



January 31, 2023

Oregon Joint Committee on Transportation
Co-Chair Senator Chris Gorsek
Co-Chair Representative Susan McLain
Co-Vice Chair Senator Brian Boquist
Co-Vice Chair Representative Shelly Boshart Davis

900 Court St NE
Salem, Oregon 97301

Subject: Oregon Counties Support House Bill 2101, Solutions to Address State Operations and Maintenance Deficit, and Sustainable Funding for the Surface Transportation Block Grant State Fund Exchange Program

Co-Chair Senator Gorsek and Co-Chair Representative McLain and Members of the Committee:

On behalf of the Association of Oregon Counties (AOC) and Oregon Association of County Engineers and Surveyors (OACES), we would like to thank the Joint Committee on Transportation and the Oregon Department of Transportation's (ODOT) concerted effort to work with local governments to find a collaborative solution to the state's impending Operations and Maintenance (O&M) budget deficit and our mutual desire to find a sustainable funding source for the Surface Transportation Block Grant (STBG) Fund Exchange Program and the State Funded Local Projects (SFLP) program.

The AOC and OACES support House Bill 2101 (2023) and continue to work with ODOT in partnership to find a collaborative solution to the state's O&M deficit and sustainable funding for the STBG Fund Exchange Program.

ODOT leadership staff, AOC, and OACES have engaged in workgroup discussions over the last two years to better understand and mitigate the impacts of ODOT's O&M deficit on local programs. In 2020, counties and cities agreed to a four percent reduction to the STBG Fund Exchange Program rate among other cost saving measures. When counties and cities agreed to this reduction in 2020, it was with the express expectation that ODOT would work in partnership with local governments to find a long-term funding solution, possibly through state legislative action. However, in June of 2022, ODOT returned to local government partners requesting additional and significant reductions to STBG Fund Exchange Program, while offering no long-term solutions. ODOT further indicated that outright elimination of the STBG Fund Exchange Program was a strong possibility in the near future. While local governments understand the severity and root causes of ODOT's O&M deficit, the proposed reduction to the STBG Fund Exchange Program unfairly passes ODOT's deficit to counties and does not

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represent a partnership approach to efficiently manage the taxpayer dollars that fund our shared transportation system.

Fund exchange programs exist in 11 states, and for approximately 40 years Oregon's 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 maintenance and operations projects and activities across the state. Federal funds come with burdensome federal requirements, which local governments simply cannot afford; however, ODOT is well positioned to spend federal funds. The STBG Fund Exchange Program allows local agencies to exchange federal dollars for state dollars. 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.

Counties have engaged with ODOT on the agency's budget issues in good faith and will continue advocating to the Legislature for sustainable transportation funding that addresses the agency's systemic deficit. HB 2101 would codify the STBG Fund Exchange Program and create flexibility within ODOT State Highway Fund allocations to realize long-term sustainability.

Counties are appreciative of the time and effort ODOT has invested in the process to find a solution to the agency's impending budget deficit while maintaining the integrity of the STBG Fund Exchange Program. We look forward to continuing this partnership with ODOT to find collaborative approaches and sustainable solutions.

Sincerely,



Derrick DeGroot

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Commissioner, Klamath County



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