

# ODOT Budget and Funding Overview

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Joint Committee on Transportation

February 24, 2025



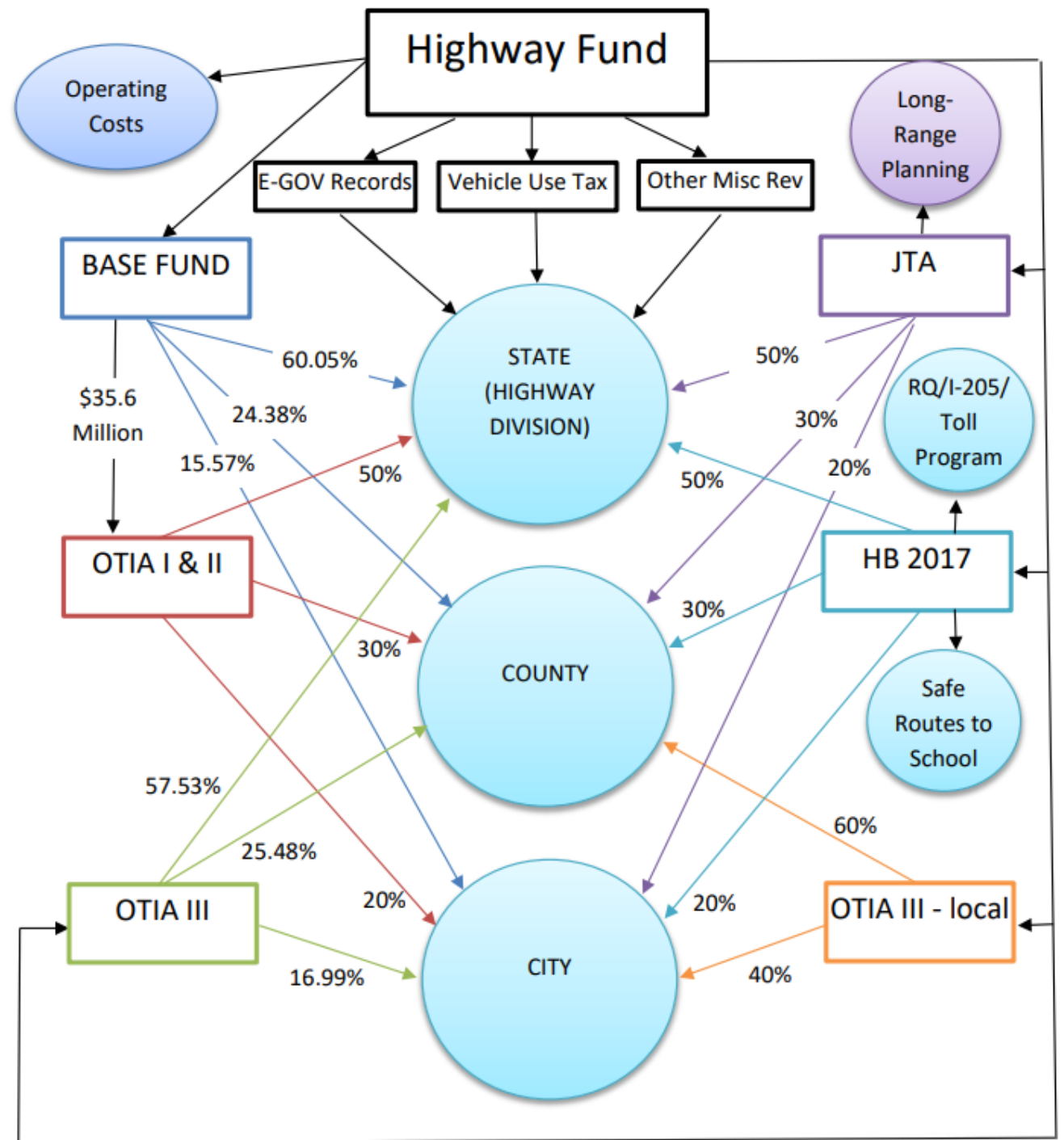
# Outline of Tonight's Presentation

- Background on State Highway Fund sources and statutory spending direction
- ODOT's O&M budget reductions since 2019 and impacts to service levels
- ODOT's budget error and the agency's work to address it
- Federal funding update



# State Highway Fund

- Oregon's State Highway Fund is made up of 5 layers of funding for different funding packages
- Each layer is split between ODOT, counties, and cities differently
- ODOT's use of funding in each layer is set by the specific law

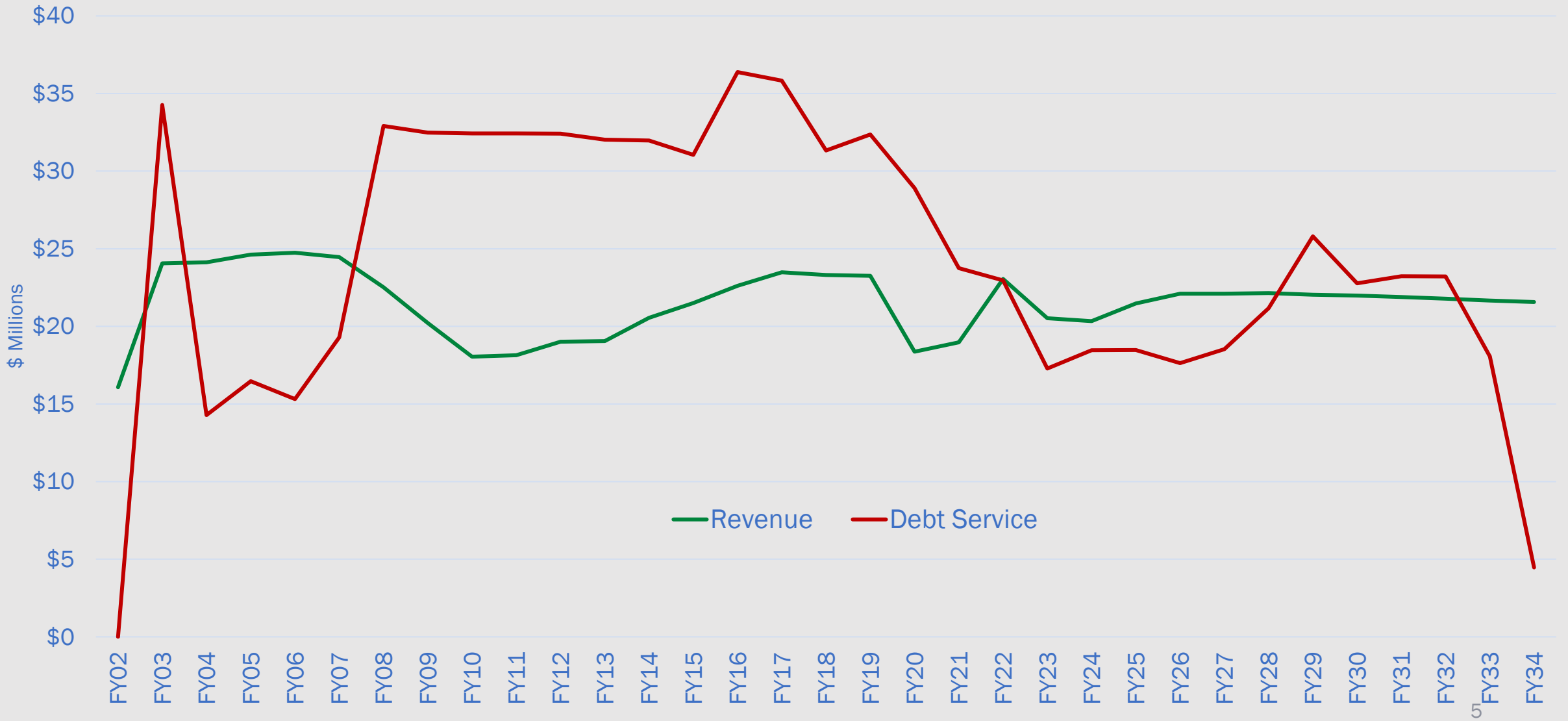


# Base Funding

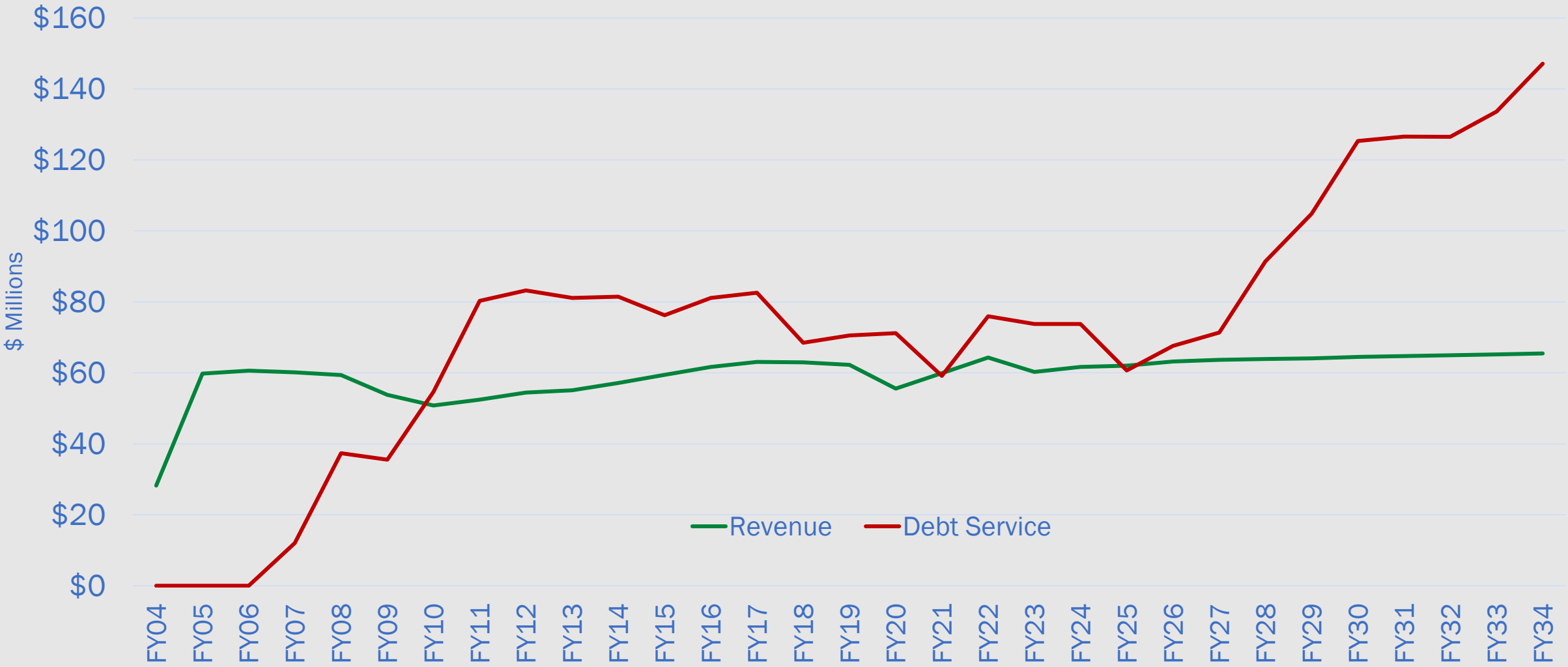
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- Base funding consists primarily of taxes & fees approved prior to 2001—  
24 cents of fuels tax, DMV fees, truck fees
- Legislature raised revenue on numerous occasions without statutory direction on use of funds
- Base funding is declining in the outer forecast years as fuels tax declines
- Cost of collecting revenue at DMV, Commerce and Compliance Division, and Fuels Tax Group are taken off the top
- Remainder of funding is split 60.05% to ODOT, 24.38% to counties, 15.57% to cities
- ODOT's share has no restrictions, so we use funding for O&M and to match federal highway formula funds

# OTIA I & II Revenue and Debt Service

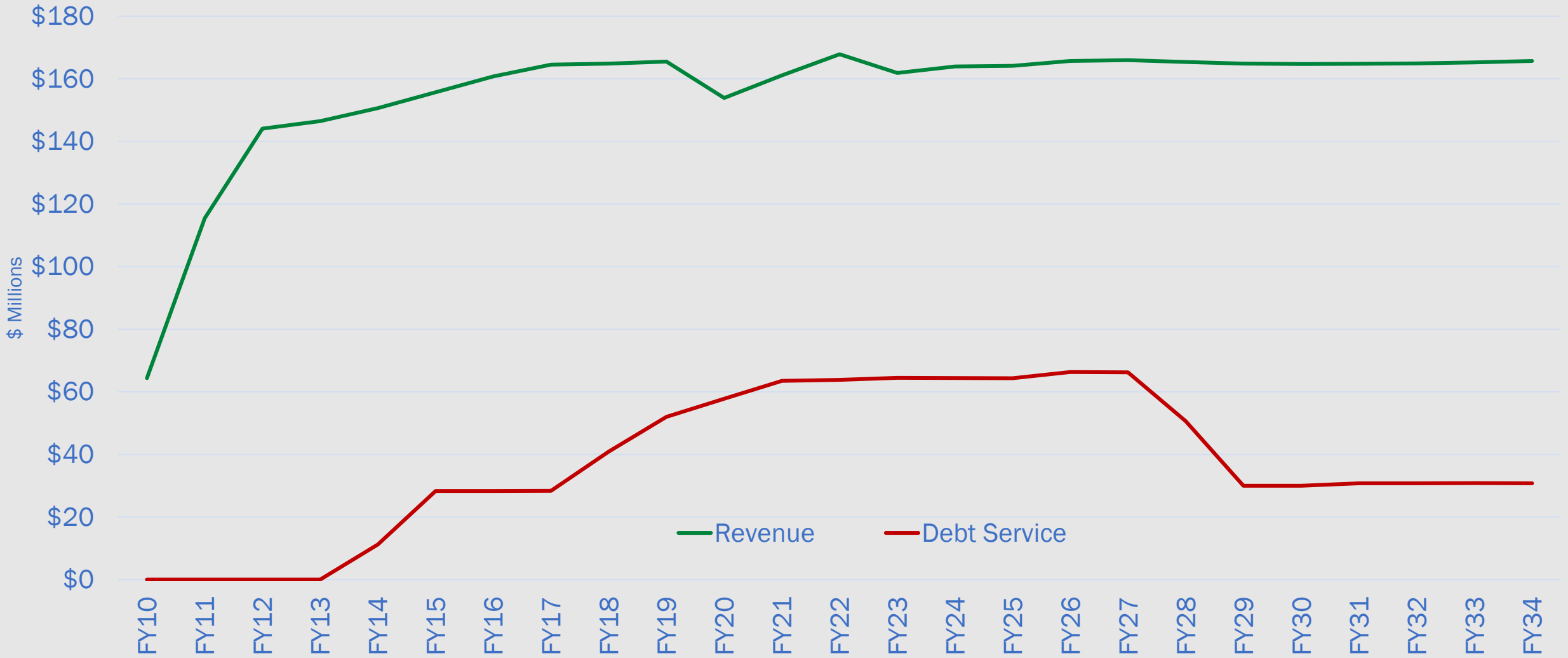


# OTIA III State Incremental Revenue and Debt Service



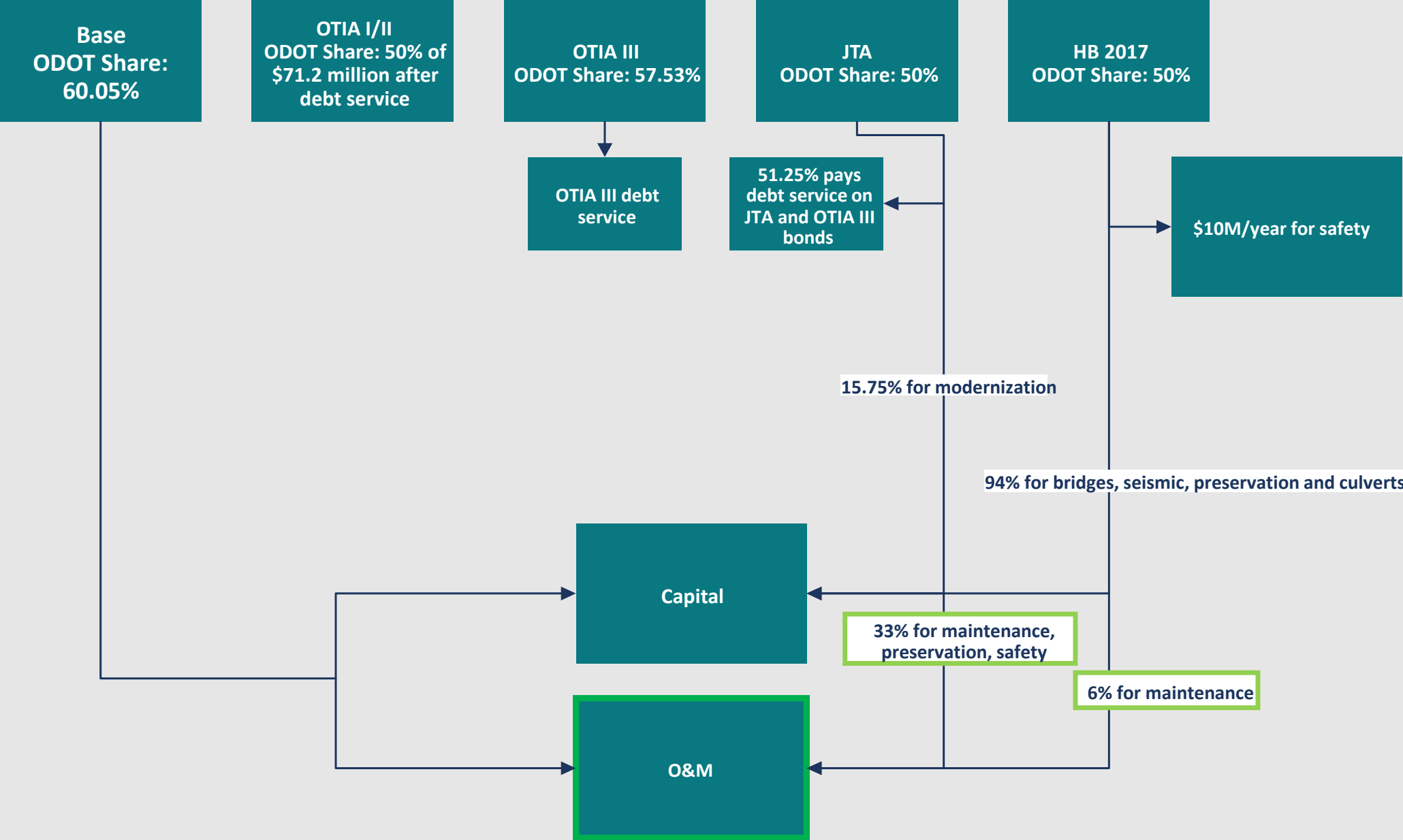
*Includes Build America Bond subsidy*

# JTA State Incremental Revenue and Debt Service



Revenue includes planning set-aside (\$24M per year)

# ODOT's Statutory Uses of State Highway Fund



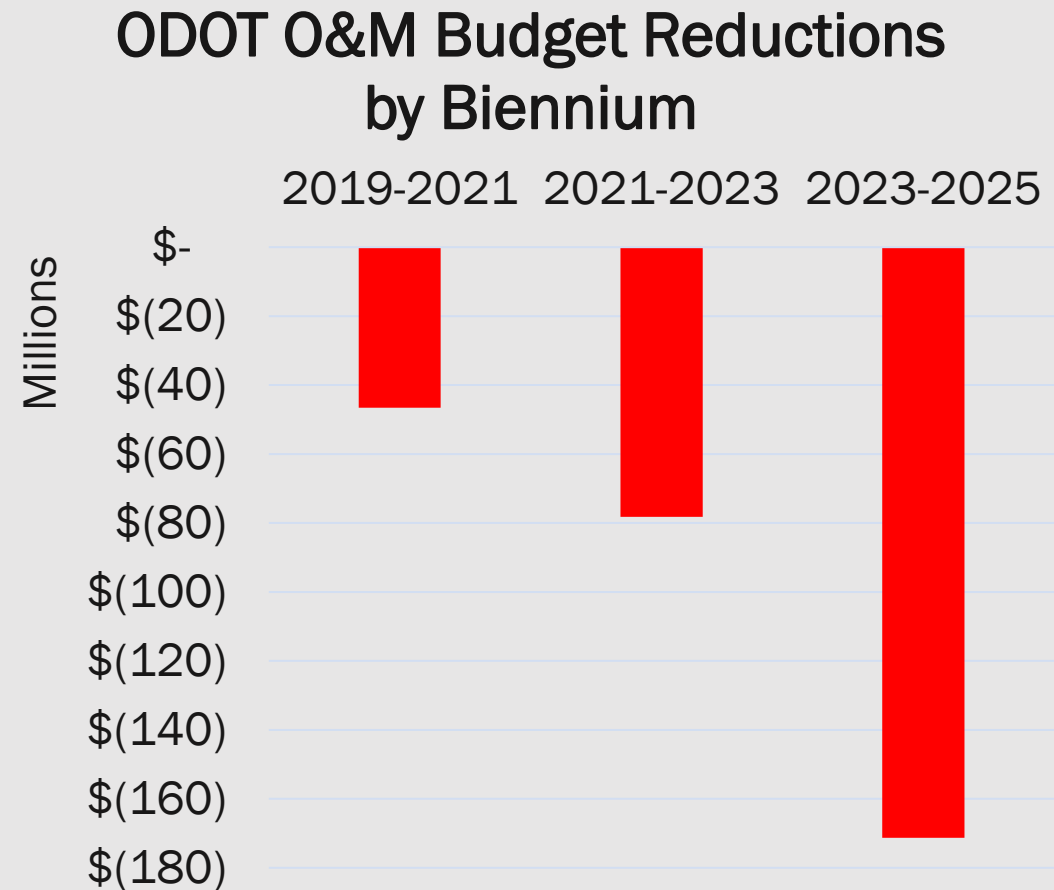


# ODOT Budget Reductions

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# O&M Budget Reductions Since 2019

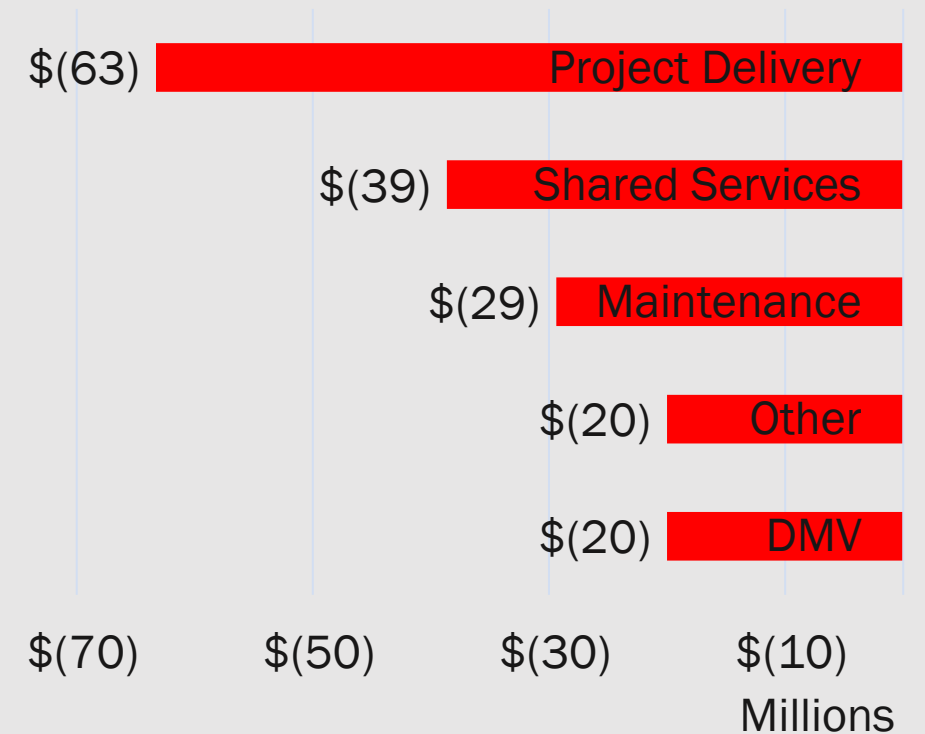
- Since 2019, ODOT has been wrestling with a long-term operations and maintenance budget deficit
- To avoid running out of money, ODOT has taken progressively larger voluntary O&M budget reductions from Current Service Level the last three biennia
- Took **\$47 million** in reductions in 2019-2021 and **\$78 million** in 2021-2023 by absorbing personal service cost increases, holding spending below LAB
- Total impact in 2023-2025 was **\$171 million** (after \$39 million additional maintenance funding provided by Legislature)
- **\$64 million** was phased out in '23-'25, permanently reducing ODOT's budget



# Budget Cuts in 2023-2025

- Total reduction of **\$171 million** represents **5% for maintenance and 14% for shared services**
- ODOT has taken multiple steps to keep spending within available resources:
  - **Cost savings and efficiencies** such as facilities consolidation and putting more DMV services online
  - **Reducing service levels**, including in maintenance and DMV field offices

Budget Reductions from CSL



# Maintenance Budget Reductions

Maintenance budget reduced by:

- \$11.5m in 2019-2021
- \$17.2m in 2021-2023
- \$29m in 2023-2025

2023-2025 reductions consisted of the following:

- \$29.5m phase out in Agency Request Budget
- \$38.9m in additional reductions after passage of ARB
- Offset by \$39m in General Fund for general maintenance and highway cleanup provided in Feb 2024
- Net impact was \$29.4m – about a 5% reduction



# Maintenance Service Level Reductions

- **More than 100 permanent positions as well as 40 seasonal positions held vacant**, reducing ability to accomplish work and delaying routine maintenance activities, such as culvert and ditch debris removal
- **Increased incident response time** in areas that do not have dedicated Incident Responders
- **Chip seals** and other pavement life extensions on low volume roads reduced by \$9 million in 21-23 and an additional \$8 million in 23-25 (total of 63%)
- **Overtime** reduced about 40% resulting in responding to fewer after-hours incidents and inefficiencies such as not finishing a project and having to return to finish work



# Maintenance Service Level Reductions

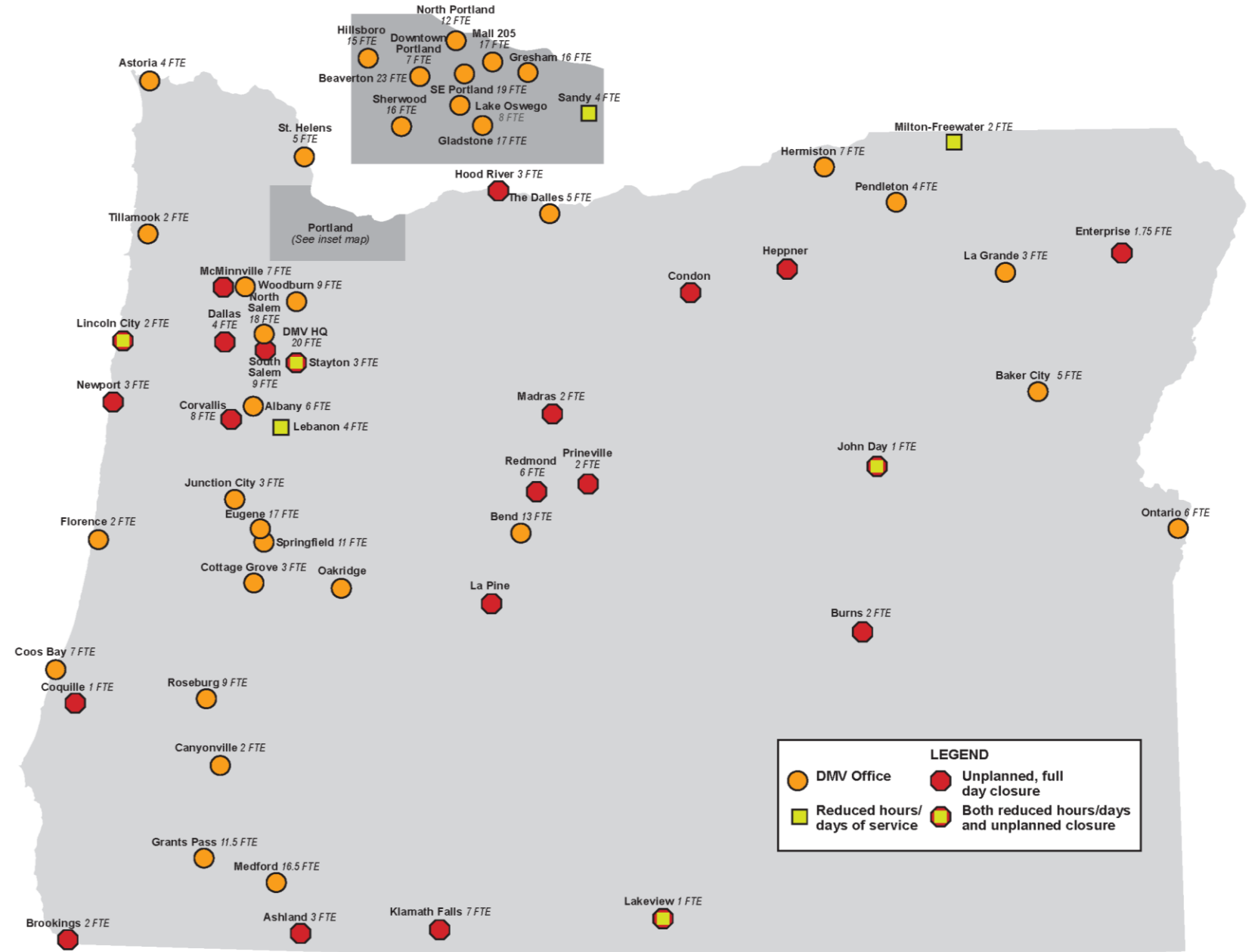
- **Fleet** purchases reduced by \$9 million and sold 100 pieces of equipment to reduce costs of maintaining them
- **Facilities** repairs such as roof, HVAC, siding/window replacements reduced by 40% (\$3.7 million)
- **Litter and camp cleanup** reductions offset in Portland by \$20 million in general fund, but the rest of the state has reduced service levels. No funding for youth litter program.
- **Payments to State Parks** for maintenance of park roads and use of parks as rest areas reduced. Valley of the Rogue, Koberg Beach, and Tub Springs wayside are no longer available as rest areas



# DMV Field Offices Unplanned Closures and Reduced Hours

Due to staffing issues, many DMV field offices have had unplanned office closures or have reduced hours of service, or both

## 2024 DMV Field Office Staffing and Closures



# 2023-2025 Biennium Budget Error

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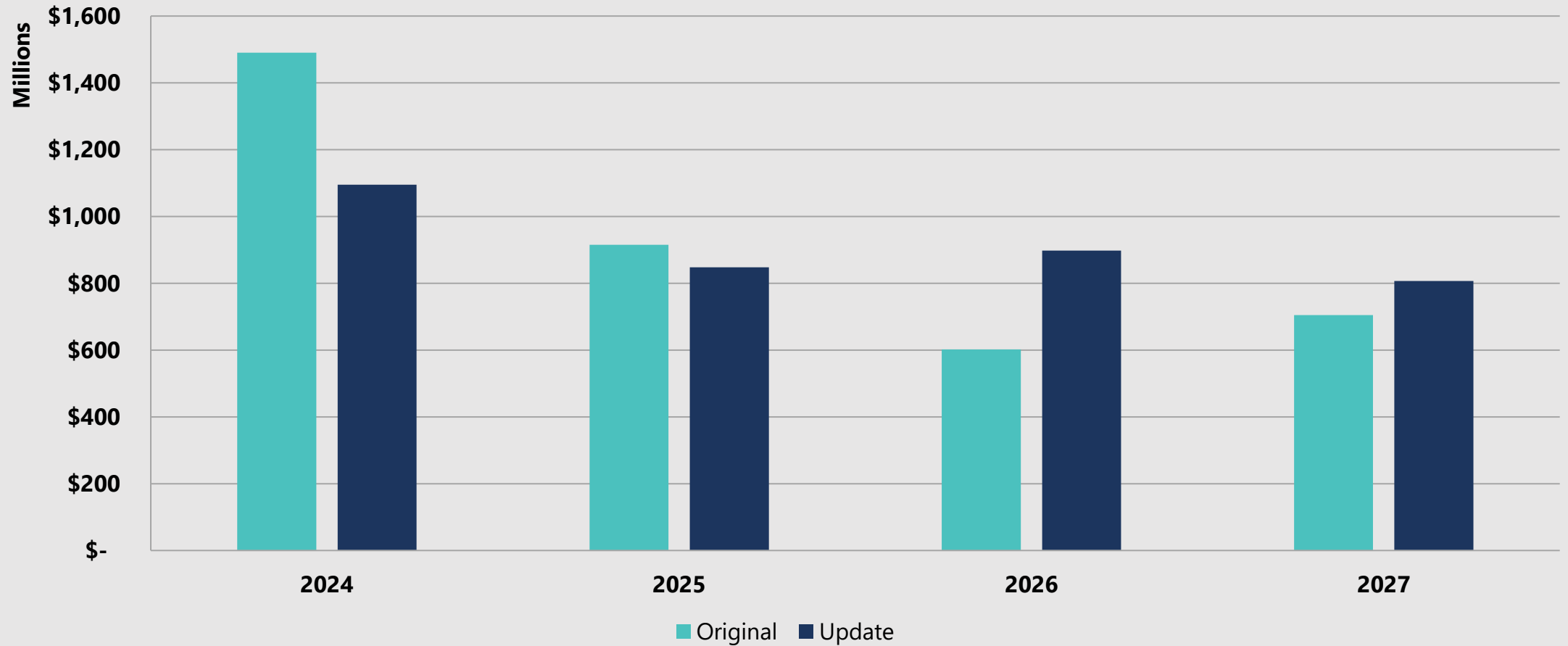


## Timeline for Addressing Error

- Found budget error at end of 2023
- Disclosed error publicly and brought corrective actions, including rebalancing the Statewide Transportation Improvement Program, to Oregon Transportation Commission in May 2024
- In response, requested audit in 2024, delivered to OTC in January 2025



# 2024-2027 STIP Projects By Year

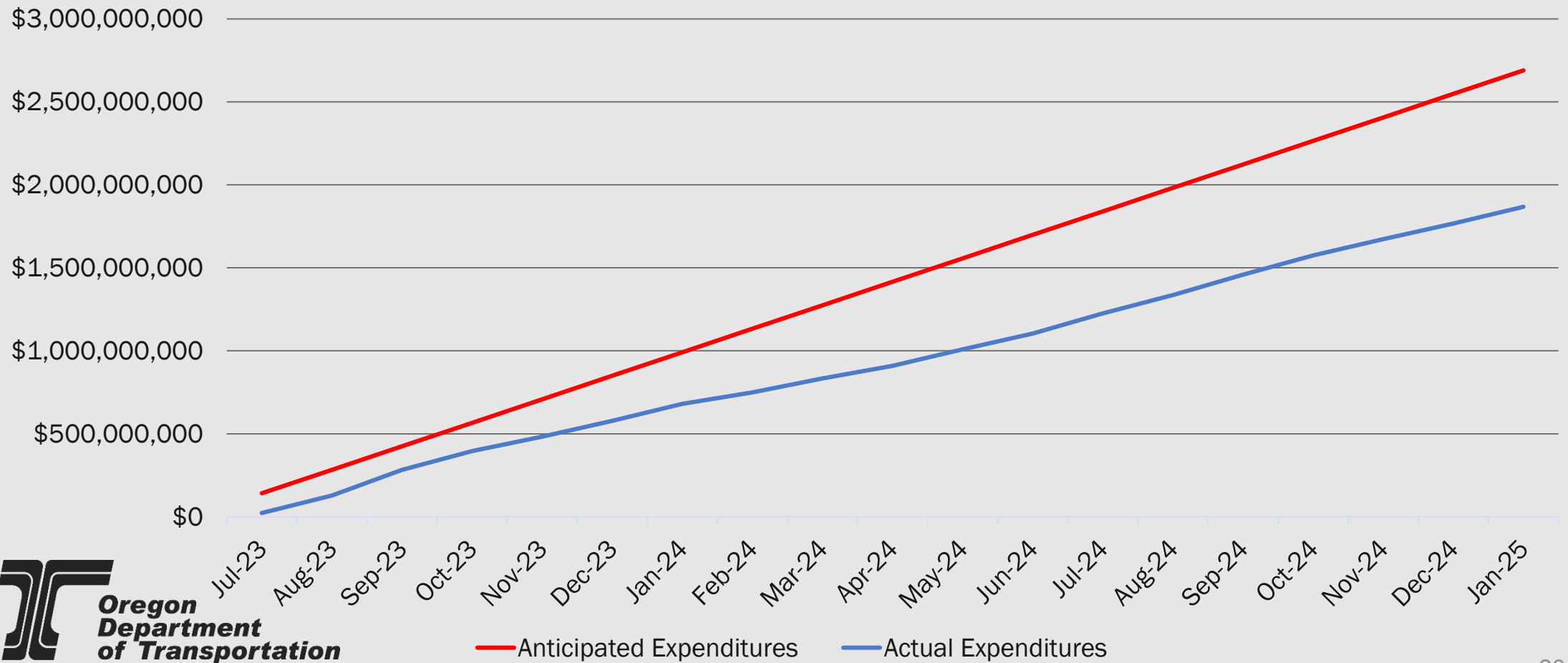


# Steps Taken to Address Error

- Adjusted the STIP to push projects out to avoid potential of overspending at May 2024 OTC meeting.
- Built 2025-2027 ARB Project Delivery and Local Government budgets using historic actual federal funding rather than cash flow model output to prevent overbudgeting.
- Set in motion plan to track HB 2017 funds in separate account starting in 2025-2027 budget and updated budget allocation to more clearly separate State Highway Fund capital revenue from O&M revenue.
- Changing how we build the STIP to avoid frontloading in the future
- Monitoring 2023-2025 expenditures against budget in Project Delivery and Local Government.



# Anticipated and Actual Expenditures in Project Delivery & Local Government Budgets

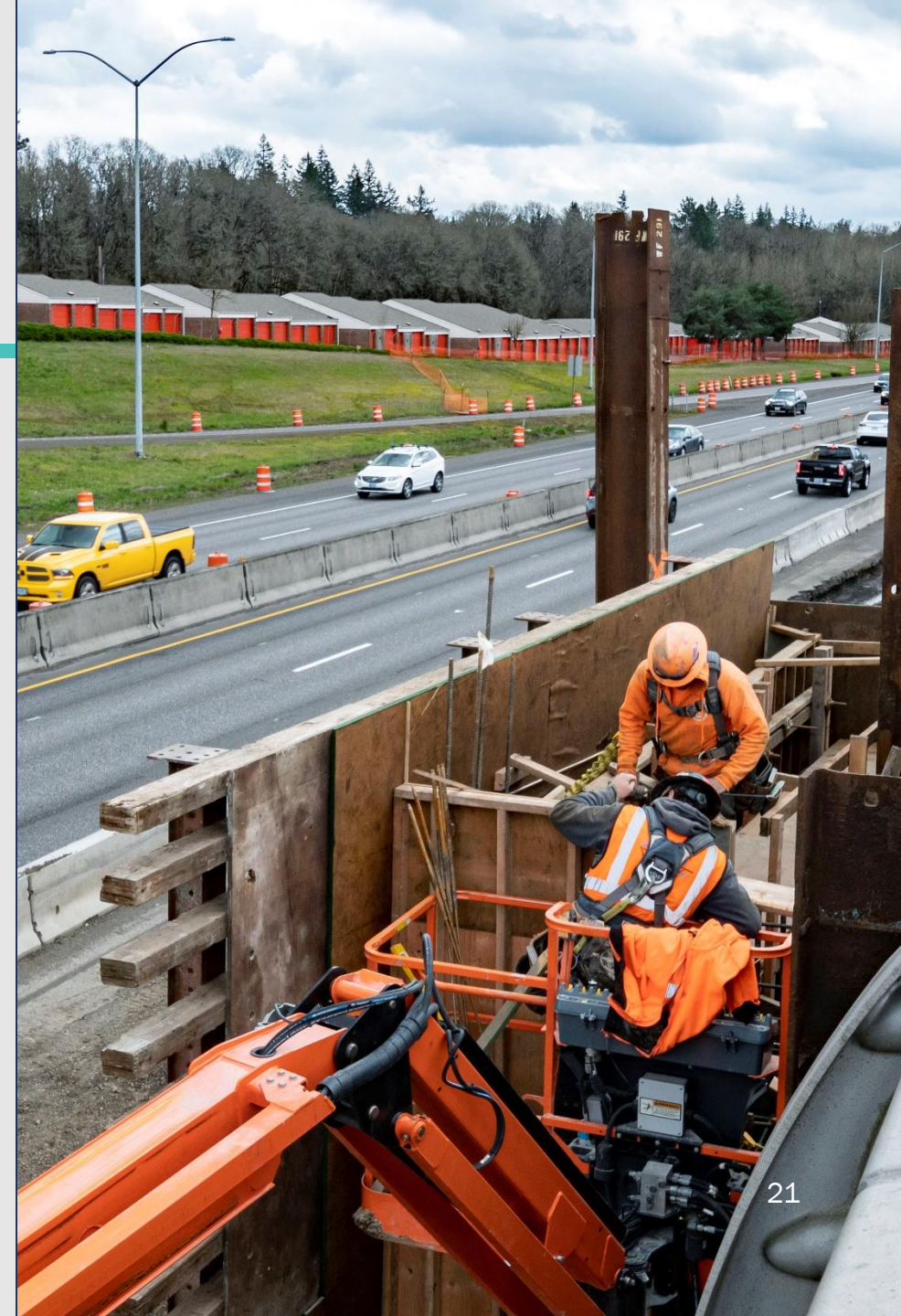


# Audit Findings and Response

Audit delivered to OTC in January 2025 found that steps taken by ODOT to remedy the budget error have addressed short-term impacts, but additional actions are needed to reduce the opportunity for future errors, particularly with tracking HB 2017 funds.

In response, Finance and Budget Division committed to the following steps:

- Beginning in July in the 2025-2027 biennium, create specific fund details for HB 2017 funds to be able to track expenditures
- Build future project delivery budgets based on historic actual federal reimbursements rather than the D&O cash flow model (as we did for '25'-27)
- Explore options to replace the D&O cash flow model
- Reconcile HB 2017 actual funding with allocations of funding and report to OTC
- Create regular reports to compare HB 2017 actuals with projected values used in STIP and budget and adjust as needed
- Work with Delivery & Operations to keep bid dates current



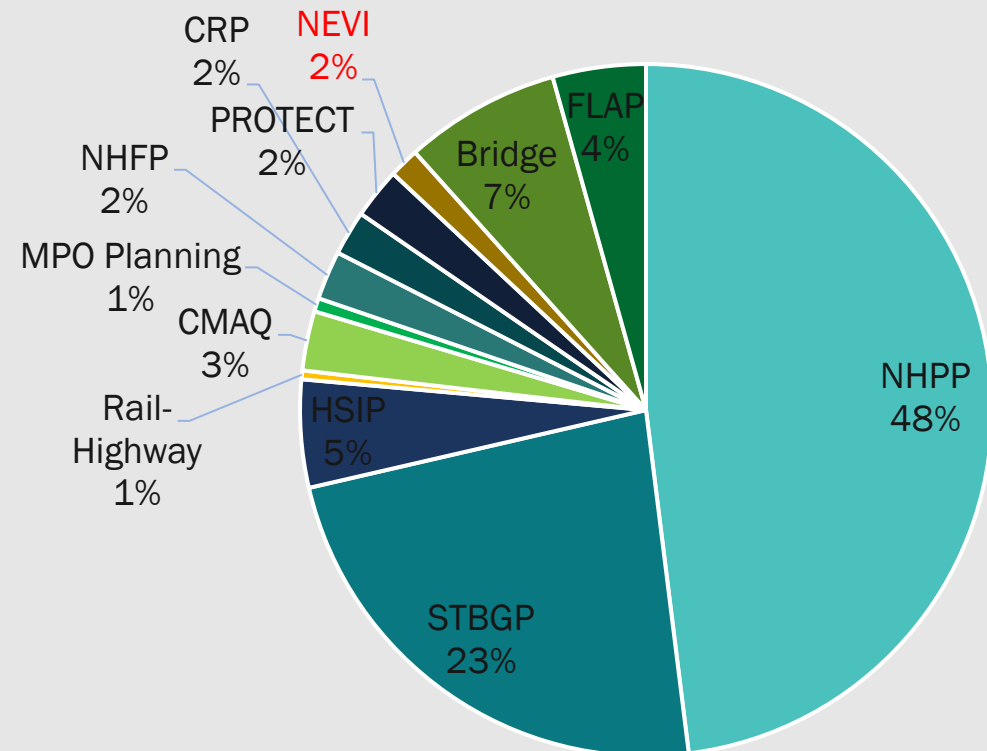
# Federal Funds

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# Federal Funding: Formula Funding

- Most federal highway funding—more than \$700m/year—flows through formula programs
- Formula funds are flowing, other than National Electric Vehicle Infrastructure
- ODOT can spend NEVI funds that are obligated (\$26m) but cannot obligate additional funds

FY 2024 FHWA Formula Funding for Oregon



# Federal Funding: Competitive Grants

- ODOT and local governments have been very successful in securing grants
- Grantees can spend funds that are obligated but cannot obligate additional funds

Project Name	Program	Amount	Obligated
McGilchrist Complete Streets Project	RAISE	\$13,229,320	\$13,229,320
Hawthorne Avenue Pedestrian and Bicyclist Overcrossing	RAISE	\$19,560,000	\$3,892,704
Broadway Main Street and Supporting Connections	NAE	\$38,394,000	\$0
OR99: Glenwood Road - Matt Loop	RAISE	\$21,686,400	\$7,286,400
Enhancing EV Charger Reliability	EVC-RAA	\$10,000,000	\$10,000,000
Low-Carbon Transportation Materials	LCTM	\$31,933,577	\$28,433,577
I-5 Rose Quarter Improvement Project	RCN	\$67,750,000	\$67,500,000
I-5 Rose Quarter Improvement Project	NAE	\$382,250,000	\$0
Interstate Bridge Replacement Project	BIP	\$1,499,000,000	\$950,000
Historic Columbia River Highway	NSFLTP	\$11,000,000	\$0
Mariposa Preserve Wildlife Overcrossing	WCPP	\$33,182,188	\$0
OR126 Safety and Livability	Rural	\$30,000,000	\$0
I-5: Truck Charging and Fueling Stations	CFI-EV	\$21,092,144	\$3,163,822
Crash Data System Replacement	NHTSA	\$12,000,000	\$0

Includes only grants on ODOT books over \$10m. Total number of Oregon US DOT grants identified is 66 totaling \$3.15 billion (not including IBR MEGA grant for \$600m).



# Additional Background on State Highway Fund

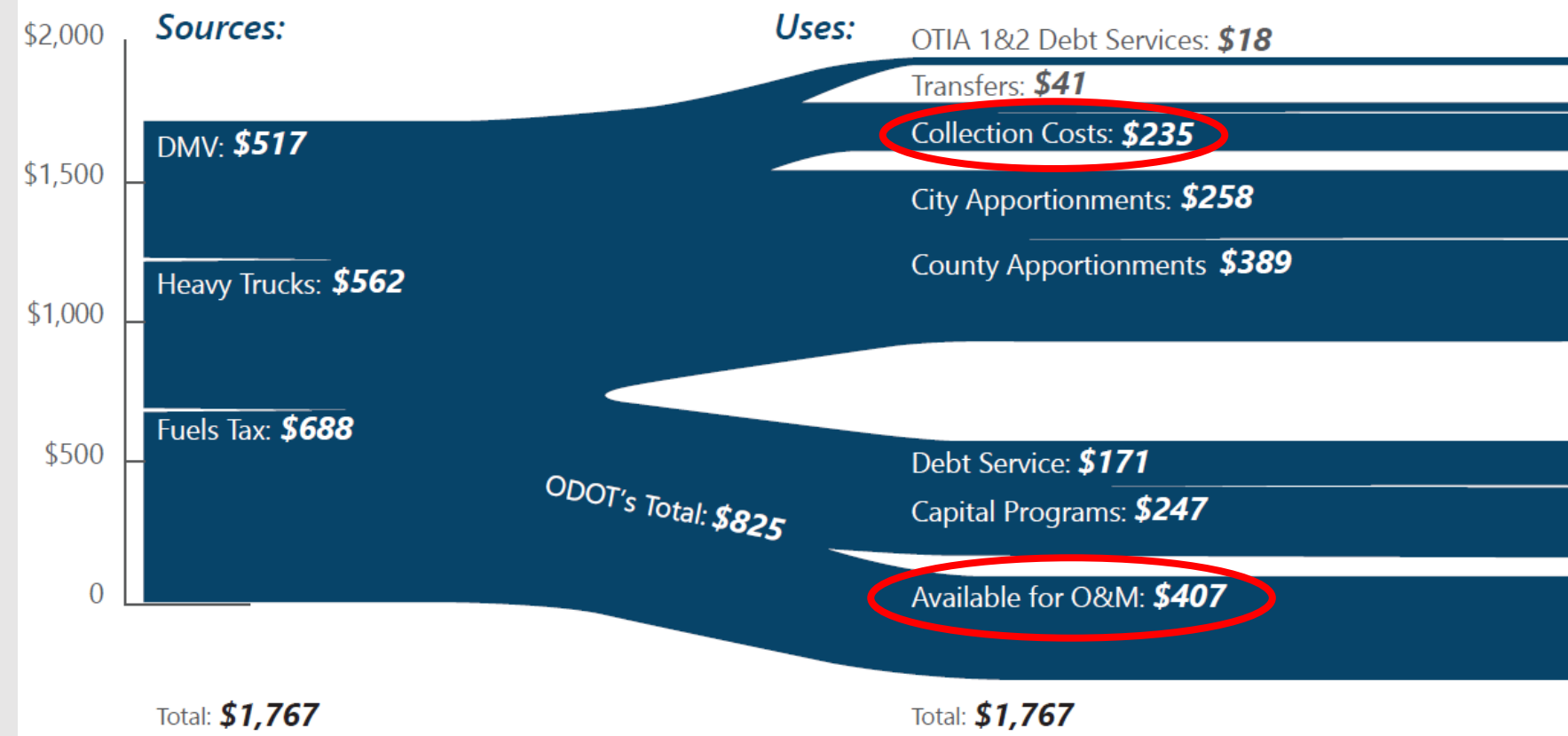
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# State Highway Fund Sources and Uses

2025-2027 Annual Average in Millions Based on October 2024 Revenue Forecast

## State Highway Fund Sources and Uses

2025-2027 Annual Average in Millions



**Collection costs** = costs recovered immediately; funds some agency operations

- DMV costs
- Fuels tax collection costs
- CCD costs

**Available for O&M** = balance after all other expenses/dedications; funds remaining agency operations + all roadway maintenance and operations

- Central shared services (IT, HR, Procurement, Facilities)
- Roadway Maintenance & Operations
- Portion of project delivery indirect costs not charged to project budgets
- Portion of match for federal funds (as needed)

# OTIA I&II

- OTIA I&II (2001-2002) increased title fees, producing an estimated \$21.5 million in FY 2025
- Authorized the issuance of \$500 million in Highway User Tax bonds.



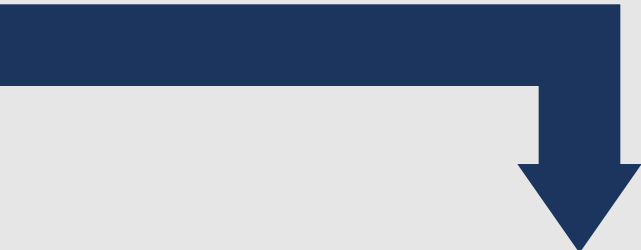
# Set-Aside for Debt Service

- Directed ODOT to “set-aside” \$35.6 million each year for the payment of debt service.
- Debt service exceeds revenue in all but a few years.



# Remainder of \$35.6M

- Excess of \$35.6M apportioned 50% / 30% / 20%.
- ODOT share is unrestricted



# OTIA I&II Apportionment

Base	60.05% / 24.38% / 15.57%
OTIA I	50% / 30% / 20%

## OTIA III

- OTIA III increased vehicle registration fees, title fees, and weight-mile fees, and authorized the issuance of \$1.3B in HUTR bonds for state projects.
- OTIA III increased a series of “miscellaneous fees,” which are apportioned separately, and support an additional \$300M in bonds, whose proceeds funded local projects.

## State Revenue ----- Local Revenue

- State revenue is collected, and debt service is paid on \$1.3B in HUTR bonds. Debt service exceeds revenue almost all years – sometimes significantly.
- Local revenue is collected, and debt service is paid on \$300M in HUTR bonds.

## State Revenue ----- Local Revenue

- Apportioned 57.53% / 25.48% / 16.99%
- ODOT share is unrestrictive if positive net revenue exists
- Apportioned 0% / 60% / 40%

# OTIA III Apportionment

Base	60.05% / 24.38% / 15.57%
OTIA I/II	50% / 30% / 20%
OTIA III State	57.53% / 25.48% / 16.99%
OTIA III Local	0% / 60% / 40%

JTA

- JTA increased fuel taxes, vehicle registration fees, title fees, and weight-mile fees, and authorized the issuance of \$840M in HUTR bonds for state projects.



Set-Aside for Long-range Planning

- \$24M/year is set-aside for ODOT, to fund long-range planning work.



Apportionment

- Apportioned 50% / 30% / 20%
- 51.25% of ODOT's share can be used to pay JTA and OTIA debt service and amounts remaining (\$60M-\$100M) flow:
  - 33% Maintenance, Preservation and Safety projects
  - 15.75% Modernization projects

Base	60.05% / 24.38% / 15.57%
OTIA I/II	50% / 30% / 20%
OTIA III State	57.53% / 25.48% / 16.99%
OTIA III Local	0% / 60% / 40%
JTA	50% / 30% / 20%

# JTA

## Apportionment

HB 2017

- HB 2017 increased fuel taxes, vehicle registration fees, title fees, and weight-mile fees, and authorized the issuance of \$480M in HUTR bonds for state projects.

Set-Aside for UMO & SRTS

- \$30M/year is set-aside for ODOT's UMS projects.
- \$15M/year is set-aside for Safe Routes to Schools.

Apportionment

- Apportioned 50% / 30% / 20%
- ODOT's share to be spent:
  - 70% Bridge/Seismic projects
  - 24% Preservation projects
  - 6% Maintenance

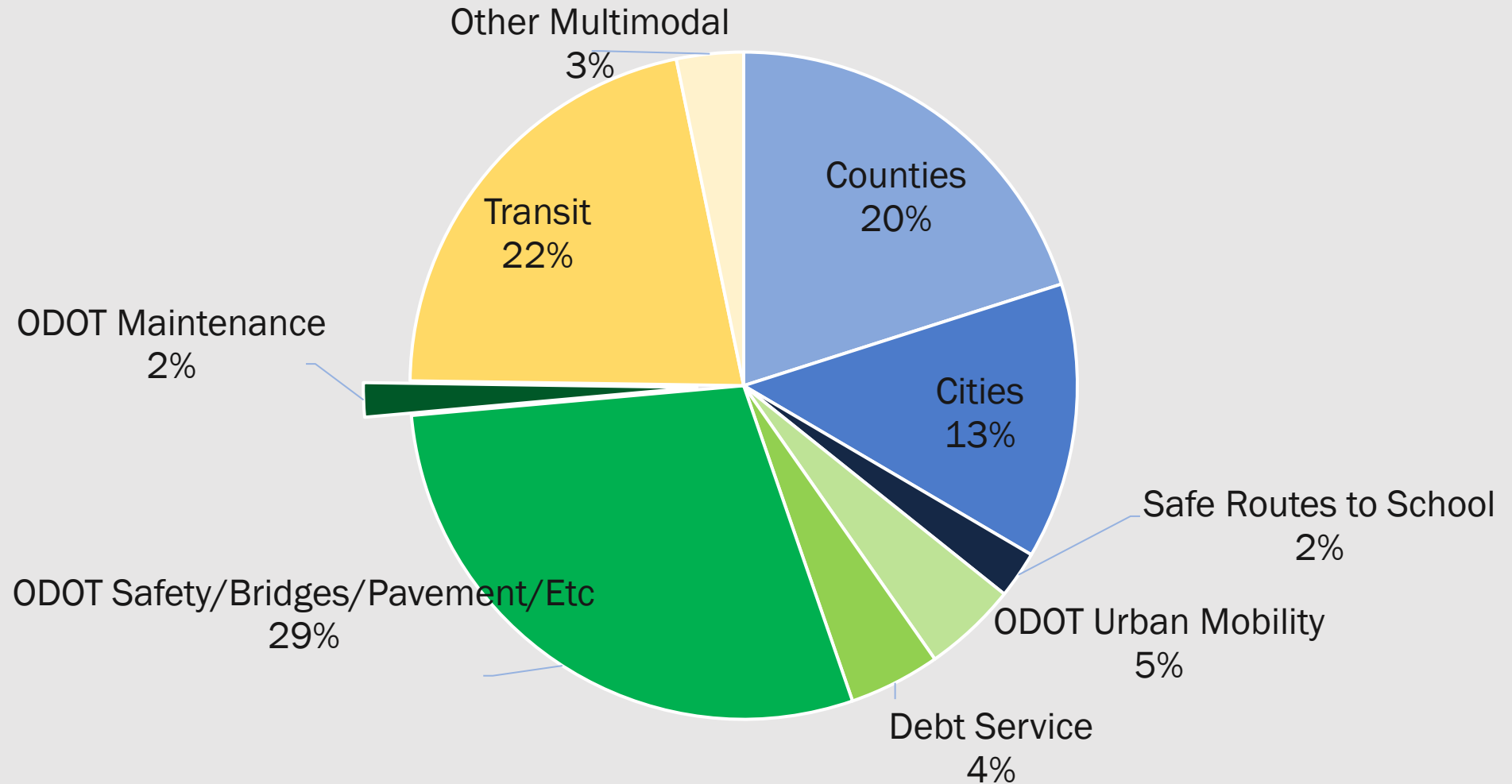
Base	60.05% / 24.38% / 15.57%
OTIA I/II	50% / 30% / 20%
OTIA III State	57.53% / 25.48% / 16.99%
OTIA III Local	0% / 60% / 40%
JTA	50% / 30% / 20%
HB 2017	50% / 30% / 20%

# HB 2017

## Apportionment

# HB 2017 Revenue Distribution – All Sources

Based on October 2024 Revenue Forecast



# Highway User Tax Bond Issuances

Funding Package/Project	Past Bond Authorization	Total Issued To-Date	Future Bond Authorization
Oregon Transportation Investment Acts I-III (2001-2003)	\$2,400 M	\$2,400 M	
Jobs & Transportation Act (2009)	\$840 M	\$840 M	
HB 2017 Named Projects (2017)	\$480 M	\$480 M	
HB 2017 UMS Projects (2017)*	\$242 M	\$242 M	\$250 - \$300 M
I-205 Abernethy			\$500 - \$550 M
<b>Total</b>	<b>\$3,962 M</b>	<b>\$3,962 M</b>	<b>\$750 - \$850 M<sup>+</sup></b>

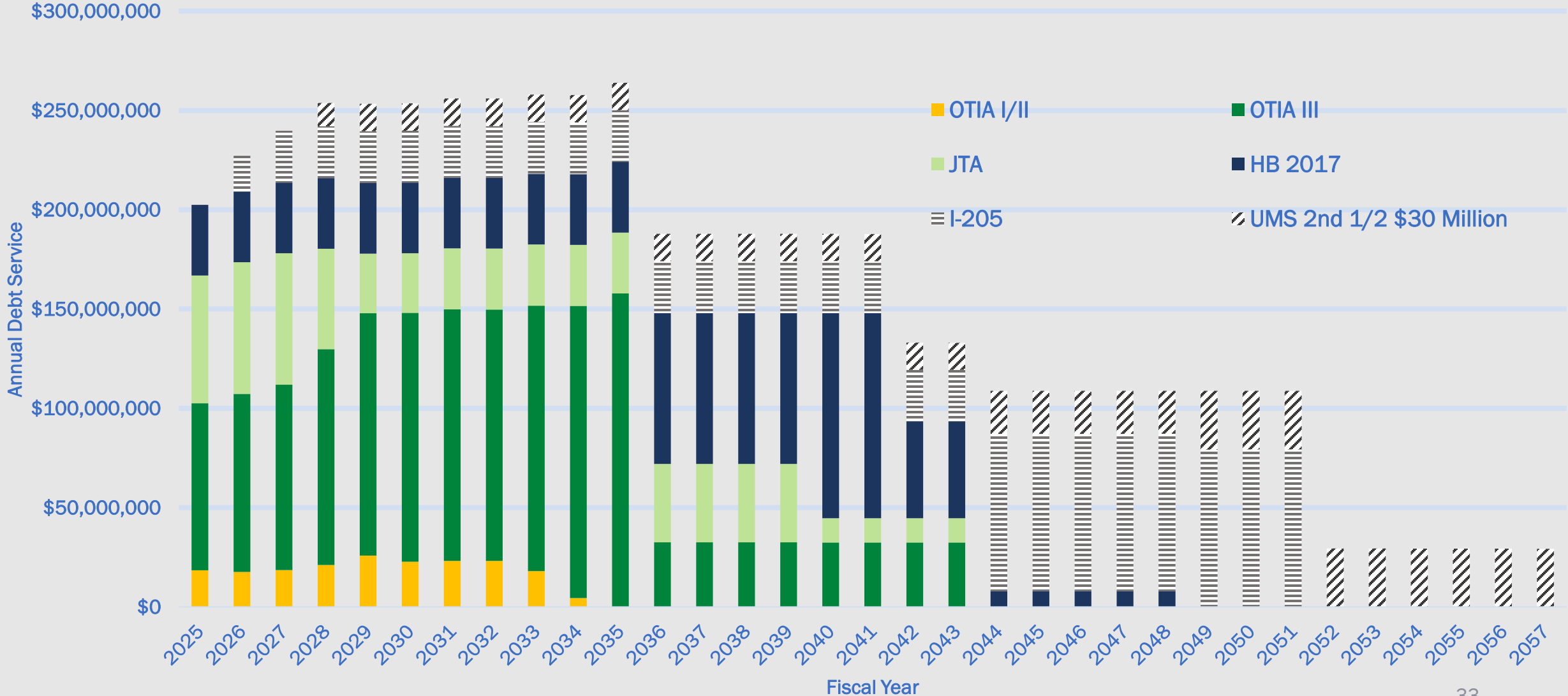


\*HB 2017 UMS Projects bonds are funded with the \$30M annual State Highway Fund allocation provided under HB 2017. ODOT has leveraged ~\$16M/year to generate ~\$242M in bond proceeds. The remaining ~\$14M/year will be leveraged at a second sale to generate \$250 - \$300M.

<sup>+</sup>ODOT has requested \$850 million in HUTR bond bill authority for the 2025-27 biennium.



# Current Annual Highway User Tax Credit Debt Service with Forecasted Future Sales



I-205 and UMS 2<sup>nd</sup> bond sales are projections included for illustrative purposes only as actual debt service payments will differ.

# Thank You

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