

# 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 \$142.3 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 so that it would not be necessary to move to a "triage mode" as described in the Oregon Transportation Plan. Operating under a triage mode, ODOT would focus primarily on preserving the existing transportation system rather than investing in expanded capacity.

Based on the 2005 program allotment, ODOT has allocated funding within the draft 2008-2011 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 be canceled, delayed, or have their funding reduced in order to eliminate the deficit and make up for other needs.

## **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 money from the state Highway Fund to counties in 2008.
- The cost of remodeling the ODOT headquarters building—the only building on the Capitol Mall that has not been reconstructed to address safety and seismic problems— is higher than the amount originally allocated.

## **How will ODOT adjust the program to address this issue?**

Technical adjustments to the budget such as restructuring 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 \$142.3 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 eliminate the deficit and free up funding for other needs. These include delaying the remodel of the ODOT headquarters and reducing the program reserve amount, which was intended to respond to unplanned events. This will result in spending down a portion of the state's modest Highway Fund ending balance.

The OTC has also directed ODOT to reduce the 2008-2011 modernization program, which funds projects that expand highway capacity and improve interchanges, by \$70

million. When it finalizes the budget adjustments later this year, the OTC will direct ODOT to seek recommendations from Area Commissions on Transportation (ACTs) on which projects to reduce, cancel, or delay. ACTs, which are composed of local elected officials and business leaders, make recommendations to ODOT on which modernization projects to fund in various regions of the state.

As part of this funding reduction for modernization projects the OTC has directed ODOT to reallocate some of the money set aside for projects with no funding identified for construction. Reallocating this funding, which is being used for project development and buying right of way, will allow funding to remain on projects that are ready to go to construction without eliminating the ability to build large unfunded projects if funding becomes available in the future.

The OTC will finalize budget modifications in November.

### **What does it mean to shift to a “triage mode”?**

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 and inadequate funding to meet these needs 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 already in existence.

As a result of this decision to shift into a triage mode, the OTC has directed ODOT to reallocate resources to maintaining and preserving the highway system. In response, ODOT has recommended that the OTC shift \$30 million into maintenance, \$30 million to bridges, and \$8 million into operations over the course of the 2008-2011 STIP.

ODOT’s maintenance budget has remained nearly flat for a decade, and to maintain the same level of service additional resources are needed. Due to cost increases in a number of maintenance materials, without additional funding ODOT will not be able to purchase adequate quantities of critical materials such as anti-icing solution and would not be able to address maintenance problems promptly. As a result, minor problems would grow into larger problems that would cost more to fix in the long run.

ODOT has also recommended shifting \$30 million into the bridge program. This will make up a portion of the funding lost due to the decision to bond \$31 million of the bridge program’s annual budget beginning in 2010 to pay for the OTIA III state bridge program. This reduction in funding over the next 25 years would result in long-term deterioration of the state’s bridges. In the wake of the Minneapolis bridge collapse, the state believes additional resources are needed to maintain the health of the state’s bridges in order to protect the safety of the traveling public and maintain the mobility of freight on our highways.

ODOT has also recommended shifting \$8 million into operations programs that keep traffic flowing efficiently, such as retiming traffic signals and clearing wrecks more quickly. This funding will help implement innovative projects that can have a significant impact on congestion at a lower cost than adding lanes or fixing interchanges.