

ODOT PROGRAM ALLOTMENT ADJUSTMENT

Due to a number of factors, ODOT's 2008-2011 highway construction program, known as the Statewide Transportation Improvement Program or STIP, faces a shortfall of approximately \$168 million compared to the funding projected to be available when the program allotment was first drawn up in late 2005. Additionally, the 2005 Program Allotment presumed that enough new revenues would be available for subsequent STIPs that moving to a triage mode under which ODOT would focus primarily on preserving the existing system would not be necessary.

Based on the 2005 Program Allotment, ODOT has allocated funding within the STIP to transportation projects throughout the state that improve safety, address congestion, and benefit local communities and the state's economy. While ODOT will work to minimize the impact of the shortfall and lack of new revenues on these important transportation projects, some projects will likely be cut, canceled, or delayed in order to eliminate the deficit.

How did the shortfall occur?

Four major unanticipated factors have caused this significant gap:

- As a result of high fuel prices, people are driving less than expected, and state revenues from fuels taxes are lower than projected.
- Legislative adjustments (primarily for increased personnel costs) raised projected expenditures.
- The 2007 Legislature passed legislation that will redistribute \$56.25 million from the state highway fund to counties in 2008.
- The remodel of the ODOT headquarters building—the last building on the Capitol Mall that has not been reconstructed to address safety and seismic problems—is projected to cost more than originally allocated.

How will ODOT adjust the program to address this problem?

Technical adjustments to the budget such as re-structuring bond sales to delay debt service payments have reduced the magnitude of the funding gap somewhat. After these actions, ODOT's construction program is left with a projected shortfall of \$168.3 million at the end of 2011. The Oregon Transportation Commission (OTC), which sets the budget and policy for ODOT, will need to restructure the program in order to eliminate this shortfall and address the lack of new revenues.

The OTC has given direction to ODOT to develop a number of adjustments that will reduce the deficit significantly without cutting projects, including delaying the remodel of the ODOT headquarters indefinitely and reducing the program reserve amount, which was intended to respond to unplanned events, resulting in spending down a portion of the state's modest Highway Fund ending balance. However, the remainder of the deficit, and the shift to a triage mode, will require cutting funding for projects.

ODOT staff will present a restructured program to the OTC at its October workshop in Gleneden Beach. The OTC will make a final program funding decision in November or December.

What type of projects are likely to be cut?

Federal law and the Oregon Transportation Plan, the policy framework that guides ODOT's investments and decisions, dictate that ODOT's first responsibility is to preserve the existing transportation system. The mounting needs of the state's aging infrastructure combined with this budget shortfall and the lack of additional funding are leading the OTC to shift ODOT into a triage mode.

With inadequate funding to even maintain the existing system much less expand it by building new highways, ODOT will focus limited resources on preserving and maintaining the highways and bridges we already have. Based on the direction provided by the Oregon Transportation Plan, the OTC will likely direct ODOT to take the necessary cuts out of the state's modernization program, which funds projects that expand highway capacity and improve interchanges.

How will ODOT go about cutting projects?

It is anticipated that the OTC will direct ODOT to seek recommendations from Area Commissions on Transportation (ACTs) on which projects to cut, cancel, or delay to eliminate the deficit. ACTs, which are composed of local elected officials and business leaders, make recommendations to ODOT on which projects to fund in various regions of the state.