

ODOT Budget Shortfall and Reductions

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Joint Committee on Ways and Means, Transportation and Economic Development

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Roadmap

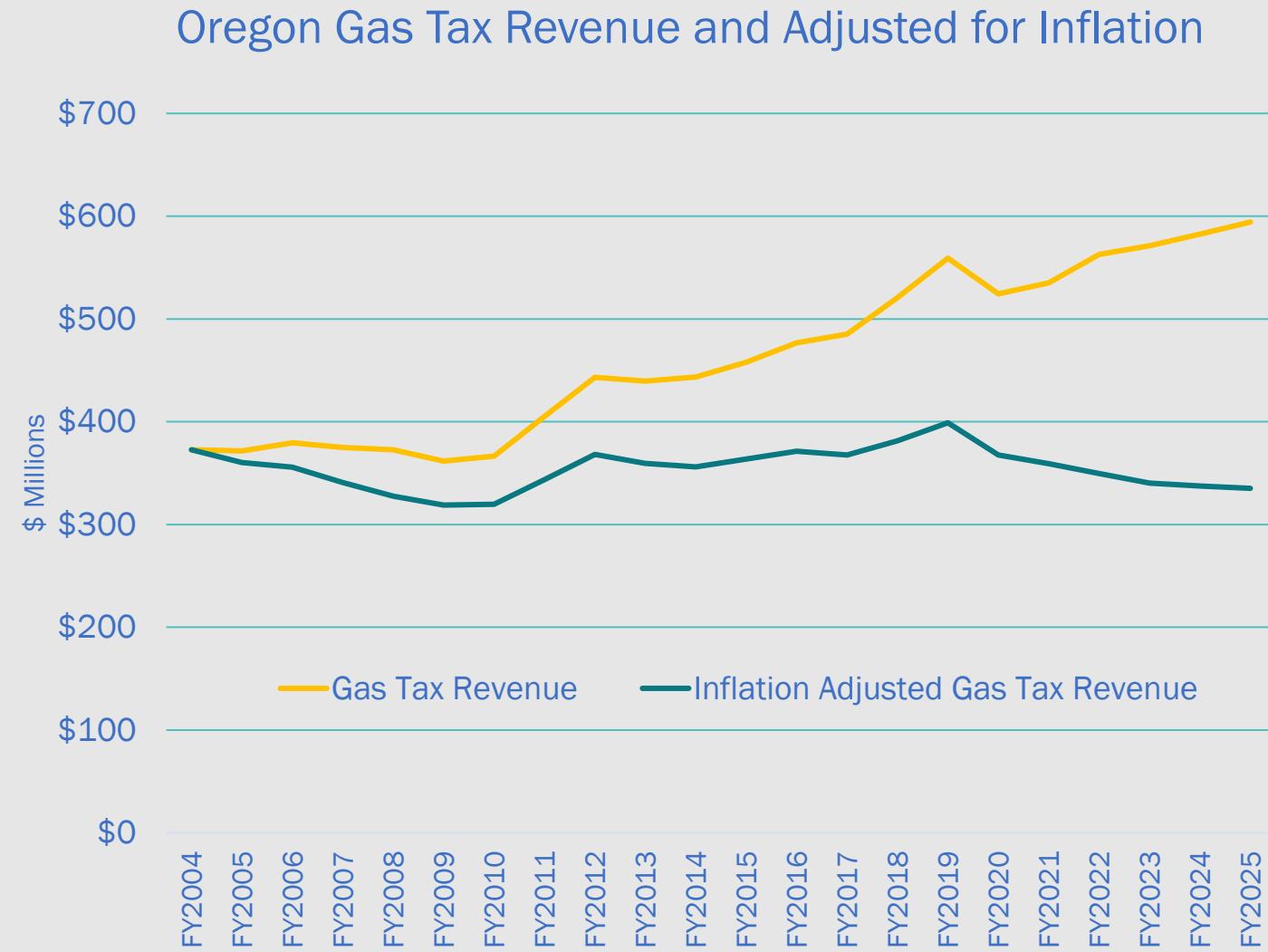
- ODOT's Current Shortfall
- How We Got Here
- Options
- What's at Stake

ODOT's Current Shortfall

ODOT faces a budget shortfall of **\$242 million** in the current 2025-27 budget cycle.

Federal and state restrictions prohibit ODOT from being able to transfer funds between programs, leaving ODOT unable to cover maintenance and operations costs with funds designated for other purposes.

Inflation adjusted gas tax revenues are in decline.



State Highway Fund* Not Keeping Up with Increasing Costs

Reductions and Costs Absorbed by Biennium



2025 ODOT Budget Timeline of Events

Legislature passes ODOT's budget for 2025-2027.

Session ended with no new revenue package.

HB 3991 passed with new revenue in special session. Layoffs cancelled.

June 2025

July 2025

September 2025

December 2025

Layoff process began for 483 ODOT employees.

Referendum signatures verified by SOS. New revenue paused. New budget gap identifies potential layoffs.

Where We Are Today

2025-2027 Budget Cycle

Total State Highway Fund Revenue Available for operations and maintenance	\$1,747 (millions)
Legislative Approved Budget Expenditures plus ending balances	\$1,989 (millions)
Shortfall	\$242 (millions)
Additional Ending Fund balance for early 2027-29	+\$55 (millions)
Additional vacancy and compensation savings	-\$9(millions)
Current total budget shortfall	\$288 (millions)

\$288 million
total need to support O&M through beginning of 2027-2029 biennium

Options Part I



ODOT can reduce services and workforce.

Potential Position Reductions by Tier

138
positions

Tier 1 + 350
additional positions.
488 Total positions

Tier 1 + Tier 2 +
551 additional
positions.
1039 Total positions.

	Tier 1	Tier 2	Tier 3
Vacancies	138	279	151
Layoffs	0	71	400
Total Position Reductions	138	488	1039
Total Cost Reductions (\$ Millions)	\$70	\$70(+\$70 = \$140)	\$102(+\$140 = \$242)

Tier 1: \$70 million

No layoffs

Losing 138 positions means permanent loss of institutional knowledge, expertise, and service staff.

- Project delays
- Fewer customer service reps at DMV
- Contract execution delays
- IT project and security risks
- Less reporting and oversight responsiveness



Tier 2: \$70 million *71 layoffs*

Eliminating 279 vacancies, in addition to the 138 lost in Tier 1, *and* laying off 71 employees means state-wide service reductions.

- Less plowing, sanding, de-icing
- Unplanned DMV office closures; longer wait times at field offices, on phones, and for transaction processing
- Extended incident response times
- Delayed project delivery, increased costs



Tier 3: \$102 million

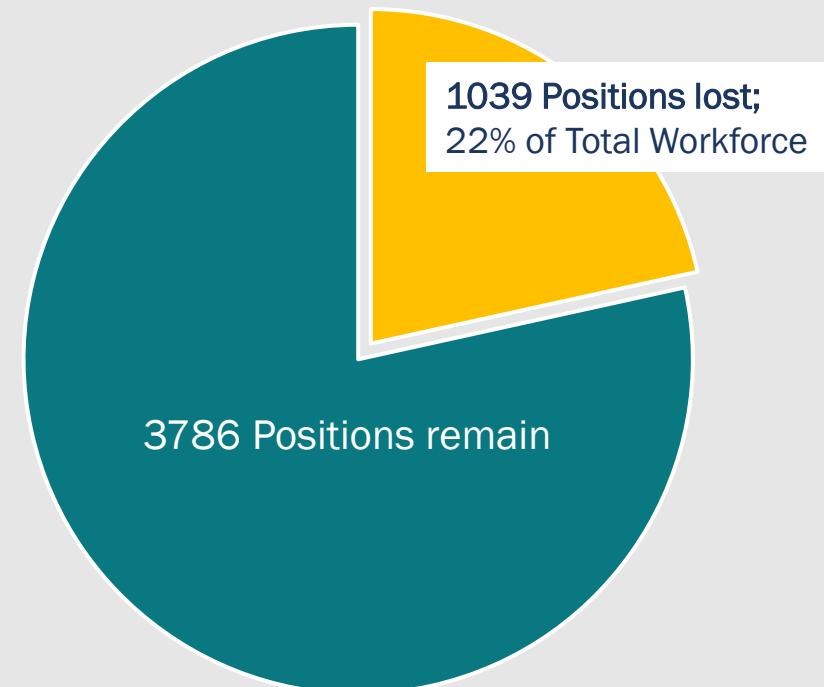
400 layoffs

Tiers 1 & 2 + 550 additional position cuts = *471 layoffs total*

Eliminating 151 vacancies and laying off 400 employees, in addition to the eliminations in Tiers 1 and 2 means:

- Maintenance station closures and understaffing
- Closure of DMV field offices
- Closure of eight ODOT owned rest areas
- Road closures, extended delays after traffic or weather incidents
- Less snow plowing and winter road maintenance, even on major highways

ODOT Total Budgeted Workforce: 4825 Positions



Options Part II



The Legislature can create or redirect revenue.

Revenue Sources Dependent on Legislative Action

- Unobligated statutory funds allocated to other purposes.
- Unobligated revenues for this budget cycle.
- Potential revenue sources:
 - HB2017 (2017) funds
 - Statewide Transportation Improvement Fund
 - Privilege tax funds
 - Transportation Operating Fund

HB2017 (2017) State Highway Funds

Project Funds

Amend Section 71D named projects to exchange state to federal funds.

Cancel Hwy 58 project, as it is unable to be completed.

Redirect ODOT's **unobligated** bridge/pavement/culvert revenues.

Grant Funds

Redirect **unobligated** dedicated annual funds:

- Safe Routes to School

Safe Routes to School (SRTS)

Creates safe, convenient, and fun opportunities for students to and from school.

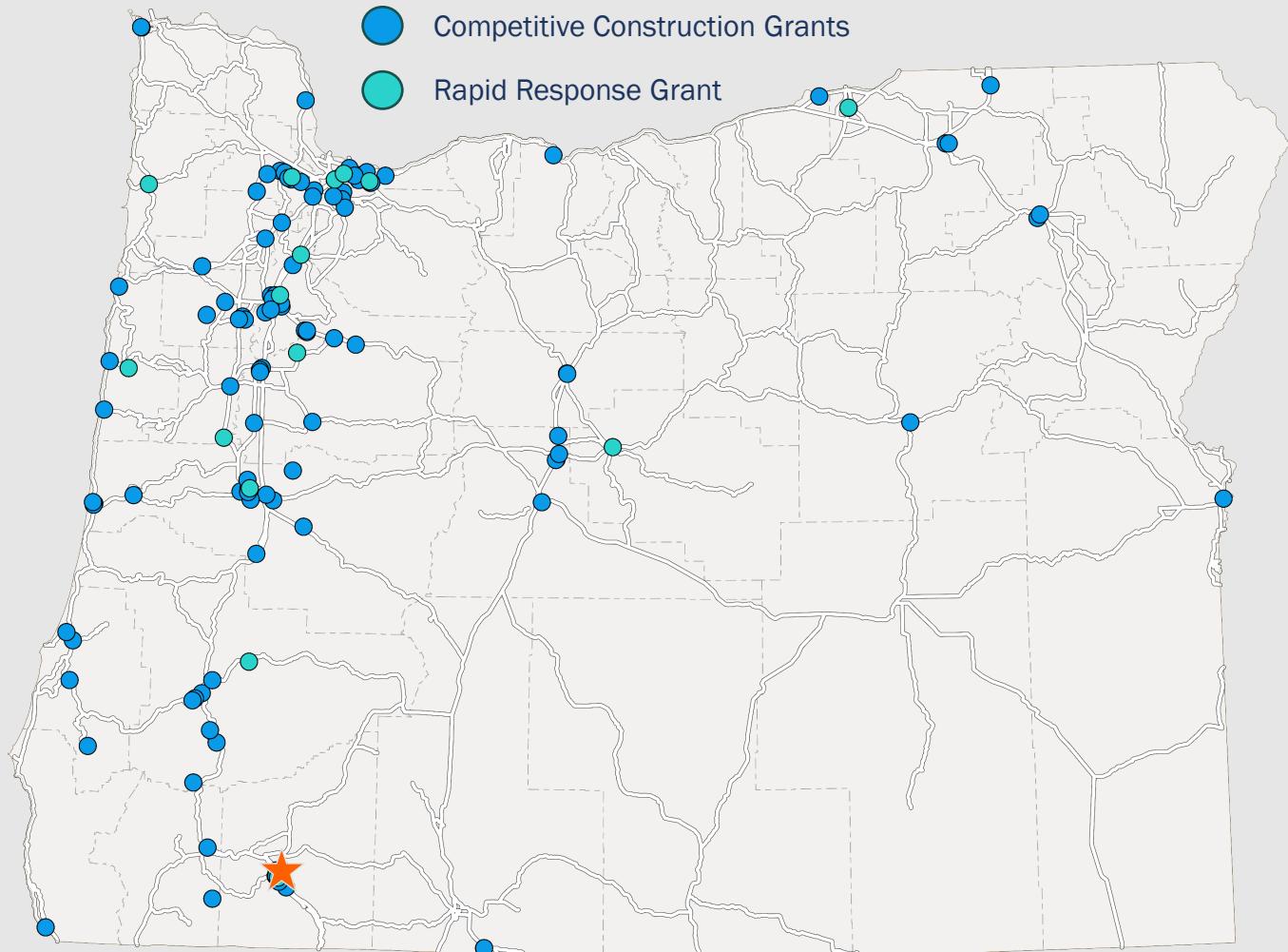
Safe Routes to School has awarded \$110M to 132 projects using HB2017 state funds.

Funding source: HB 2017 Dedicated Funds

Annual revenue: \$15 million

★ Project Spotlight: Kennedy School Crosswalk (Medford)

- Completed in 2025
- Provides improvements at multiple locations including installation of a flashing beacon next to the school.



Statewide Transportation Improvement Fund (STIF)

Provides dedicated funding for improving, maintaining, and expanding public transportation.

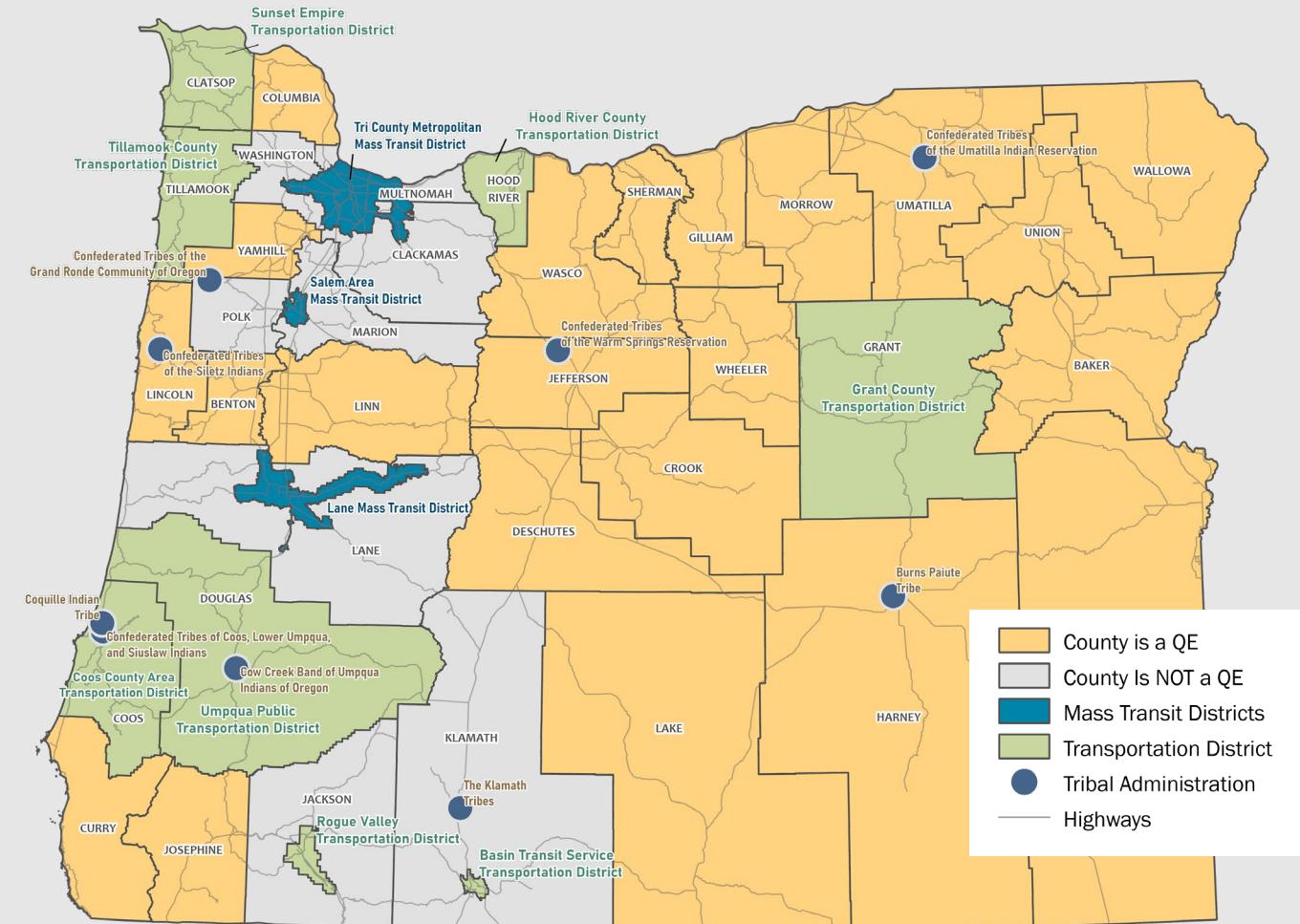
Since 2018, STIF has distributed more than \$680 million to transit providers statewide.

Funding sources: 0.1% payroll tax

Annual revenue: \$137 million

STIF funds distribution:

- 90% to STIF Formula
- 5% to STIF Discretionary
- 4% to STIF Intercommunity Discretionary
- 1% to Technical Support



Privilege Tax Revenue

Vehicle Privilege Tax paid by auto dealers when selling new vehicles in Oregon.

ODOT's revenue is statutorily directed as follows:

Connect Oregon – 93%

Community Paths – 7%



Connect Oregon

Funds non-highway transportation investments for aviation, marine and rail.

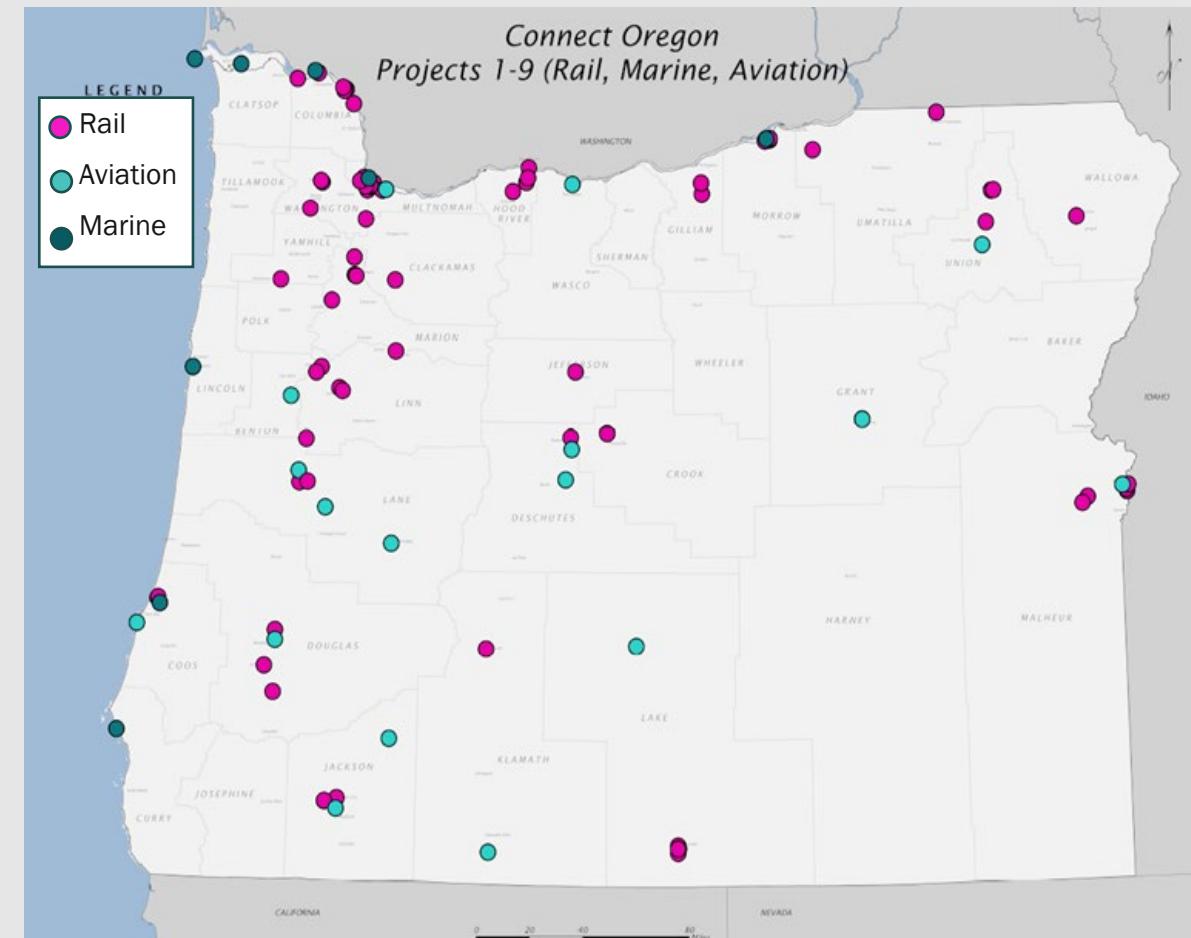
Since 2005, Connect Oregon has awarded \$512 million to 240 projects.

Funding Source: HB2017 shifted funding away from lottery bonds, created funding by vehicle privilege tax.

Annual Revenue: ~\$20 million/year

Multi-modal infrastructure investments:

- Rail siding: track enhancements for trains to pass, improving overall freight and passenger train travel times
- Dock improvements: adds cranes for movement of larger containers; expands docks for increased goods movement



Transportation Operating Fund (TOF)

ODOT authorized functions not constitutionally paid for by the State Highway Fund.

Funding source: Nonrefunded gas tax used in off-road equipment such as lawnmowers

Annual revenue: \$20 million

TOF funds qualified usage:

- Senior and Disabled Transportation
- Non-State Highway Fund eligible programs in DMV, such as REAL ID and Motor Voter
- Household Goods Movers Program
- Passenger Rail, Rail Safety, Federal grant matching for Passenger Rail
- EV Community Charging Program
- Innovative Mobility Program
- Community Paths Program



An underfunded
transportation system
impacts Oregonians
who rely on it
every day.

Thank You.

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