USDOT) to help fund the Interstate Bridge Replacement (IBR) Program. The Mega grant program was created by the Infrastructure Investment and Jobs Act (IIJA) and is making two years of funding (FY23 and FY24) available under this single funding opportunity in the amount of \$1.8 billion.

AGENCY ACTION

The Mega grant program provides federal financial assistance to two categories of Mega funding opportunities: (1) projects greater than \$500 million in cost; and (2) projects between \$100 million and \$500 million in cost. Grants will be awarded on a competitive basis to states, tribes, regional, and local governments for large, complex surface transportation projects that are difficult to fund by other means but hold national or regional significance. Competitive projects will meet the grant program goals of improving transportation safety, reducing surface transportation-related greenhouse gas emissions, increasing resilience to climate change, delivering equitable transportation options and access, promoting competitiveness of the U.S. economy, improving job opportunities, and accommodating new and emerging technologies.

The Notice of Funding Opportunity was issued by USDOT on June 23, 2023, and applications were due August 21, 2023. An award date has not been announced, but it is anticipated to occur in late 2023 or early 2024. ODOT, in partnership with WSDOT, has identified the Interstate Bridge Replacement Program (IBR) as an excellent candidate for a Mega grant as it aligns with many of the program goals.

Interstate 5 provides a critical connection between Oregon and Washington that supports local jobs and families, and is a vital trade route for regional, national, and international economies. With one span of the bridge now over 100 years old, the two existing structures are at risk of collapse in the event of a major earthquake and no longer satisfy the needs of modern commerce and travel. Replacing the aging Interstate Bridge across the Columbia River with a modern, seismically resilient, multimodal structure that improves mobility for people, goods, and services is a vital priority for the region, and beyond.

ODOT and WSDOT are jointly leading the IBR program work in collaboration with eight partner agencies from Oregon and Washington. The program is led by a Program Administrator hired jointly by the two states, and WSDOT and ODOT developed the team as equal project partners. Program work is being shaped by the direction and timelines established by both State’s governors, legislatures, and transportation commissions, and the program will continue to work closely with federal partners, permitting agencies, state and local elected officials, tribal governments, community groups, and the public.

The estimated cost for the IBR program is \$5 to \$7.5 billion, with a likely estimated cost of \$6 billion. Funding from a diverse range of sources is required, including federal grants, tolling, and state funds from both Oregon and Washington. The IBR program’s 2023 Financial Plan assumes the following funding sources and has secured funding from the designated entities:

Funding Source	Funding Range	Financial Plan	Status
USDOT Mega Grant Program	\$360-\$600 M	*\$500 M	Anticipated
FHWA Bridge Investment Program	\$500-1,200 M	*\$1,000 M	Anticipated
FTA Capital Investment	\$900-\$1,100 M	\$1,000 M	Anticipated
State of Oregon	\$1,000 M	\$1,000 M	Committed
State of Washington	\$1,000 M	\$1,000 M	Committed
Toll Funding	\$1,100 - \$1,600 M	\$1,237 M	**Committed
Existing State Funding	\$198 M	\$198 M	Committed
TOTAL	\$5,058-\$6,698 M	\$5,935 M	

* This number identifies the targeted federal grant funding amount from the IBR 2023 financial plan. The program is submitting applications for \$600M from Mega and \$1,200 M from BIP to provide capacity and flexibility for different grant outcomes understanding that we may not get the full amount requested in applications.

** The preliminary financial capacity assessment by the OSTs confirms the viability of a \$1,237 M contribution under a base case financing scenario. Additional work will be done to assess the full financial capacity of net toll revenues.

Unlike most federal grants, the Mega program does not require all non-federal funding to be identified immediately. However, it does require commitment from one or more stable and dependable funding or financing sources available to construct, maintain, and operate the project. Mega grants may be used for up to 60 percent of future eligible project costs; while other Federal assistance may satisfy the non-Mega share of project costs, the total Federal assistance for a project may not exceed 80 percent of future total eligible project costs. While projects are eligible to receive grants up to 60 percent of total cost, most projects receive a much smaller share; for IBR 60 percent would be more funding than is available in the Mega program, so ODOT and WSDOT have elected to seek a smaller share.

August 21, 2023
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If ODOT and WSDOT are not awarded this Mega grant in 2023, it will be pursued again at the next available opportunity. ODOT may need to return for additional Other Funds expenditure limitation and position authority if the grant is awarded.

ACTION REQUESTED

ODOT requests retroactive approval to apply for a National Infrastructure Project Assistance (Mega) grant from the United States Department of Transportation for \$600 million in grant funds.

LEGISLATION AFFECTED

None.

Sincerely,



Kristopher W. Strickler
Director