

2025-27 Budget Review

Department of Transportation

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	74,908,610	80,930,280	52,729,158	53,462,854
Lottery Funds	121,580,406	135,204,750	144,229,808	144,630,965
Other Funds	4,645,901,308	5,883,606,156	5,383,836,797	6,862,959,635
Other Funds (NL)	4,749,230	601,875,785	18,000,000	18,000,000
Federal Funds	107,303,554	193,450,141	201,929,984	201,801,750
Federal Funds (NL)	19,500,655	18,764,647	17,933,514	17,933,514
Total Funds	4,973,943,763	6,913,831,759	5,818,659,261	7,298,788,718
Positions	4,935	4,939	4,869	4,908
FTE	4,731.92	4,806.87	4,789.42	4,802.56

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The mission of the Oregon Department of Transportation (ODOT) is to provide a safe and reliable multimodal transportation system that connects people and helps Oregon's communities and economy thrive. ODOT accomplishes this by developing, maintaining, and managing Oregon's transportation system through programs related to Oregon's system of highways, roads, bridges; bicycle and pedestrian facilities; passenger and freight railways; public transportation services; transportation safety; driver and vehicle licensing; and motor carrier regulation. The Department's activities are guided by a comprehensive set of long-range multi-modal transportation system plans developed in coordination with local and regional governments, transportation agencies, and the public. These plans cover highway, mass transit, port, rail, bike, and pedestrian needs and help direct investment of transportation funding through various programs.

All federally funded transportation projects, as well as many state-funded projects, are included in the Statewide Transportation Improvement Program (STIP), which is developed and maintained under the direction of the Oregon Transportation Commission, and updated every three years through a public hearing process. The five-member Oregon Transportation Commission (OTC) is appointed by the Governor and confirmed by the Senate. The Commission appoints the Department's director, subject to Senate confirmation.

ODOT's budget includes the following major divisions:

- **Delivery and Operations** - resources are used to maintain the highway system, which includes approximately 8,000 miles of roads and 2,700 bridges; support the design and construction of transportation projects related to mobility, safety, accessibility, and benefits to state-owned facilities, among others; provide oversight and funding administration for local transportation improvement projects; and the Interstate Bridge Replacement (IBR) project.
- **Driver and Motor Vehicle (DMV) Services** - licenses and regulates nearly 2.6 million drivers and motor vehicles annually to promote safety and protect consumer interests through 60 field offices located throughout the state.
- **Commerce and Compliance** – regulates the commercial transportation industry, including registering commercial vehicles in Oregon and collecting road usage charges.
- **Policy, Data, and Analysis** - includes funding available for grants programs, such as Connect Oregon, transportation system planning, and data collection and reporting.
- **Public Transportation** - resources available for communities and local transportation providers for transit, passenger rail, active transportation, and micro-mobility services.
- **ODOT Administrative Services** - provides administrative support services to the agency, such as human resources, information technology, procurement, civil rights, government relations, and communications.
- **Finance and Budget** - provides financial management, budget, revenue forecasting, and collecting fuels tax.

Other budgeted programs include the **Oregon Transportation Infrastructure Fund**, which includes the Oregon Transportation Infrastructure Bank (OITB) revolving loan program and a limited grant program for projects that reduce wildlife-vehicle collisions; the **Capital Improvements** program for renovations or improvements to ODOT facilities that are less than \$1 million; the **Capital Construction** program for facility construction or renovation projects that are more than \$1 million; and **Debt Service**, which includes principal and interest repayments on outstanding debt.

The majority of ODOT's revenues are budgeted as Other Funds, with the largest share generated through motor fuel taxes, driver and vehicle licenses and fees, and weight-mile taxes. Most of these revenues are constitutionally dedicated to the State Highway Fund and shared between ODOT, counties, and cities. Federal Funds from the Federal Highway Administration (FHWA) are matched with state funds for highway projects and are also budgeted as Other Funds. FHWA funding includes ODOT's congressional funding allocation from the Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL).

The current service level budget assumes \$5.9 billion in available total available revenue for the 2025-27 biennium. Major sources of projected Other Funds revenues include:

- Transportation focused taxes and fees dedicated to the State Highway Fund, consisting of the following:
 - Motor fuels taxes - \$1.4 billion
 - Weight-per mile taxes on heavy vehicles (commercial trucking) - \$981.6 million
 - Vehicle titling and registration, including commercial vehicles - \$1.1 billion
 - Driver licenses, permitting and testing - \$143.8 million

- Other non-State Highway Fund sources include, transit payroll tax (\$281 million), local cooperative funds (\$211.2 million), and privilege tax (\$45.5 million); railroad gross receipts (\$7 million); business licenses and fees (\$6.4 million); and interest, sales, administrative, and service charges (\$70.1 million).
- Federal as Other Funds revenue totaling \$1.4 billion from congressional funding allocations made through the IIJA for highway projects. Total IIJA funding for federal years 2022-2026 is roughly \$4.5 billion, an increase over base funding of more than \$1 billion. These dollars support federal highway, transit, safety and rail programs, as well as dedicated program funds that will be incorporated into the STIP. As part of the increase in federal funding under IIJA, ODOT anticipates receiving \$412 million in non-recurring “flexible funding” revenue for specific projects that have been approved by the OTC. Examples of these projects include local street improvements, accessibility, maintenance and repair, and air quality.

A total of \$219.9 million of Federal Funds are projected to support highway grants, rail safety, highway safety, transit, and motor carrier safety activities.

Lottery Funds primarily support debt service on lottery bonds issued for the Connect Oregon program, as well as a transfer of from the Oregon Department of Veterans’ Affairs for the Rural Veteran’s Transportation Grant Program that ODOT administers. General Fund supports debt service on general obligation bonds issued for the State Radio Project, completed highway safety projects, and the Interstate Bridge Replacement project.

BUDGET ENVIRONMENT

Revenue Challenges

ODOT faces significant operational and maintenance (O&M) funding challenges for the 2025-27 biennium, stemming from increasing operational costs, relatively steady State Highway Fund (SHF) revenues, and statutory restrictions on SHF use. These factors impact ODOT’s ability to balance its budget at the current service level without making substantial reductions in O&M functions.

Primary factors contributing to the budget deficit include:

- **Inflationary Cost Increases:** Rising costs for personal services, supplies, and materials have created a gap between expenditures and available funding. Inflationary pressures have surpassed earlier cost-reduction efforts, necessitating additional adjustments to meet CSL.
- **Stable Revenue Growth:** SHF revenues, the primary funding source for O&M, remain relatively flat in real terms. Adjustments from HB 2017 (2017) initially provided increased revenue through phased tax and fee hikes; however, inflation-adjusted revenue is projected to fall below pre-HB 2017 levels by fiscal year 2025. This limits ODOT’s capacity to meet increasing operational demands.
- **Statutory Funding Restrictions:** Statutory restrictions under HB 2017 allocate 94% of new tax and fee revenue toward capital projects, with only 6 percent designated for maintenance and none for operational expenses. This restricts ODOT’s flexibility to apply new revenues to address O&M needs, particularly as costs rise.

In the 2023-25 biennium, ODOT implemented O&M budget reductions totaling \$170 million. These reductions were accomplished primarily by holding positions vacant, reducing maintenance material stockpiles, delaying fleet purchases, consolidating office space, and converting staff to cell phones or software-based VoIP calling.

In the 2024 legislative session, the Legislature allocated \$39 million in one-time General Fund resources to partially offset these cuts. This included \$19 million to continue essential highway and winter maintenance activities and \$20 million to address health and safety issues along highways in the Portland Metro region, including graffiti, litter, and camp cleanup. Despite the additional resources, the maintenance budget experienced a net reduction of 5%, while DMV, the Commerce and Compliance Division (CCD), and administrative functions faced reductions of 7%, 13%, and 14%, respectively.

The SHF budget deficit for the 2025-27 biennium is estimated at approximately \$354.3 million for the agency to continue operations at the current service level. If additional revenue is not identified, a reduction of \$421.9 million total funds and 1,005 positions (992.41 FTE) will be necessary to balance the budget. Reductions are proposed in the following program areas:

- Delivery and Operations
 - Maintenance - \$185.6 million and 414 positions (402.65 FTE): Reduced maintenance staffing would require consolidating crews and significantly reducing service levels in incident response, snow plowing, pavement patching, and litter and graffiti removal. Response times would be slower, and reliability and safety on state highways would be impacted.
 - Project Delivery and Support - \$142.6 million and 371 positions (369.93 FTE): Reducing project delivery staffing in both regions and statewide positions would reduce technical competency and expertise and cause slower delivery timelines and fewer projects delivered.
 - Local Government - \$5.5 million and 17 positions (17.00 FTE): Local governments could see worse service in areas such as timely delivery of federally-funded local projects, prompt payment of SHF apportionments, and timely award and execution of grants and loans.
- DMV - \$6.6 million and 14 positions (14.00 FTE): DMV will be impacted by reductions in administrative functions, such as IT staffing, that are required to keep services functioning effectively.
- Commerce and Compliance - \$1.9 million and seven positions (7.00 FTE): Reduction in staffing would increase the maintenance backlog, which leads to a shorter infrastructure lifespan and failures that impact operations such as adequate truck weights, safety inspections, and mobile enforcement operations.
- Administration - \$57.9 million and 154 positions (153.83 FTE): Staff reductions would degrade capabilities in IT, HR, procurement, and other areas.
- Finance and Budget - \$17.2 million and 28 positions (28.00 FTE): Staff reductions will impact contracting and payment processing timelines.
- Capital Improvement - \$4.6 million: Reductions will delay building projects and defer maintenance on existing ODOT facilities potentially causing closures when roofs, HVAC systems, and other elements fail.

Without additional revenue adjustments or legislative action, the outlook beyond 2025-27 suggests further budget constraints impacting O&M functions.

Large-Scale Transportation Projects

ODOT is actively engaged in planning and in the initial construction phases for multiple large-scale transportation projects in the Portland metropolitan area, deployed in phases as funding becomes available. Key projects include:

- Enhancements to Interstate 205 (I-205) with phase one (Abernathy Bridge) currently estimated at \$815 million. To date, \$570 million of state funding has been secured for the project leaving a funding gap of \$245 million. Construction is currently scheduled for completion in fall 2026.
- Congestion management improvements on Interstate 5 (I-5) in Portland's Rose Quarter is currently estimated at \$1.9 billion. To date, \$608 million of state and federal funding has been secured leaving a \$1.3 billion funding gap for the project.
- Replacement of the I-5 Interstate Bridge across the Columbia River, connecting Oregon to Washington currently estimated at \$6.7 billion. To date, \$5.5 billion of state and federal funding has been committed, including tolling, leaving a \$1.2 billion funding gap for the project.

The completion of these projects relies heavily on funding from federal grants, some of which remains unsecured, as well as anticipated revenue from the Portland-Metro Regional Mobility Pricing Program (a variable tolling system designed to manage peak congestion) and bridge tolling. In May 2023, Governor Kotek announced a pause on the I-205 tolling plan until January 2026, responding to public concerns over its potential impact on local traffic and low-income drivers. To mitigate financial risk, ODOT plans to defer major construction phases until tolling financing or alternative financing is secured.

State Climate Goals

Executive Order 20-04 calls for significant reductions in greenhouse gas emissions by 2035 and 2050. Given that transportation is a major contributor to emissions, and low carbon fuel standards are called for, ODOT's mitigation strategies include supporting the electrification of transportation systems and encouraging increased use of alternative modes of transportation. These strategies are likely to have direct impacts to state highway fund receipts absent policy decisions toward a transportation funding model that emphasizes miles traveled rather than fuel consumed or other adjustments.

CURRENT SERVICE LEVEL

The 2025-27 current service level budget (CSL) of \$5.8 billion is \$1.1 billion, or 15.8%, less than the 2023-25 legislatively approved budget of \$6.9 billion. The decrease is primarily due to the discontinuation of the following one-time expenditures:

- \$65.3 million in one-time General Fund that was appropriated for:
 - Graffiti, litter, and camp cleanup in the Portland Metro region (\$20 million)
 - Highway and winter maintenance activities (\$19 million)
 - Port of Cascade Locks for Bridge of the Gods study (\$6 million)
 - Treasure Valley Intermodal Facility Project in Malheur County (\$5 million)

- Residential housing support for the City of Pendleton (\$4 million)
- Transportation improvements in Independence (\$4 million)
- Pedestrian Access Improvements along Southwest Hall Boulevard (\$3 million)
- Klamath County Economic Development Association for the Klamath Northern Railroad project (\$1.5 million)
- Improving safety and increasing access to walking, biking and transit on state highways that serve as community main streets through Great Streets (\$1 million)
- Study using existing heavy freight rail assets in the Portland Metro Area for passenger rail alternatives to existing transportation modes (\$500,000)
- Phase out of Other Funds expenditure limitation for:
 - STIP project adjustments funded primarily through IJA and American Rescue Plan Act (ARPA) funds (\$368 million)
 - Construction of the South Coast Regional Seismic Ready Facility in Coos Bay (\$38 million)
 - State Transportation Improvement Fund disbursement carryover (\$34.7 million)
 - Limited duration positions in the Department of Motor Vehicles Services to conduct a Real ID marketing campaign and process an expected surge in transactions (\$4.2 million)
- \$583.9 million Nonlimited Other Funds expenditure limitation for bond refundings completed in the 2023-25 biennium.

GOVERNOR'S BUDGET SUMMARY

The 2025-27 Governor's Budget is \$7.3 billion total funds and 4,908 positions (4,802.56 FTE). The budget is \$1.5 billion, or 25.4%, more than the current service level of \$5.8 billion. The Governor's budget assumes new revenues of \$1.75 billion to restore 988 positions (975.41 FTE) and services which were eliminated due to the projected SHF shortfall. This funding will also support additional investments in these areas. Funding is allocated to:

- Maintenance and Operations investments, totaling \$410 million, include restoring 414 maintenance positions (\$186 million) to prevent service declines, \$60 million for proactive road and bridge maintenance, \$4 million for faster incident response, \$20 million for graffiti and litter cleanup, \$30 million for fleet replacement and renewable fuels infrastructure, \$25 million for operational support and IT modernization, \$8 million for rest area operations, and \$77 million to maintain an appropriate working fund balance.
- Agency Operations investments, totaling \$433 million, include restoring 543 positions in Project Delivery, Administrative Services, and Finance and Budget (\$230 million), \$24 million for IT modernization to improve efficiency and customer service, \$172 million for facility upgrades to address deferred maintenance and replace aging buildings, and \$7 million to maintain an appropriate working fund balance.
- DMV investments, totaling \$100 million, include restoring 14 positions (\$6.6 million), \$6.4 million to restore base budget cuts taken in the 2023-25 biennium, \$23 million for increased field office staff to reduce wait times and prevent closures, \$4 million for call center improvements with AI and online chat, \$3 million for driver and vehicle processing upgrades with automation, \$12 million for service and operational improvements including website

modernization and mobile services, and \$19 million to maintain an appropriate working fund balance.

- CCD investments, totaling \$50 million, include \$6 million to replace outdated mainframe systems with modern technology to improve efficiency, customer service, and data accuracy, and \$34 million to upgrade and replace aging Intelligent Transportation Systems (ITS) infrastructure to enhance safety, reduce maintenance costs, and improve data accuracy, and \$10 million to maintain an appropriate working fund balance.
- Preservation investments, totaling \$677 million, include \$342 million for bridge replacement, prioritizing timber structures and seismic lifeline routes, \$275 million for pavement improvements on key routes including Interstates, US26, US101, OR99, and others, \$35 million for culvert and hydraulics upgrades, and \$25 million for signal, Intelligent Transportation System, and landslide mitigation.
- Safety investments, totaling \$80 million, include \$60 million for the All Roads Transportation Safety (ARTS) Program to reduce fatalities and serious injuries at twice as many locations statewide, \$10 million for the addition of 2,000 miles of rumble strips, \$9 million to improve 30 high-risk pedestrian crossings, and \$1 million to increase speed setting staff to address the backlog of requests.

The source of the additional SHF revenue is not identified.

Additional investments in the Governor's budget include:

- \$251.8 million Other Funds and 22 positions (15.09 FTE) for continued work on the Interstate 5 Bridge Replacement Program. This includes a Final Supplemental Environmental Impact Statement anticipated in late 2025, as well as right-of-planning, acquisition, and contracting. Funding comes from general obligation bonds authorized in the 2023 session (HB 5005) with an expected issuance date of spring 2027.
- \$84 million Other Funds for debt service on Highway User Tax Bonds for the Abernathy Bridge project, which would be supported by the unspecified increase in SHF revenue sources.
- \$1.5 million Other Funds and six positions (5.64 FTE) to improve capacity for granting and oversight in the agency's Public Transportation Division funded by the Statewide Transportation Improvement Fund, Transportation Operating Fund, and Federal Transit Agency revenues.
- \$1.8 million Other Funds to extend 26 limited duration positions (6.50 FTE) for continued work on DMV's Real ID compliance efforts funded by the \$30 REAL ID fee collected for each credential issued or renewed.
- \$19 million Other Funds to carry forward expenditure limitation associated with \$32 million of ARPA dedicated during the 2021-23 biennium for phase 2 of the Newburg Dundee Bypass project.
- \$401,157 Lottery Funds and one position (0.88 FTE) to manage the Rural Veterans Healthcare Transportation grant program established by HB 2139 (2021). This would also increase grant payments by \$150,000.

Also included is \$733,696 General Fund and one position (0.50 FTE) to support housing initiatives, including a DMV mobile office providing state ID cards for Oregonians leaving state institutions, and coordinating with state agencies to provide a single point of contact for housing project permit reviews.

OTHER SIGNIFICANT ISSUES

Oregon's weight-mile tax (WMT), which charges commercial vehicles based on the weight of their load and miles traveled on state roads, has faced challenges recently, particularly with the percent truckers pay relative to their road usage. According to Oregon's Highway Cost Allocation Studies, large trucks are projected to overpay by a significant margin. In a 2023-25 study, it was estimated that heavy trucks would overpay by 32.4%, while light vehicles underpay by 12.2%. This issue has sparked lawsuits from the Oregon Trucking Association and several motor carriers, who argue that the WMT is unconstitutional and violates the principle of equitable contribution to road costs outlined in Oregon's constitution. They contend that truckers have been paying more than their fair share for years, with some estimates predicting that the trucking industry will overpay by half a billion dollars by 2025.

ODOT and the State of Washington subsidize operating costs of passenger rail provided through the Amtrak Cascades line. Ridership has now since recovered from pandemic-related declines in 2020 and 2021. The most recent quarterly report indicated that ridership was the highest recorded in the history of passenger rail service in Oregon. The system continues to struggle with on-time performance issues, caused by freight train right of way, system maintenance, and safety issues. ODOT anticipates utilizing \$23.4 million in Transportation Operating Fund revenue to support passenger rail activity in the 2025-27 biennium.

In 2020, ODOT reached a legal settlement that requires the agency to remediate curb ramps and pedestrian signals along the state highway system to make them ADA accessible. Funding for the remediation will be financed with federal grant anticipation revenue bonds, which use federal formula funds to pay debt service. ODOT anticipates issuing approximately \$250 million per biennium through 2029-31.

KEY PERFORMANCE MEASURES

A copy of the Oregon Department of Transportation Annual Performance Progress Report can be found on the LFO website: [KPM - View Report](#)

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