

Tina Kotek
Governor



To: Members of the Oregon Legislature

From: Governor Kotek

Date: June 20, 2025

Topic: Update on ODOT Accountability

You have asked ODOT to demonstrate greater accountability as part of your work on a 2025 transportation package. As I have said previously, I am committed to both championing and partnering with you on this work. This memo is intended to give you an update on the various accountability workstreams that have been completed or are in process.

HB 2025

HB 2025 includes impactful provisions to advance accountability, improve transparency, and foster more effective oversight by the Legislature. As drafted, HB 2025:

- Changes hiring and firing responsibility of the Director from the Oregon Transportation Commission (OTC) to the Governor to provide for direct oversight of the state's second largest agency.
- Directs the Secretary of State's Division of Audits to conduct a performance review of the agency, highlighting capital projects and use of state highway funds each biennium.
- Includes new legislative reporting and oversight responsibilities for projects costing more than \$250 million.
- Creates an additional requirement for legislative approval if state projects are expanded without corresponding local or private investment.
- Increases Joint Committee on Transportation (JTC) oversight responsibility for major projects, including reporting throughout the year.

- Updates the membership and legislative reporting requirements of the Continuous Improvement Advisory Committee established in HB 2017.

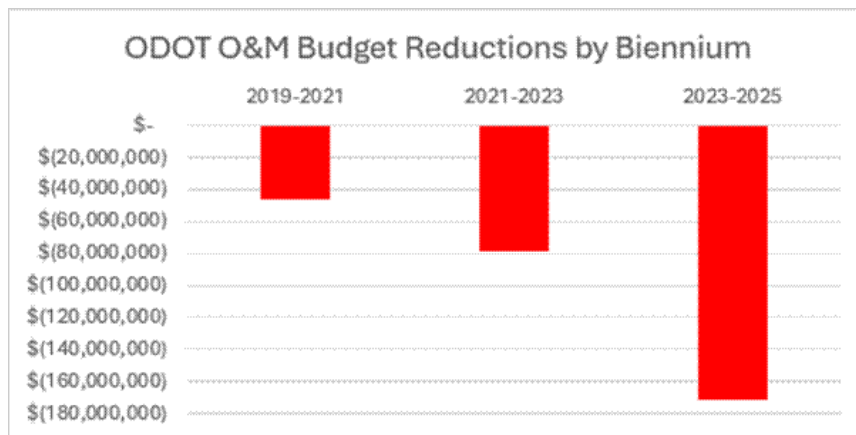
25-27 ODOT Budget Reductions

ODOT has identified targeted reductions and efficiencies to right-size agency expenditures in 25-27.

As part of LFO’s recommended budget, legislators will likely see:

- The elimination of 116 vacant positions and 5 filled positions totaling more than \$50 million.
- The closure and consolidation of the Urban Mobility Office as ODOT transitions to a Major Projects Group, in alignment with the recent management review recommendations.
- The cancelation of all maintenance station replacements and major rehabilitations for a savings of \$38 million.
- Agency efficiency and cost-saving efforts that facilitate redeployment of 14 positions within DMV and \$6 million in savings through facility consolidation. A longer list of cost saving measures can be found in attachment A.

The 25-27 reductions build on voluntary cuts to operations and maintenance over the past three biennia:



Legislative Managerial Review

The Legislature contracted with AtkinsRéalis and Horrocks to conduct a managerial review of ODOT with a focus on major projects. The report recommended creation of a Major Projects Group with the personnel and expertise to effectively deliver major

projects.

After completion of the report in May, I sent a letter to Director Strickler outlining my expectations for response by August 1, 2025. Although that work is still underway, and contingent on available funding, ODOT has already identified the following items as underway or substantially complete:

- A centralized project dashboard.
- Risk Based Estimating completed for the Rose Quarter Project in April 2025.
- Reorganized I-205 Abernethy Bridge construction under Region 1 for greater construction support.
- Development of a career pathway for greater engineering oversight, including recruitment for the Delivery & Operations Division Administrator to be a licensed professional engineer.

HB 2025 investment will facilitate these additional actions:

- Establishment of a Major Projects Group staffed by industry experts in large project delivery and alternative contracting expertise.
- Replacement of legacy cash flow projection tools used since mid-1990s that contributed to ODOT's recent budget forecasting error.

Strategic Review

The findings of the Legislative Managerial Review built upon the work of a third-party expert panel convened in April 2024. The review panel, composed of transportation professionals with more than 150 years combined experience, performed a rapid assessment Strategic Review (SR), including recommending approaches foundational to top-performing transportation agencies. A few of the recommendations included in the SR that are underway include:

- The establishment of a Capital Investment Plan, in addition to the State Transportation Improvement Plan (STIP), to improve on-time and on-budget performance for large projects that span beyond a traditional STIP cycle.
- A Centralized Program Management effort to improve upline notification cadence, project controls, risk management tracking, and dashboard reporting for the entire project portfolio. This will be in place by December 2025.
- Additional clarity on the roles and responsibilities within project delivery and strengthened expectations for complex and larger projects.

Financial Accountability

In early 2024, ODOT identified a budget error that led to over-estimating the amount of federal funds in the 2023-2025 biennium in the Project Delivery and Local Government budgets. Actions taken to address this issue include:

- The OTC modified projects in the STIP to prevent overspending without canceling projects.
- Director Strickler called for an audit to ensure that sufficient steps had been taken or were identified to prevent the error moving forward. This audit, completed in January 2025, confirmed that ODOT had taken the steps needed to prevent a similar error in 2025-2027 and future budgets. It also recommended a series of additional actions to improve forecasting and effectively manage HB 2017 (2017) funds.
- ODOT built the 2025-2027 project delivery budget based on historic actual federal reimbursements rather than the project cash flow model and will continue to do this until a new cash flow model is in place.
- Beginning in the 2025-2027 biennium, ODOT will create specific fund details for HB 2017 funds to track expenditures.

Accountability on Tolling

In 2023, I directed ODOT to provide updated finance plans for projects under the purview of the Office of Urban Mobility and assess the viability of tolling on I-205 and the Regional Mobility Pricing Project (RMPP). At the end of this evaluation, finding that there was not a clear path to generating meaningful revenue for state projects or congestion relief for Portland area drivers, I directed the Oregon Transportation Commission to halt further work on RMPP and hold any additional expenditures to advance tolling on I-205 until after the Legislature concludes its work on a 2025 transportation package.

Oregon Transportation Commission

I have made three new appointments to the OTC. Those appointments included Jeff Baker, former CEO of Rexel USA, Alicia Chapman Owner and CEO of Willamette Fabricators, and Deschutes County Commissioner Phil Chang. Each member was recruited to bring unique expertise and oversight acumen to the body. As a group, the commission has implemented new accountability tools including regular reports on budget, audits, customer service, and agency operations, that allow for more effective oversight. Specifically, commission members are keenly focused on major projects, including reviewing every cost increase and request for funding.

Attachment A

Additional Reporting and Efficiency Efforts

Reporting and Transparency

ODOT undertakes a number of internal and external performance reporting and monitoring efforts to ensure transparency and accountability and drive improvement in key areas. These reports are provided to key decision makers—including the OTC and the Governor’s Office—so they can monitor ODOT’s performance.

- [State of the System dashboard](#): ODOT created a public-facing State of the Agency dashboard that reports vital information on agency and project progress to provide visibility and measurements for accountability. ODOT actively uses the information on this website, which is updated regularly, to guide needed changes and improve performance.
- Project Delivery Quarterly Performance Report: ODOT has developed an internal QPR to monitor on time and on budget delivery of projects to ensure accountability and improve outcomes. This QPR is reviewed by the Delivery and Operations Division Management Team each quarter.
- OTC Operations Report: ODOT provides a quarterly [Operations Report](#) to the OTC that reports on budget performance (whether the agency is staying within its budget), customer service (including DMV and Commerce and Compliance Division metrics), program management, maintenance, and other areas of agency performance. These reports are presented in Commission meetings to allow the OTC to provide effective oversight of agency functions.
- Audit Reports: ODOT provides all internal audit reports to the Oregon Transportation Commission to ensure effective oversight, and these reports are all [published online](#).

Prior Actions Taken to Create Efficiencies and Reduce O&M Expenses

ODOT has taken many steps to increase efficiency across the agency and limit the impact of budget cuts on customers. Some of these steps and costs savings include:

- DMV placing services online, including driver tests and license renewal and replacement. This has allowed the agency to serve a growing number of customers, and serve them better, with limited staff.
- DMV has improved vehicle title processing to reduce the number of employees needed to perform this activity.
- ODOT has held vacancies in maintenance and support services as positions have become vacant to lessen the burden on the overall budget.

- Commerce and Compliance Division (CCD) is implementing an online system for routing and permits for over-dimensional trucks in 2025. This system will allow trucking companies to obtain basic permits more quickly and allow staff to shift focus to complex permits, reducing processing time of all permit types.
- CCD reviewed and optimized its call center staffing to reduce service hours with low call volumes, shifting staff to times of day when call volumes are at the peak. Call-wait times have been significantly reduced as a result.
- To reduce reliance on State Highway Funds, ODOT now has project delivery staff who perform design or review or otherwise contribute to the project, charge their hours worked to the project budget. Previously, staff that did not actually produce the designs charged their time to State Highway Fund O&M dollars rather than project funds. This saved O&M funding with a minor increase in project costs.
- Process improvements and industry best-practices such as standardized templates, workflows, and single points of contact have been implemented in shared services such as procurement and recruitment to ensure processing times are not substantially impacted due to reduced staffing.
- ODOT has reduced costs related to data storage, telephony, and similar business expenses – at least \$700,000 per biennium.
- ODOT has cut back on non-essential spending such as light-duty fleet replacements, travel and conferences, computer hardware, employee training, and office expenses.

Attachment B



TINA KOTEK
GOVERNOR

May 27, 2025

Kris Strickler, Director
Oregon Department of Transportation
355 Capitol Street NE
Salem, OR 97301

Dear Director Strickler,

I have read the management review prepared by AtkinsRealis and Horrocks and am writing to share my expectations regarding the agency's response.

At a time when the state is asking Oregonians to contribute more toward transportation investments, we must hold ourselves to the highest standard of accountability. Therefore, I am directing you to submit a comprehensive response to my office by August 1, 2025, that evaluates each recommendation included in the report for its viability and effectiveness and provides a clear timeline for implementation for those items that do not require legislative action. The August date will allow this review to align with legislatively approved budgets.

High priority items for response include:

- Reform the Urban Mobility Office into a Major Projects Group that has clear reporting structures and additional engineering support.
- Clarify roles between regional teams and Major Projects Group
- Codify project readiness thresholds prior to funding commitments. Please describe how this recommendation aligns with the 10-year investment strategy outlined by the expert review panel in 2024.
- Establish a risk-based prioritization framework for scoping investments.
- Clarify and document decision-making authority at all levels.
- Establish change order escalation triggers.
- Establish clearer project-level accountability for delivery outcomes.
- Develop dispute resolution procedures that are proactive and tiered.
- Institutionalize a career pathway for project managers and technical staff.
- Replace the legacy accounting COBOL-based forecasting model with a modern, integrated financial system.
- Establish a centralized major projects dashboard for transparency and consistency.

From day one of my administration, I have made agency accountability and customer service a top priority. After directing ODOT to provide updated finance plans for major projects within the Urban Mobility Office, my team worked with you to respond to higher project costs and

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uncertain revenues. In response to federal forecasting challenges and ongoing concerns about on-time, on-budget delivery, I concurred with your decision to initiate a multi-state expert review of the agency's project delivery and financial systems. Seeing many of the expert review findings echoed in the AtkinsRealis and Horrocks report validates the work that has been done so far. It also means that ODOT has more work to do.

From restructuring the Urban Mobility Office to the creation of a major projects dashboard, I know that much of this work is underway and I look forward to hearing about your progress. I also understand that if the legislature fails to pass a transportation funding package this session, ODOT will not be in a position to fulfill expectations that require additional investment. Please know that I will continue to advocate for the resources that ODOT employees need to do the job we are asking of them.

Sincerely,

A handwritten signature in black ink, appearing to read "Tina Kotek". The signature is fluid and cursive, with a large initial "T" and "K".

Governor Tina Kotek