

Department of Transportation

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governor's Budget
General Fund	63,541,007	36,021,393	75,871,173	16,930,280	16,930,280
Lottery Funds	114,763,893	122,894,228	122,094,419	136,144,810	136,144,810
Other Funds	3,700,468,793	4,823,642,415	5,308,493,499	4,824,267,996	5,342,372,051
Other Funds (NL)	1,371,004,118	18,000,000	18,000,000	18,000,000	18,000,000
Federal Funds	101,132,551	125,930,118	218,840,626	138,699,300	191,430,777
Federal Funds (NL)	20,029,515	20,679,380	20,679,380	18,764,647	18,764,647
Total Funds	5,370,939,877	5,147,167,534	5,763,979,097	5,152,807,033	5,723,642,565
Positions	4,858	4,846	4,936	4,769	4,953
FTE	4,682.05	4,681.19	4,755.80	4,657.65	4,819.66

* Includes Emergency Board and administrative actions through December 2022.

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. The current service level budget assumes \$5.35 billion in available revenue, primarily from the following sources:

- Other Funds
 - Transportation focused taxes and fees (collectively called the State Highway Fund) consist of the following:
 - Motor fuels taxes - \$1.37 billion
 - Weight-per mile taxes on heavy vehicles (commercial trucking) - \$980.9 million
 - Vehicle titling and registration, including commercial vehicles - \$1.1 billion
 - Driver licenses, permitting and testing - \$127.4 million
 - Other Funds from non-State Highway Fund sources include: \$64.2million from railroad gross receipts (\$6.2 million); business licenses and fees (\$6.7 million); and interest, sales, administrative, and service charges (\$51.3 million).
 - Federal as Other Funds revenue totaling \$2 billion from congressional funding allocations made through the Infrastructure Investment and Jobs Act (IIJA)/Bipartisan Infrastructure Law. The total IIJA funding for federal years 2022-2026 is \$4.28 billion, an increase over base funding of \$1.2 billion over the previous congressional funding allocation. These dollars support federal highway, transit, safety and rail programs, as well as dedicated program funds that will be incorporated into the State Transportation Improvement Program, a state and local collaborative planning document. As part of the increase in federal

funding under IJJA, ODOT anticipates receiving \$412 million in non-recurring “flexible funding” revenue for specific projects that have been approved by the Oregon Transportation Commission. Examples of these projects include local street improvements, accessibility, maintenance and repair, and air quality.

- Federal funds totaling \$1,158.6 million that fund primarily highway grants, rail safety, highway safety, transit, and motor carrier safety activities.
- Lottery Funds totaling \$136.1 million for debt service on bonds issued under the Connect Oregon program.
- General Fund of \$16.9 million for debt service on bonds issued for completed highway safety projects and the State Radio Project.

CSL Summary

The 2023-25 Current Service Level is a \$611 million, or 10.6%, reduction from the 2021-23 legislatively approved budget, primarily owing to the discontinuation of the following one-time expenditures:

- \$54.5 million in one-time General Fund that was appropriated for wildfire debris removal, graffiti and litter removal, cultural resource assessments, wildlife corridors, the Lake County Railroad, and wildfire remediation in Marion County.
- Discontinuation of \$650,000 in one-time lottery fund transfers for veterans’ medical transport services.
- Phase out of Other Funds expenditure limitation for:
 - Limited duration positions in the Department of Motor Vehicles to address service backlogs and demand for Real ID (\$3.9 million)
 - \$32 million in maintenance station construction and HVAC replacement and improvements at ODOT facilities
 - \$124.3 million in State Transportation Improvement Plan (STIP) projects funded through American Rescue Plan Act funds
 - \$6.3 million in STIP projects funded through lottery bond proceeds
- Phase out of \$80.4 million in Federal Funds associated with June 2022 Emergency Board action, which incorporated IJJA funding and position authority into the agency’s 2021-23 approved expenditure limitation.

Policy Issues

State Highway Fund Revenue Shortfall - ODOT is anticipating a shortfall in available State Highway Fund revenues compared to projected expenditures in the 2025-27 biennium. Trends show highway fund revenues as essentially flat, while projected expenditures -- primarily agency operations and transportation system maintenance -- are anticipated to continue to grow due to inflation. ODOT has controlled agency expenditures by \$78.3 million in the current biennium by holding vacancies, minimizing the exchange of local government funding sources for State Highway Funds that are generally more flexible and easier to track, and shifting program and project costs to other funding sources where possible to maintain a positive balance. Without legislative action to increase available revenue for operations and maintenance and/or lessening reliance on fuel tax revenues in favor of more stable user-fee/vehicle miles traveled measures, the imbalance between expenditures and available State Highway Fund revenue is expected to persist.

Portland-Metro Investments - ODOT is currently in planning or early construction phases for multiple large transportation projects in the Portland metropolitan area. These projects are being managed and deployed in phases, as revenue is available. The projects include improvements to interstate 205, congestion management and improvements to part of Interstate 5 through the Rose Quarter of Portland, and the replacement of the I-5 Interstate Bridge across the Columbia River connecting Oregon and Washington. Completion of these projects is predicated on revenue from federal grants not yet received, and on the institution of the Portland-Metro area Regional Mobility Pricing Program (variable rate tolling based on peak demand and travel times) and bridge tolls. The toll projects themselves require staffing, study, and financial professional service resources to plan and execute, and much is unknown regarding how the system might be implemented and impact driver behavior and revenue, and whether voters will challenge the implementation of such a system. Should toll revenue not materialize as planned, debt service on any bonds that may be issued for these projects would have to come from other sources, such as operations and maintenance funding, reallocating funding for projects in the State Transportation Improvement Plan, legislative approval of additional transportation funding, or some combination of the above. ODOT does not plan to enter the major construction phases of projects until tolling is implemented and financing is secured.

DMV - The Department of Motor Vehicles (DMV) has experienced field office staffing shortages which have resulted in periodic closures of these offices, interrupting service to Oregonians. Recruitment challenges common to most employers, coupled with staff turnover due to promotions and retirements have exacerbated staffing issues. DMV has stepped up recruitment efforts, seeks extension of limited duration positions, and is working to direct consumers to online completion of common transactions. DMV fees are currently insufficient to cover the cost of providing driver skills testing, license issuance, reinstatements, VIN inspections and plate transfers.

State Climate Goals - Executive Order 20-04 calls for significant reductions in greenhouse gas emissions by 2035 and 2050. Given that transportation is a major contributor to emissions, and low carbon fuel standards are called for, ODOT's mitigation strategies include supporting the electrification of transportation systems and encouraging increased use of alternative modes of transportation. These strategies are likely to have direct impacts to state highway fund receipts absent policy decisions toward a transportation funding model that emphasizes miles traveled rather than fuel consumed.

Governor's Budget Summary

The Governor's budget includes Other Funds expenditure limitation to enable the following:

- \$10.4 million and 43 positions (36.22 FTE) to align project plans with additional funding available from the most recent congressional funding allocation.
- \$2 million and seven positions (6.50 FTE) for Oregon's share of the next phase of pre-construction planning and engineering work for the Interstate Bridge Replacement Project. A legislative measure must be advanced to provide a funding source for Oregon's share of construction costs, including Oregon's \$1 billion contribution, but ODOT is requesting expenditure limitation and position authority to keep the project on schedule. Funding for the anticipated design and construction elements of the bridge is assumed to include:
 - \$1.25 billion to 1.6 billion in anticipated toll revenue

- \$860 million to \$1.6 billion from federal grants
- \$1 billion from Oregon
- \$1 billion from Washington
- \$98 million from connecting the Washington transportation package for the Mill Plane interchange
- \$900 million to \$1.1 billion from the Federal Transit Administration New Starts Capital Investment Grants
- A related legislative concept must be amended to provide a funding source for the unidentified sources of construction costs (including Oregon’s \$1 billion contribution), but ODOT is requesting expenditure limitation and position authority to keep the project on schedule.
- \$11.6 million and 49 positions (37.74 FTE) to implement the Oregon Mobility Strategy, which includes transportation projects in the Portland metro region enumerated by HB 2017, as well as to operationalize a tolling program. This scope of work will be funded through revenue bonds, the remaining \$15 million of \$30 million in total revenue approved from HB 2017 tax and fee increases, or by state highway funds, or short-term borrowing, in anticipation of tolling revenue which would reimburse these funding streams.
- \$0.7 million and three positions (2.30 FTE) to develop, administer and provide oversight for a small business development program with a goal of minimizing contracting obstacles for minority and women owned businesses. SB 1048 is a corresponding measure that establishes the program and contracting opportunities for small businesses.
- \$4.1 million and 10 positions (7.25 FTE) to implement the transition from a voluntary road usage charge for high efficiency vehicles to a mandatory program, in an effort more sufficient and reliable transportation funding as costs exceed fuel tax receipts and vehicles become more efficient. HB 3297 has been introduced to establish the statutory framework for the program.
- \$38 million for capital construction expenses related to completion of the South Coast Regional seismic ready facility, a regional ODOT transportation administrative and maintenance headquarters.
- \$9.6 million representing a carry-forward of expenditure limitation associated with \$32 million of American Rescue Plan Act dedicated during the 2021-23 biennium for completion of the Newburg Dundee Bypass project. In early March, ODOT reported they are more likely to need limitation of \$19 million, given spending patterns to date.

All packages will be evaluated against impacts to State Highway Fund revenue and existing vacancies.

The Transportation Operating Fund (TOF) consists of motor fuels taxes paid to operate stationary gas engine, tractor, small engines, or vehicles used on private property. The fund is used to pay for projects that cannot be funded with constitutionally dedicated State Highway Fund revenue. A total of \$52 million in revenue is anticipated in the 2023-25 biennium, with expenditures assumed as follows:

2023-25 Transportation Operating Fund Proposed Budget

<u>Expenditures</u>	<u>(in \$ millions)</u>
Driver and Motor Vehicle Services (including Safety)	\$ 1.41
Commerce and Compliance (including Crossing and Rail Safety)	\$ 0.44
Commerce and Compliance (Household Goods Movers Program)	\$ 0.59
Delivery and Operations	\$ 2.23
Policy Data and Analysis (Community EV Charging Grants)	\$ 11.14
Public Transportation (including Passenger Rail)	\$ 34.08
ODOT Administrative Services	\$ 0.25
Reserve	\$ 1.86
Total Estimated Expenditures	\$ 52.00

Other Significant Issues and Background

At its June 2022 meeting, the Emergency Board authorized additional Other Funds expenditure limitation in the amount of \$416.7 million, Federal Funds expenditure limitation of \$82.7 million and 72 new permanent positions (27.94 FTE) to accommodate additional funding under the most recent congressional funding allocation, the Infrastructure Investment and Jobs Act. This action resulted in \$498.9 million of expenditure limitation and the 72 positions being included in package 081 for purposes of the 2023-25 Governor's Budget.

ODOT and the State of Washington subsidize operating costs of passenger rail provided through the Amtrak Cascades line. Ridership is making a slow recovery from pandemic-related declines in 2020 and 2021. The most recent quarterly report indicated that ridership was 11% below the pre-pandemic 2019 comparison. The system continues to struggle with on-time performance issues, caused by freight train right of way, system maintenance and safety issues. ODOT anticipates utilizing \$23.1 million in Transportation Operating Fund revenue to support passenger rail activity in the 2023-25 biennium.

In 2020, ODOT reached a legal settlement that requires the agency to remediate curb ramps and pedestrian signals along the state highway system to make them ADA accessible. Funding for the remediation will be financed with federal grant anticipation revenue bonds, which use federal formula funds to pay debt service. ODOT anticipates issuing approximately \$250 million per biennium through 2029-31.

An Equity Mobility Advisory Committee has been tasked with making recommendations around tolling that address impacts to low-income communities and the impact of traffic diversion to local streets. To the extent that recommendations call for tolling subsidies in certain areas and circumstances, there may be an impact on revenue sufficiency for those transportation projects which incorporate tolling into their financing plans.

Significant deficiencies in internal controls were identified in a Secretary of State’s financial audit of selected accounts for the year ended June 30, 2021. Deficiencies included the following: revenue recording procedures related to electronic fee revenue transferred from a central clearinghouse; and accounting and reporting of expenditures against advances of funding from the Federal Emergency Management Agency for ash and debris removal due to the 2020 Labor Day wildfires. ODOT has since rectified errors and improved internal controls to remediate these deficiencies.

Key Performance Measures

A copy of the ODOT’s Annual Performance Progress Report can be found on the LFO website: [KPM - View Report \(oregonlegislature.gov\)](https://www.oregonlegislature.gov/KPM-View-Report)

In general, ODOT is meeting its performance targets in the following areas:

- Bridge condition
- Traffic congestion
- Construction projects on budget
- DMV field office wait times

ODOT’s performance declined from previous years in the areas of traffic fatalities and serious injuries, passenger rail ridership, transit rides, and the percentage of urban bike lanes and pedestrian facilities in fair or better condition.