
Mega-project cost overruns and ODOT's financial crisis

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CityObservatory

The mega-project problem

Large and persistent cost overruns, excessive revenue optimism, expanded debt and reliance on consultants are driving ODOT's multi-billion dollar financial crisis

IBR Cost Overrun

Cost range has doubled from \$5-7.5 billion to \$12.2 to 17.7 billion

Estimate delayed two years

Not a draft

- 90-page narrative, 29 packages**
- Work Plan: “final” on Oct 31**
- Prepared for 2026 Legislatures**

Estimate: \$12.2 - \$17.7 billion



IBR Program – Fixed Span Cost Estimate

Basis of Estimate

8/15/2025

Description	Low Range (-10%)	Opinion of Probable Cost	High Range (+30%)
Base Costs (less risk allowances)	\$8,098,820,000	\$8,998,690,000	\$11,698,300,000
Draft 2025 CEVP Estimate (2025\$)	\$9,204,010,000	\$10,226,680,000	\$13,294,680,000
Draft 2025 CEVP Estimate (YOE\$)	\$12,249,550,000	\$13,610,610,000	\$17,693,790,000

Cost Estimate: Due 10-31-2025



WORK PLAN – CEVP

Task	Project Task Lead	Date Due/Deadline
Task 02 – Program Controls CEVP	Michael Oborn	August 18, 2025

Scope of Work

For the fixed-span alternative represented in the NEPA documentation and the 30% design advanced by the engineering team, run a Program-wide Cost Estimate Validation Process (CEVP) to get new cost ranges for the Program and packages ahead of the 2026 Legislative Session.

[NEW] Run a Program-wide CEVP to get new cost ranges for the Program for a moveable span option.



Goals & Objectives

- Get a more credible, reliable baseline cost estimate and schedule to assist with communicating costs to those internal and external to the Program.
 - Previous Estimate is from 2022
- Update cost ranges for the Program and packages ahead of the 2026 Legislative Session.
 - Target Results: October 2025
- Have the CEVP satisfy the requirements for FHWA Major Projects CSRA
 - Update financial plan and submit the initial financial plan (IFP) to FHWA
 - FHWA approval of IFP will authorize IBR to spend federal funding for CN

IBR cost increase greatly exceeds inflation

Construction Cost Inflation 2022-2025

- Planned Inflation: 6%**
- Actual Inflation: 21%**
- Difference: 15%**

IBR Costs up 129%

Source: IBR Basis of Estimate, August 15, 2025

Cost overruns are the norm

ODOT Large Project Cost Overruns Initial Estimate v. Latest Cost (Millions)

<u>Project</u>	<u>Initial Cost</u>		<u>Latest Estimate</u>	
Interstate Bridge Replacement	\$4,800	2020	\$17,700	2025
I-5 Rose Quarter	\$450	2017	\$2,080	2025
Abernethy Bridge (I-205)	\$248	2018	\$815	2024
Hood River Bridge Replacement	\$512	2021	\$1,120	2024
Center Street Bridge	\$60	2017	\$390	2025

A history of cost overruns

ODOT Large Project Cost Overruns Initial Estimate v.
Latest Cost (Millions)

Project	Original Estimate	Final Cost	Increase	Inflation-adjusted*
Hwy 20: Pioneer Mountain-Eddyville	\$110 2003	\$360 2016	227%	161%
South Medford Interchange	\$30 1999	\$96 2013	220%	150%
Grand Avenue Viaduct	\$31 2002	\$92 2009	194%	151%
I-5 Woodburn Interchange	\$25 2006	\$68 2015	172%	160%
I-5 Iowa Street Bridges	\$32 2010	\$47 2014	47%	31%

* Cost increase in excess of Highway Construction Cost Inflation

Over-estimating revenue

Overestimated federal revenue by \$1.1 billion (2025)

**Tolls: I-205 advanced based on assumed tolls
Federal Grants**

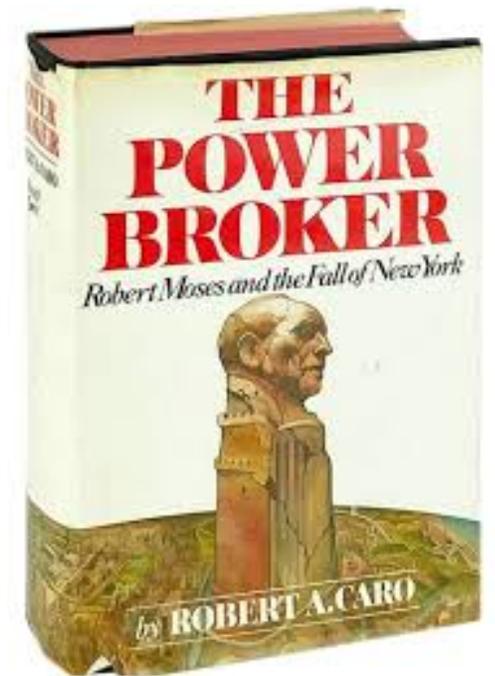
- **I-205 (2023) \$100 million denied**
- **Rose Quarter (2024) \$750 million denied**
Rose Quarter (2025) \$450 million (mostly rescinded)
- **IBR (2025) \$2.1 billion (subject to recision)**
- **IBR Transit (2028) \$1 billion (not applied for)**

Robert Moses: Driving stakes and selling bonds

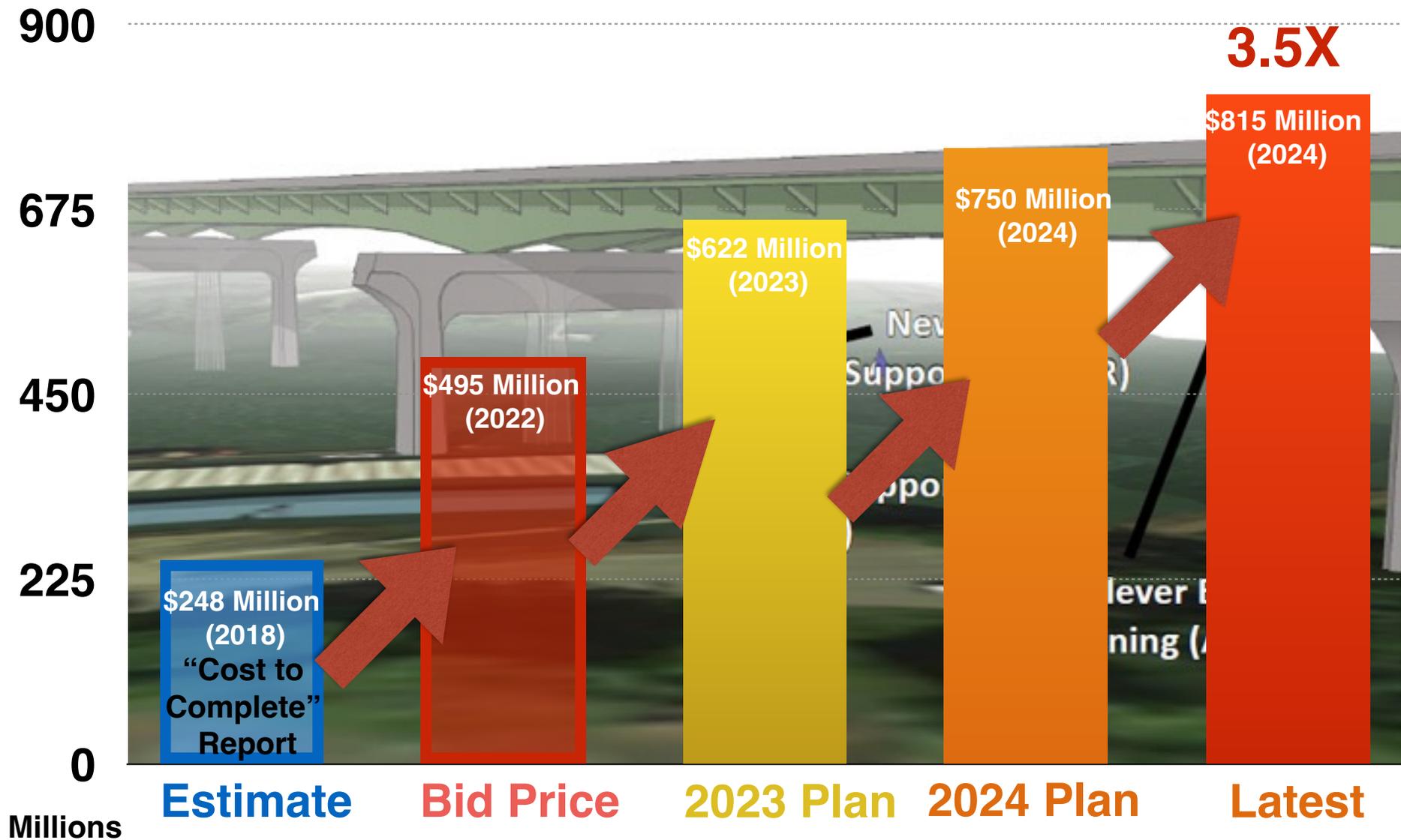
Misleading and underestimating, in fact, might be the only way to get a project started.

But what if you didn't tell the officials how much the projects would cost? What if you let the legislators know only about a fraction of what you knew would be the project's ultimate expense, once they had authorized that small initial expenditure and you had spent it, they would not be able to avoid giving you the rest when you asked for it. . . . **Once a Legislature gave you money to start a project, it would be virtually forced to give you the money to finish it.**

Robert Caro, *The Power Broker*, 1974, page 209



I-205 Abernethy Bridge



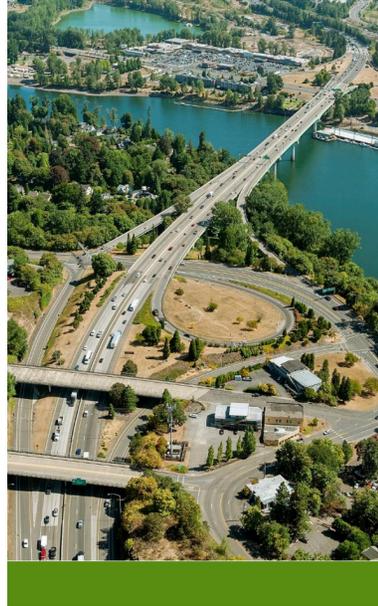
I-205 Abernethy Bridge

- **Not authorized in HB 2017**
- **“Cost to Complete” Study (2018)**
- **Assumed toll revenue (2021)**
- **Bids came in double estimate**
- **Proceeded even after tolling paused**
- **Costs escalated further**

2018: Cost to Complete Study

ODOT hired HDR

- **\$12 million spent**
- **6 months**
- **15% design**



Cost-to-Complete Report
for the Combined
Interstate 205 Abernethy
Bridge and Widening
Projects

ODOT | K19786 I-205: Stafford Road to
OR 213

ODOT EA: C6035200
HDR Project #10063137

January 5, 2018

“Full risk analysis” reviewed with contractors

Abernethy Bridge cost: \$248 Million

I-5 Rose Quarter



Rose Quarter Funding Gap

Cost: \$2.1 billion

\$750 million federal grant denied (2023/Biden)

\$450 million federal grant mostly rescinded (2025)

Gap now \$1.5 billion

Plan: Start Phase 1A/1B

IBR Funding Gap

Cost: Up to \$17.7 billion

**\$2.1 billion federal highway grants subject to
recision by September 30, 2026**

**\$1 billion federal transit grant not applied for
(scheduled 2028)**

Gap: \$5 billion to \$14 billion

Plan: “Sequencing” = Spend what we have now.

**WSDOT Director: the way to manage costs is to just
get started**

Reliance on consultants

IBR: \$273 million on consultants

90% of planning costs

CRC: \$200 million on consultants

IBR new cost estimate: \$1.2 billion

more over 20 years

Rose Quarter: \$130 million on consultants

Oversized Projects

**Rose Quarter: Doubling roadway to ten lanes
ARUP: 40 feet too wide**

**IBR: 60% of cost is widening approaches and
re-building seven interchanges**

**Expert panel called for eliminating
interchanges**

**High fixed span virtually requires rebuilding
approaches and interchanges.**

Debt sets priorities

Prior to 2000, ODOT was pay-as-you go with 1-2% for debt service

ODOT debt has steadily increased

2021: HB 3055 authorizes \$500 million in short term borrowing—ODOT uses to launch Abernethy

Debt creates an overriding obligation

