



January 30, 2023

Co-Chairs Gorsek and McLain, Co-Vice Chairs Boquist and Boshart Davis, and Members of the Joint Committee on Transportation,

On behalf of Sherman County, we would like to thank the Joint Committee on Transportation for the opportunity to develop a sustainable funding source for the Surface Transportation Block Grant (STBG) Fund Exchange Program and ask you to **support HB 2101** to allow the Oregon Department of Transportation (ODOT) the flexibility to exchange State Highway Fund dollars with counties and cities to cost-effectively manage federal funding.

### **Background**

For approximately 40 years, the Surface Transportation Block Grant (STBG) Fund Exchange Program has been one of the most significant sources of road funding for local governments. On average, the program is the third largest dedicated funding source, and for some county road departments, over 10 percent of their annual operating budget. The program funds dozens of preservation and maintenance projects and activities across the state.

Sherman County was able to complete the chip seal of numerous roads, bridge replacement and guard rails on several dangerous corners with drop offs to deep canyons through the Fund Exchange Program.

The STBG Fund Exchange Program allows local agencies to exchange federal dollars for state dollars. Federal funds come with burdensome federal requirements, which local governments simply cannot afford; however, the Oregon Department of Transportation (ODOT) is well positioned to spend federal funds cost-effectively. Everyone wins with this arrangement; the state alleviates the burden of administering local federal-aid projects and counties alleviate the burden of federal requirements. Due to a favorable exchange rate, the STBG Fund Exchange Program is also a revenue generator for ODOT when functioning with full state resources. Sherman County depends on the Fund Exchange Program to chip seal Rutledge, Horseshoe Bend, Van Gilder, Scott Canyon and uses these funds to maintain [3-4] miles of road per year for the past 30 plus years. The Road department intends to continue to do maintenance and to improve safety on Sherman County roads.

### **Problem**

ODOT is restricted from using their Transportation Projects and Programs budget to support the fund exchange program, and must use their Operations and Maintenance (O&M) budget to

sustain this cost-saving program. Due to spending limitations in their O&M budget, and long-term deficits in the State Highway Fund, ODOT has proposed reducing and eliminating the fund exchange program.

**Solution**

HB 2101 would remove restrictions that prevent ODOT from flexibly exchanging State Highway Funds outside of their O&M budget and codify the STBG Fund Exchange Program in statute. Counties have engaged with ODOT on the agency's budget issues in good faith and will continue working with ODOT to develop amendment language for HB 2101 to find long-term, sustainable solutions for the STBG Fund Exchange Program.

Thank you for your consideration.

Sincerely,



Judge Joe Dabulskis  
Sherman County