



Program Funding

August 15, 2007



Purpose of Presentation

This presentation provides additional information as the OTC develops guidance for the 2008 – 2013 program funding allocation. The presentation addresses requests made of staff by the OTC during the last program funding discussion, and is intended to be the basis for the OTC's final direction for the funding allocation.



Broad Themes

- Look outside of budget silos for investments with benefits in multiple areas, moving us forward to implementing the goals of the OTP.
- Identify areas where we can spend a little now to save later.



Staff Recommendations

- Many of ODOT's current investments have benefits across budget "silos." For instance, nearly everything ODOT does contributes to safety for travelers. Current investments cross organizational lines to implement the OTP.
- The principles used as a basis for the OTC adopted '08-'11 STIP and budget allocation align with the Oregon Transportation Plan. As such, no major allocation shifts are recommended for the '08 –'11 period.
- Staff reviewed areas suggested by the OTC, and additionally identified other areas for consideration for increased funding.



Potential New Investments

- Corridor plan for the entirety of US 97
 - There are now and recently have been many individual planning projects on US 97. A more comprehensive plan that combines previous work and integrates new work would cost approximately \$1.5 million, and likely require additional staff positions.
- Additional auditing in MCTD to generate additional revenues
 - MCTD estimates that the addition of 5 staff at a total cost of \$350,000/yr would result in generation of an additional \$525,000 annually.



Potential New Investments (cont)

- Using the Climate Trust and Carbon Credits to fund expansion of the Green Light system for heavy vehicles
 - MCTD has identified 3 potential sites for the Green Light program. The concept of Climate Trust funding was explored during the last solicitation period, however Green Light expansion was not determined to align with the purposes of the Climate Trust (the existing Green Light locations cover the state's most congested areas).



Potential New Investments (cont)

- Replacement of high risk culverts where there are also attendant environmental benefits
 - Currently ODOT does not have enough data on culverts to link the data together and generate cost estimates. ODOT is continuing to enhance asset management systems, following an overall plan. To immediately build the appropriate data base to link environmental/culvert conditions would cost approximately \$5 million, and would defer other asset management work, such as bridge inspection and pavement management.



Potential New Investments (cont)

- New Operations strategies to maximize existing capacity
 - Money could be set aside to be specifically targeted or awarded on a competitive basis for concepts such as pre-positioning response vehicles and more aggressively synchronizing signals.
- Increased investments in mitigation banks
 - Currently ODOT does not have a need for increased mitigation banking investment. At this point, the challenges are to be able to identify effective and efficient mitigation banking sites based on project type and watershed impacts over a 20-year plan.



Potential New Investments (cont)

- Trade off analysis of various types of projects
 - No working model currently exists for such analysis. Continued work toward development of such a model is part of the Transportation Planning and Development limitation. A presentation on a new Network Asset Analyzer/Program Tradeoff Tool developed through the NCHRP is scheduled for an upcoming OTC meeting (ODOT is one of 10 states evaluating the tool and recommending implementation strategies)



Areas to Examine for Savings

- Reduced maintenance on low volume roads
 - As a result of previously adopted practice establishing higher levels of service on higher volume highways, ODOT spends nearly 40% of the entire maintenance budget on Interstate and U.S. routes which are not the majority of the state highway miles. Further reduction in maintenance on low volume roads would put ODOT at risk of losing federal funds as ODOT is required (by federal and state law) to maintain all federal aid highways on the state system.
- Replacing existing landscaping with native plants to reduce maintenance
 - The payback period for a complete replacement of vegetated areas is estimated to be 60 to 100 years (cost estimated in excess of \$200 million). ODOT is incorporating native or other low maintenance plants where possible in new construction.



Areas to Examine for Savings (cont)

- Focusing safety investments toward behavior and away from the infrastructure
 - The measurement of safety involves total crashes, without regard to the reason for the crash (and the reason is often subject to debate). An area of work away from the infrastructure would involve training for the human factors side of engineering choices. The cost for that effort is estimated at about \$650,000 per year.



Investments Now for Future Savings

- Increase protective R/W purchases – this concept has application both for future highway projects and for grade separating RR crossings to improve safety for both modes.
- Additional rail investments – funding both for rolling stock (Washington State will be recalling a train that ODOT leases from it), and for ODOT controlled track are opportunities that could have substantial payoff in the future.



Investments Now for Future Savings (cont)

- Maximize existing highway capacity – funding for both in-car information and incident response measures (such as pre-positioning incident response vehicles) could result in less congestion growth at a lower cost than other congestion relief measures such as additional lanes.
- Increased funding for culvert replacement and slide repairs – while dollar savings may not be large, funding in these areas could prevent catastrophic (road closing) failures in the future.



2005 Funding Assumptions

- Federal Revenues from 2006-2011 were assumed to be \$2.12 billion (including earmarks)
- State Revenues from 2006-2011 were assumed to be \$3.43 billion
- A \$100 million ending cash balance was assumed to ensure that adequate funds were available to pay contractors
- OTIA Bond revenues were not included as they are borrowed rather than ongoing revenues



Changes to Funding Assumptions

- There are four primary areas where changes to the 2005 assumptions have occurred:
 - State revenues are now projected to be \$65 million less over the 2006-2011 period
 - Legislative adjustments (largely for increased personnel costs) increased costs by \$53 million in the '06-'11 timeframe.
 - The 2007 Legislature targeted \$56 million to be allocated to counties in 2008.
 - Total costs for the Transportation Building were not allocated in the '06-'11 timeframe and an additional \$25 million is now projected for completion



Current Funding Scenario

- Actions such as re-structuring bond sales to delay debt service provided some benefits. With all of the changes we now have a projected negative \$168.3 million program balance at the end of 2011.
- The funding levels for the '08-'11 STIP were predicated on a beginning ending balance being spent down through 2011. Similar to the federal trust fund, as the ending balance is spent out, we do not have ongoing revenues to sustain '08-'11 funding levels into the '10-'13 STIP.
 - With nominal inflation applied to all programs (except modernization which is reduced to the legal minimum in 2012), the ending program balance in 2013 would be a negative \$202.6 million



Potential Future Funding Impacts

- Current national projections show that the Federal Highway Trust Fund will be over subscribed by \$4.3 billion in Federal Fiscal Year 2009. If nothing is changed, Oregon could see a loss of \$150 million in 2009.
- Recent contract settlements may increase the Legislatively Adopted Budget.
- State Data Center costs have not yet stabilized, and could result in increases to the Legislatively Adopted Budget.
- New revenues may be more likely as awareness of an aging infrastructure grows.



Program Information

- Every program is being impacted by inflation (everyone is falling behind even with programmed nominal inflation increases).
- STIP Bridge and Preservation programs are under-funded to retain the current service levels
 - Reduction in Preservation will put greater demand on Maintenance – about \$1.5 million/yr for each 1% drop in pavement condition.
- Modernization is currently programmed above the required minimum by \$162.0 million over the '08 -'11 STIP.



Program Options

- Reduce programs proportionally across the board.
 - Levels of service in each area will decline more quickly.
- Make targeted program reductions.
 - Reduce modernization in the '08 – '11 STIP
 - Some '08 and '09 projects are very nearly ready to go and anticipated by the public and the contractors.
- Reduce the programmed ending cash balance.
 - There is risk of having to borrow in the short term to meet cash flow requirements, although the current bonding scenario creates some flexibility.
 - This does not mean ODOT has no operating cash, it just means that all available dollars have been programmed and cash/investments are managed efficiently



Program Options (cont)

- Delay funding for the Transportation Building renovation.
- Assume increased funding.
 - An option to simply assuming more funding may be to build two project lists – one without new revenues and one with new revenues