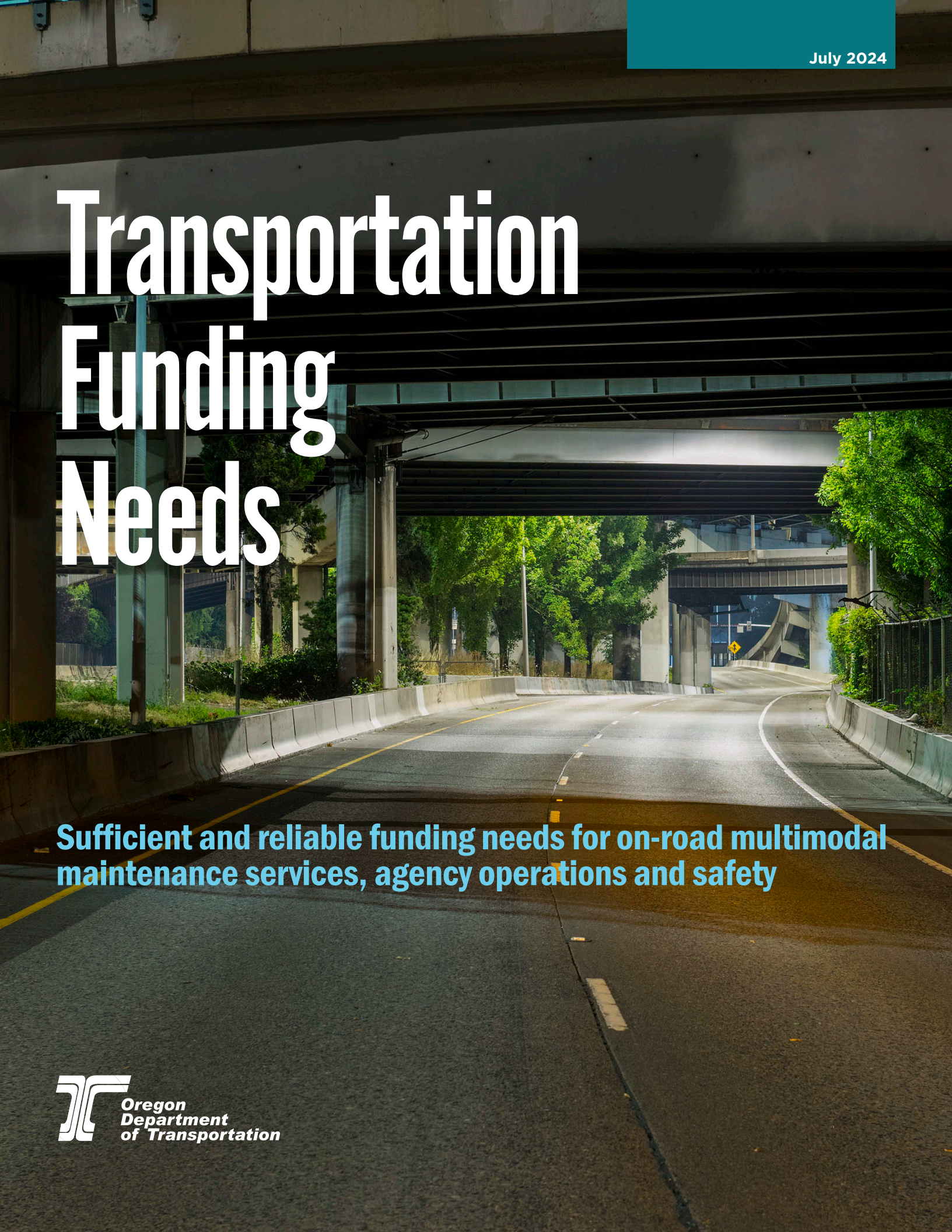
July 2024

Transportation Funding Needs



Sufficient and reliable funding needs for on-road multimodal maintenance services, agency operations and safety

Oregon Department of Transportation

Introduction

Oregon has benefited from a foundation of transportation funding paid by users across the state. Unfortunately, the primary funding mechanism, the gas tax, is eroding. And while our funding erodes, the need remains and continues to grow. Seismic vulnerability, lack of multimodal options, congestion, deferred maintenance — and a sharp increase in crashes, serious injuries and fatalities —threaten Oregon's residents, visitors, businesses and the state overall.

We know what it takes to build roads that serve as the backbone for thriving communities and rural destinations; multimodal connections that foster safe and healthy travel; interstates that bring Oregon's goods to markets all over the world; and a statewide transit system that carries Oregonians where they need to go. However, Oregon's transportation funding structure today can't maintain what we already have, let alone make the improvements we know we need to make, to keep our transportation system and infrastructure assets from becoming liabilities.

Oregon's transportation system works best when we keep our roads, bike lanes, and sidewalks open and safe for travel, and our communities clean and livable. This document identifies the transportation funding needs for the Oregon Department of Transportation.

The focus of this document is on operations, maintenance and safety needs that are eligible for State Highway Fund investments. Needs are based on the goal to ensure our transportation system serves people, grows the economy, and improves Oregon's future. A summary of needs is shown on Table 1 on the next page and described in this document.

The needs described in the table and this document are for ODOT-only State Highway Fund eligible investments. Local and other transportation funding needs exist but are not estimated in this document.

Table 1: Summary of ODOT State Highway Transportation Funding Needs for Service Functions and Safety

Service	Estimated Annual Need	Annual Funding Gap
Service Functions		
Maintenance	$ 450 million	$ 205 million
DMV	$ 170 million	$ 50 million
Commerce and Compliance	$ 60 million	$ 25 million
Agency Operations	$ 450 million	$ 170 million
Safety System Investments		
Preservation	$ 1,250 million	$ 980 million
Programmatic and Systemic Safety Investments	$ 200 million	$ 145 million
Safe Routes to School Infrastructure	$ 50 million	$ 35 million
On-Road Bicycle and Pedestrian Network	$ 135 million	$ 115 million
Great Streets Program	$ 65 million	$ 45 million
On-Road Freight Investments	$ 12 million	$ 8 million
TOTAL	**$2,842,000,000**	**$1,778,000,000**

Fulfilling HB 2017 Commitments	Estimated Total Cost	Estimated Total Funding Gap
I-5 Rose Quarter	$ 1,500 - $1,900 million	$ 900 - $ 1,300 million
I-205 Improvements	$ 1,450 - $1,550 million	$ 1,250 - $ 1,350 million
TOTAL	**$ 2,950 - $3,450 million**	**$ 2,150 - $ 2,650 million**

Funding Challenges

Transportation agencies across Oregon, including ODOT, are facing a structural revenue challenges. Fuels tax revenues have flattened and are on track to decline. At the same time, we are seeing record inflation. Funding that is available is directed towards specific uses, leaving many core services like maintenance and operations grossly underfunded. Some of the key funding challenges are described more below.

Fuels Tax Revenue Decline

In Oregon, gas tax is combined with fees on drivers, vehicles, and trucks to form the State Highway Fund. The average driver spends about $160 per year in Oregon gas tax and also pays an annual vehicle registration fee that varies by vehicle fuel efficiency. State Highway Fund dollars are distributed to transportation agencies across the state.

Fuels tax revenue is declining.

Oregon's fleet of passenger vehicles is 21% more efficient than 15 years ago. And within a decade, virtually every new car sold in Oregon will be electric according to rules adopted by the Oregon Department of Environmental Quality. This switch to EVs will help reduce greenhouse gas emissions from transportation by about 60% below 1990 levels over the next 25 years and, under our current system, will significantly reduce funding for maintaining and operating the transportation system.

Rigid Fee Structure

Driver and motor vehicle fees collected by the DMV contribute to the State Highway Fund. However, about 75% of fees paid to DMV go to local governments, state highway projects, and other programs—to the point that the fees DMV is allowed to retain no longer cover the cost of doing business. While HB 2017 (2017) raised title and registration fees, less than 3% of this additional revenue went to highway maintenance—and none of it was retained by the DMV to cover their cost of serving customers. For example, the average title fee for a passenger car today is $101. Of that, only $10 goes to DMV for the cost of providing the service, yet it costs the agency $27 to provide that service.

Rise of Record Inflation

Oregon's gas tax and fees on drivers, vehicles, and trucks don't increase with inflation. Each year, the purchasing power of existing revenues decline. Since 2017, the National Highway Construction Cost Index has increased by over 80%. ODOT is also seeing its costs for day-to-day maintenance go up. Equipment costs have gone up about 25% over the past four years alone. The costs of dump trucks have increased from $231,000 in 2013 to $342,000 in 2023—a 48% increase, and we have about 400 in our fleet at any given time. Half ton pickups have increased from $30,000 to $56,000—an 86% increase. Paint costs about 30% more than it did four years ago, and ODOT buys over a hundred thousand gallons a year.

Reliance on Few Sources of Revenue

Oregon has traditionally applied a "user pays" principle to funding our transportation system. Revenue for maintenance and operations is raised primarily from the gas tax and fees on drivers, vehicles, and trucks. While other taxes and fees exist, they don't contribute to ongoing maintenance and operations of the transportation system.

Underfunding the transportation system is not a challenge unique to Oregon. However, other states often also use revenue from sales taxes, property taxes, or tolling. Twenty-four states and the District of Columbia have a variable-rate gas tax that adjusts with inflation or prices. Oregon does not use inflation-resistant funding mechanisms, so increases in inflation and declines in fuel use have a comparatively greater impact to our transportation revenue, and will continue to do so into the future.

Investment Needs

Service Functions are ODOT's core services. They comprise both the most visible portions of the agency in our Maintenance, DMV, and Commerce and Compliance Divisions and the less visible portions of the agency like HR, IT, and Finance, which help keep the agency running. Costs have continued to rise while investments made from transportation packages over the last 20 years have largely neglected this portion of the agency. These services are funded almost exclusively with the State Highway Fund, as federal dollars can't be used for most of these purposes.

Safety System Investments are those that specifically target eliminating fatalities and serious injuries. Safety is a top priority for ODOT and nearly every dollar spent has a safety benefit. However, traffic deaths are increasing in Oregon and nationally. More focused investments and efforts are needed, which are described later in this section.

Service Functions

Billions of dollars flow through ODOT every year but the amount available for road maintenance and agency operations is a small fraction. It is also constrained by state and federal law, and relies too heavily on a declining source.

ODOT's Legislatively Adopted Budget for the 2023-2025 biennium is $6.3 billion. Of this, $2.7 billion are federal funds, which generally can't be used for maintenance and agency operations, and over $700 million are dedicated to transit, Connect Oregon, passenger rail, and other activities.

That leaves the State Highway Fund as the source ODOT relies on to cover almost all costs of day-to-day maintenance and agency operations. For the 2023-25 biennium we project the State Highway Fund will take in $3.5 billion in total revenue.

Under state law, before we can pay for maintenance, ODOT first has to transfer funds to other agencies and local governments, cover the cost of collecting the revenue, pay debt service for bonds the Legislature authorized, and dedicate funds to construction programs as directed in HB 2017 (2017). That leaves $370 million per year available for maintenance and agency operations (e.g. IT, HR, and finance) that are critical to carrying out the agency's mission. That's about 20% of the total State Highway Fund (or about 10% of total funds coming into the agency). That number has remained flat in recent years, even as total State Highway Fund revenue has increased, because the majority of the new money from HB 2017 was directed by the legislature to construction programs.

The highway maintenance portion of the budget approved by the Legislature for the 2023-2025 biennium is $631 million. This includes 1,328 total staff positions for the maintenance program, with about 100 of those currently held vacant for budget savings. The Legislatively Adopted Budget reduced ODOT's maintenance budget by $30 million from our current service levels due to inadequate funds. On top of that, we are reducing the maintenance budget by another $39 million, for a total reduction of $68 million in this two-year cycle to stay within our available resources. The Legislature provided $39 million to offset maintenance reductions for specific uses, but it still leaves the maintenance budget about $29 million short — a cut of about 5% compared to the amount needed to maintain the current service level from last biennium.

Cuts in the 2025-2027 biennium are projected to be even more dramatic based on revenue estimates. Current projections indicate planned spending would need to be reduced by $350 million to $400 million in that timeframe. This would result in reduced service levels for clearing crashes, plowing snow, patching pavement, and removing litter and graffiti. There would also be longer wait times for DMV and other customers and less ability to address safety risks.

Maintenance and Operations Funding Needs

Maintenance and operations encompasses the activities associated with repairing existing transportation infrastructure and keeping the highway system open and functional. ODOT staff are responsible for about 8,000 miles of roads and 2,700 bridges across the state. Significant staffing resources, equipment, materials and supplies are needed to efficiently and effectively carry out maintenance and operations services. Maintenance, performed primarily by ODOT crews, includes everything from painting centerlines, plowing snow, patching potholes, fixing guardrails, responding to crashes, replacing stop signs, repairing damage from severe weather events, and communicating every day with the public. Maintenance does not include activities intended to enhance existing transportation infrastructure, nor can it but supported with federal funds, except in limited cases.

Maintenance work helps us identify and mitigate small issues before they become big problems.

Maintenance and operations include both proactive and reactive activities:

- ***Proactive activities*** are planned to keep the system in good condition. Examples include sealing pavement cracks, cleaning drainage systems, and maintaining roadside vegetation. These actions all prevent deterioration of the highway system and reduce safety risks. Prolonging the life of these assets is significantly more cost effective than reacting to infrastructure failures that are often the result of deferred maintenance.

- ***Reactive maintenance work*** responds to incidents or weather to correct an immediate problem. Examples include responding to and repairing damage from a crash, repairing a landslide, and plowing snow and sanding/deicing the roadway.

Maintenance work helps us identify and mitigate small issues before they become big problems, saving us money down the road and helping reduce our overall risk, not to mention increasing the day to day safety for Oregonians.

ODOT Maintenance and Operations needs around $205 million per year in additional investment to keep up with inflation, meet the needs of today's transportation system, and ensure the resources are available to retain our capabilities into the future (Table 2).

Table 2: Annual Funding Needed to Bring Maintenance Back to 2017-2019 Service Levels and Address Needs

Total Investment Area Need	$205,000,000*
Restore services lost due to inflation & budget cuts	$121,100,000
Road, Bridge and Traffic Maintenance	$ 38,000,000
Emergency Repairs	$ 1,200,000
Responding to Incidents	$ 2,200,000
Clean Up: Camp, Graffiti & Litter	$ 10,800,000
Fleet, Fuels, Materials, Supplies & Equipment	$ 18,000,000
Operational Support	$ 3,900,000
Wireless Communications	$ 7,100,000
Facilities Maintenance	$ 2,800,000

*Rounded to the nearest million

Beyond the impacts of inflation and rising costs, additional investment is needed in the following:

- ***Capabilities.*** This includes the supporting equipment, facilities and systems necessary to deliver the maintenance and operations programs. Investment in this category will:
  - Restore funding needed to maintain the operational effectiveness of staff.
  - Replace equipment and vehicles in a reasonable timeframe to avoid high repair costs.
  - Replace current maintenance software systems that are beyond service life and lack modern capabilities. For example, ODOT is one of the few state DOTs that lacks a modern maintenance management system, and a system to track permits for highway system use or access.

- ***Direct services and systems.*** Public demands of the transportation system are changing. Investment in this category will:
  - Maintain active transportation features, like separated bike lanes, multi-use paths, and enhanced pedestrian crossings.
  - Provide additional dedicated incident response capabilities to clear incidents more quickly and reduce congestion.
  - Meet the increased demand for graffiti, litter, and camp clean up.
  - Meet the safety and communication needs of ODOT and Oregon State Police by replacing all land-based radios; they were purchased under the state radio project over a decade ago and are now reaching end of life.
- ***Climate Impacts.*** Weather extremes have resulted in more frequent and severe emergency events, leading to road closures and increased agency response and repair costs. On average, ODOT is spending an additional $18 million every five years on these events. Extreme weather and climate impacts have also emphasized the need for more proactive investment in culvert maintenance, addressing unstable slopes to protect against landslides, and hazard tree management along our highways. Every $1 spent on proactive resilience saves an estimated $6 in repairs, but little dedicated funding exists to proactively invest.

DMV Service Funding Needs

As the face of state government, DMV staff provide a direct personal connection with millions of customers each year. Today's DMV has about the same number of employees than it did 20 years ago. Meanwhile Oregon's population has grown by 20% over the same period. In addition, DMV is a significant fee collector that funds the transportation sector. In the 2021-2023 biennium DMV collected about $1.2 billion, yet was allowed to use only about 25% of that for operations. The other 75% went to state, county, and city roads, transit, passenger rail, and more. The amount DMV was allowed to keep, $302 million, was less than the cost to operate the DMV — $306 million. That means DMV requires a subsidy from other parts of the State Highway Fund, and this gap is going to grow over time as costs go up and fees are set at flat rates. To better serve people in Oregon with greater speed, quality, and convenience, DMV requires additional staffing and systems.

Additional customer-facing staff would allow for full staffing at available counters, shorten wait times for customers, and ensure that offices don't have to close due to staffing issues — a regular problem with today's constrained staffing.

The number of DMV employees is about the same as 20 years ago despite Oregon's population growth.

DMV's Customer Contact/Call Center, which takes 1.1 million customer contacts a year, needs resources to answer calls, provide a call-back option, and offer web chat for a modern, efficient, customer-focused experience.

Funding for new mobile DMV services will allow DMV staff to bring their services directly to customers, such as people who lack access to physical DMV locations or are unable to access online services.

In total these improvements would require about $50 million per year in additional investments, adjusted for inflation.

Commerce and Compliance Funding Needs

The Commerce and Compliance Division (CCD) promotes a safe, efficient, and responsible commercial transportation industry by ensuring that commercial vehicles (freight trucks) traveling across Oregon's transportation system are compliant with all safety regulations. CCD also registers commercial vehicles in Oregon and collects appropriate road usage charges. The number of trucks and motor carrier accounts has grown significantly since 2019. Prior to 2019, CCD maintained about 25,000 accounts with about 250,000 vehicles in our tax enrollment program. Today, the number of accounts is above 60,000 and the number of vehicles enrolled in the tax program is over 600,000. At the same time, staffing levels have been reduced.

To effectively manage this growing responsibility, CCD needs new systems that both provide customer self-service options and can expand the managed accounts. The increase in customers and vehicles will also require additional roadside equipment to manage the increased traffic flows. While the division collects taxes and fees that cover operating costs, increased investments are needed for services and infrastructure.

In total CCD needs approximately $60 million per year to maintain customer service offerings and roadside infrastructure, with an annual gap of about $25 million. Increased funding would allow for programmatic needs to be met over the next 20 years, including: modernizing the IT systems for tax, registration and roadside enforcement; modernizing truck weigh stations and safety inspection facilities along major highways; and increasing staffing levels to provide sustainable customer service to the industry.

While the Commerce and Compliance Division collects taxes and fees that cover operating costs, increased investments are needed for services and infrastructure.

Agency Operations Funding Needs

Agency operations encompasses the administrative functions of the agency, portions of our planning and project delivery groups that don't charge their costs directly to projects, funding for IT improvements, and facilities maintenance, repair, and construction. The total annual need for these activities is $450 million and the current gap is $170 million.

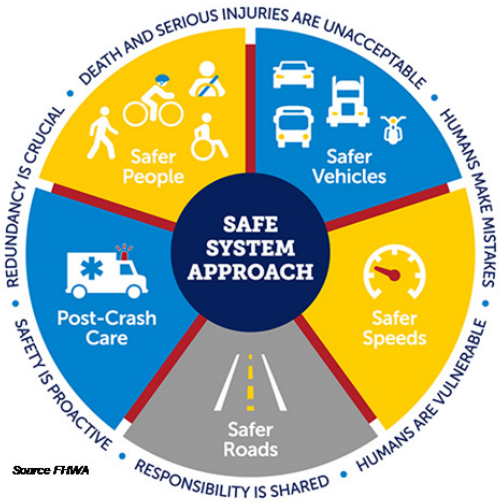
A significant portion of the funding gap ($85 million) can be attributed to maintenance, repair, and construction of facilities. ODOT owns 1,179 buildings comprising approximately 3.1 million gross square feet of space. That includes office buildings, maintenance shops, warehouses, residential facilities, and other building types. Funding to maintain and replace these facilities has been sporadic and insufficient. Of the remaining gap, approximately $15 million is needed to support and modernize several IT systems and improve security. Funding would allow ODOT to retain critical staff and expertise, improve agency delivery mechanisms, and support the programs and projects underway throughout the agency.

Agency operations includes the administrative functions of ODOT.

Safety System Investments

Fatalities and serious injuries are on the rise in Oregon and throughout the U.S. In 2023, 586 people died on Oregon's roads. Safety is foundational to ODOT, but our current investment and approach to safety is not enough to combat the issues, such as impaired driving, speeding, and distracted driving. The Oregon Transportation Plan focuses on eliminating fatalities and serious injuries through a "Safe System" approach. Implementing the Safe System framework moves us closer to increasing road safety, including safer roads, safer people, and safer speeds.

The categories below are some of the key investments that can be made to further safety and are eligible for State Highway Funds.



The Safe System approach.

Preservation Funding Needs

The Preservation Program repairs and replaces existing bridge, pavement, culvert and signal infrastructure to ensure long term performance. Many of these assets (such as bridges) were constructed over the last century and are reaching the end of their service life. Preserving these assets to a "State of Good Repair" means that we can manage the entire life cycle of an asset. This program is currently federally funded at $270 million (when adjusted for inflation).

As ODOT is currently funded, our bridge, pavement, culvert and signal assets are deteriorating faster than we can repair and replace them. For example, with current funding it would take us about 50 years to

As currently funded, our bridge, pavement, culvert and signal assets are deteriorating faster than we can repair and replace them.

pave all the roads in the state system: well outside our needed paving cycle. Current funding will also force us to stop all non-interstate paving after 2027.

Similarly, for our 2,700 bridges, the current repair and replacement cycle is 900 years. Bridges are typically constructed for 50-to-100-year life spans. The failure to adequately preserve this infrastructure means these assets become potential liabilities, closed to heavy trucks.

The present federal funding represents about 22% of the funds needed to preserve these assets to a State of Good Repair. To reach 100% State of Good Repair, $1.25 billion per year in total investment is needed. For bridges alone, $1.25 billion would replace about 1% (27 total) and rehabilitate about 3% (81 total) of our bridges annually, across all routes, assuring the bridge life cycle across our system is 100 years instead of 900 years. For pavement preservation, investing in the State of Good Repair preserves safe, smooth conditions for higher speed routes and prevents a backlog of roads in the worst condition.

For traffic signal systems, obsolete equipment needs to be replaced as well as electronics on a regular cycle to prevent failures of the systems and reduce downtime to maintain operational safety. Culvert investments rely on a combination of investment in maintenance and operations as well as preservation – this is a risk management choice. The goal is to reduce culvert failures, decrease the number of culverts beyond their design life, and provide replacements that address climate resiliency.

ODOT needs an additional $980 million annually — beyond the federal funding — to preserve our bridge, pavement, culvert and signal assets. This breaks down to $485 million for bridges, $330 million for pavement, $55 million for signals and $110 million for culverts. This does not include bridges that fall in the mega-project scale (due to cost, technical complexity, environmental permitting, community impact, etc.) which would include end of life replacement for bridges on major river crossings (such as the I-5 Boone Bridge over the Willamette River) and historic coastal bridges. Roughly 5% of ODOT's bridges on the system fall into this latter category and would require separate funding.

Programmatic and Systemic Safety Investments Funding Needs

Investments in this category are focused on reducing fatalities and serious injuries through dedicated funding programs or systemic investments that provide safer roads.

Address Locations with High Traffic Deaths, focusing on some of the most dangerous locations in the state. Today's dedicated funding for the All Roads Transportation Safety Program (ARTS) addresses the safety needs at the highest crash locations regardless of jurisdiction (state highway, county road, or city street). Needs total about 300% of available funding annually. These additional needs could be met with an increase in funding of $60 million more per year. An additional $40 million could support maintenance and small enhancements, and more expensive proven safety countermeasures, like roundabouts, statewide. The total annual funding gap for this category is $100 million.

Wildlife Crossings help to prevent animal-vehicle collisions. Each year, there are over 7,000 wildlife-vehicle collisions in Oregon; on average, four people die and 521 people are seriously injured in those collisions. There is no dedicated federal or state funding source to reduce wildlife-vehicle collisions, despite a recent state law meant to reduce these types of collisions (HB 2834 in 2019). An investment of $5 million per year would enable the construction of an additional 20 wildlife fencing and structure projects over the next 30 years.

Pedestrian Crossing fatalities have drastically increased in recent years. The most critical crosswalk safety issues have been identified and a minimum of $9 million per year is needed to address deficiencies at existing marked crosswalks. Broader improvements to pedestrian safety would require an additional $115 million per year to add more crosswalks and reach desired spacing frequency. This is not currently captured in Table 1 or Table 3 summary of needs.

Road Safety Audits are used to identify and fund safety components as part of other DOT projects. There is a need to expand and stabilize ODOT's program, including staff to review project scopes and funding to add the safety enhancements to project budgets. An investment of $30 million per year would be needed to ensure safety is integrated into project design for a broader range of investments.

Speed Limit Setting involves the investigation, review and approval of speed limit reductions. By adding $1 million per year for ODOT's speed zoning program, speed limits can be analyzed for 80 additional corridors annually.

Overall, the increased investments needed to address locations with high traffic deaths, add wildlife and pedestrian crossings, conduct road safety audits and set speed limits totals an additional $145 million per year.

A minimum of $9 million per year is needed to address deficiencies at marked crosswalks.

Safe Routes to School Infrastructure Funding Needs

Few schools in Oregon are accessible by continuous walkways, bikeways, or safe crossings. Safe Routes to School (SRTS) fills in gaps in walking and biking infrastructure and makes it safer for kids to travel to and from school. Oregon's current SRTS infrastructure program ($15 million per year provided by HB 2017) is oversubscribed by about 2.5:1, and high schools are now eligible, adding to the funding issue. An additional investment of about $32 million per year should complete safe connections to kindergarten-8th grade schools in the next 30 years, allowing students use walkways or bikeways to access education. To support project development, local assistance, and administrative support, an additional $3 million per year is needed, making the total increase needed for SRTS $35 million.

Safe Routes to School fills in gaps in walking and biking infrastructure.

On-Road Bicycle and Pedestrian Funding Needs

Oregon's walking and biking network is incomplete. Within communities, sidewalks may be located on only one side of the street or missing altogether. Bike lanes exist on some roads but are rarely continuous in a way that people can take them from origin to destination. People are less safe when they are forced to walk or bike on the street without facilities to protect them. Biking and walking are often the only option for people to reach critical services.

With today's funding it will take over 150 years to complete the biking and walking system along ODOT's roads. An additional $115 million per year would allow for the completion of the network in about 30 years. This kind of transformative investment would support Oregonians to make safer, healthier and more environmentally friendly travel choices, reducing emissions and congestion.

Great Streets Program Funding Needs

ODOT's Great Streets program addresses multiple corridor needs within a single project. It enables a more holistic approach, focusing on safety, equity, and climate. The Great Streets program can fund features such as a curb ramps, sidewalk gaps, crossings, and traffic signals as part of a single project. It supports complete streets and corridors as well as state roads that may eventually be transferred to local jurisdictions.

The Great Streets program launched in 2022 with an annual investment of around $8.3 million. Given the popularity and success of the program, funding is set to increase to just over $20 million annually in 2027. An infusion of $45 million each year would enable investments in higher-cost safety needs to get to safer streets, safer people, and safer speeds.

On Road Freight Funding Needs

One of the most significant safety issues for freight trucks is adequate parking. Truck drivers are required to park and rest at regular intervals. However, nearly all rest areas along Oregon's interstates lack adequate capacity and truck parking statewide is deficient. A total additional investment of $51 million, annualized to $2 million for 30 years, would support increased parking at five rest areas and enable technology for drivers to plan ahead, ensuring drivers can rest when required and be alert on the road. There are also critical safety needs for rail lines that cross roads. Improvements are needed for warning systems, barriers, and separations. With a total additional investment of $180 million, annualized to $6 million per year for 30 years, grade separation could be added at six intersections and crossing signals could be added or upgraded across the state. The total additional freight safety needs for on-road investments total $8 million per year.

Fulfilling HB 2017 Commitments

Funding gaps remain for two major Portland-area investments identified in HB 2017 (2017), including the I-5 Rose Quarter Improvement Project and I-205 Improvements Project.

I-5 at the Rose Quarter.

I-5 Rose Quarter Improvement Project Funding Needs

ODOT was directed by the Oregon Legislature to address congestion on I-5 at the Rose Quarter. Working together with community leaders, the project addresses the state's top bottleneck and one of the worst freight bottlenecks in the country while also creating new community space with the construction of a highway cover that will help knit together the Albina community.

ODOT was recently awarded a $450 million grant from USDOT under the Reconnecting Communities and Neighborhoods grant program to build the initial, central portion of the project's highway cover. ODOT is currently applying for a $750 million federal grant under the INFRA program (with up to $250 million in state matching funds), to complete construction of the project's highway cover, build safety and operational improvements on the I-5 mainline, and construct the separated bicycle

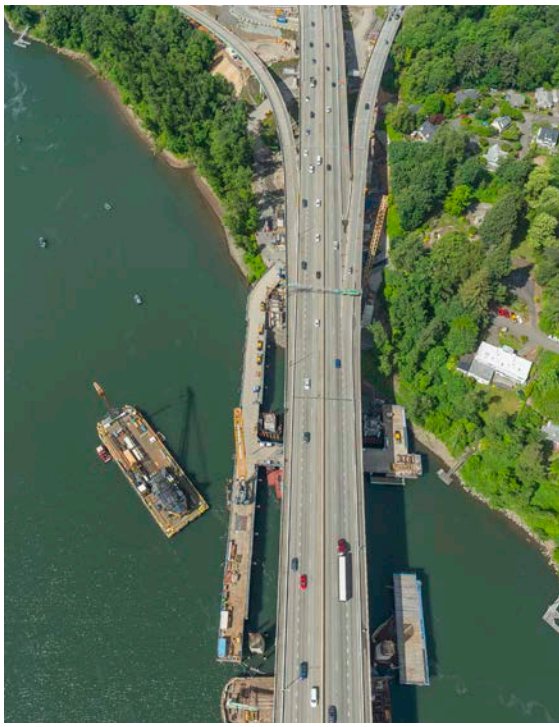
and pedestrian bridge over I-5. With current funding committed, ODOT estimates an additional $900 million - $1,300 million is needed to complete full project construction. This does not include a potential INFRA award nor associated state matching funds.

I-205 Improvements Project

Construction of Phase 1 (Abernethy Bridge) began in 2022, with financing tools provided by the legislature and the expectation that toll revenue would ultimately be used to payback short-term funding sources. Phase 1 will likely cost around $750 million, though a precise final cost estimate is still under development. There is currently $200 million in available resources for this initial phase.

Members of the Joint Committee on Transportation requested the total cost for I-205, which would include a second phase. Phase 2 would add a northbound and southbound third lane between Stafford Road and OR 213, replace the Tualatin River Bridges, seismically upgrade or replace all overcrossings, and add needed soundwalls. Phase 2 is expected to cost $700-$800 million and is currently unfunded. Design for this phase reached 60% in the fourth quarter of 2023 and has not advanced further.

With current funding committed, ODOT estimates an additional $1.25 - $1.35 billion is needed to complete full project construction.



Phase 1 of the I-205 improvements is underway with the Abernethy Bridge construction.

Summary of Investment Needs

Table 3, on the following page, shows a summary of the funding needs described above and inflated over time.

Table 3: Annual Funding Gap for ODOT Service Functions and State Highway Fund Safety System Investments

Values rounded as appropriate	Current Annual Funding Total Need	Current Annual Funding Gap	Annual Funding Gap over next 10 years	Annual Funding Gap over next 20 Years	Outcomes
Service Functions					
Maintenance	$450,000,000	**$205,000,000**	$290,000,000	$400,000,000	Maintains the existing system baselined to the 2017-2019 budget before cuts. Adds costs associated with historically unfunded work such as a rise in incident response, operations and maintenance of stormwater treatment facilities, maintenance of separated bike and pedestrian facilities and graffiti, litter and camp clean up.
DMV	$170,000,000	**$50,000,000**	$80,000,000	$130,000,000	Increases front line staff to decrease wait times and keep offices open. Increases staffing and system upgrades at the customer contact center to provide a more efficient customer experience. Setup mobile DMV services to meet customers where they are.
Commerce and Compliance	$60,000,000	**$25,000,000**	$40,000,000	$50,000,000	Updates legacy tax, registration and roadside enforcement systems to enable connectivity with modern systems and trucking technology. Increases staffing to provide more timely auditing of registration and tax filings as well as increase CCD's roadside service to carriers.
Agency Operations	$450,000,000	**$170,000,000**	$210,000,000	$250,000,000	Restores reduced support levels in HR, Finance, and Procurement. Replace legacy IT systems along with other security IT investments. Makes facility investments for needed improvements. Maintains existing assets.
Safety System Investments					
Preservation	$1,250,000,000	**$980,000,000**	$1,180,000,000	$1,400,000,000	Repairs and replaces the upfront investment in our transportation system assets to ensure infrastructure is operational long term. Ensures that pavement, bridges, signals and culverts are being repaired and replaced within their design lifecycle, to prevent deterioration of the system resulting in reduced safety and operations. For example, this means that we are replacing our 2700 bridges on a 100 year cycle instead of a 900 year cycle.
Programmatic and Systemic Safety Investments	$200,000,000	**$145,000,000**	$175,000,000	$205,000,000	Gets to backlog of funding for high-fatality sites and allows for systemic investments in large-scale safety improvements like roundabouts. Implements a new road safety audit program to add safety to more projects. Builds around 20 wildlife crossing or fencing projects over next 20 years to reduce animal-vehicle collisions. Addresses crosswalk deficiencies. Does not increase the number and frequency of crosswalks to desired spacing identified in guidance, which would be an additional $115M annually. Supports efforts to set lower speed limits on roads.
Safe Routes to School Infrastructure	$50,000,000	**$35,000,000**	$40,000,000	$50,000,000	Triples the existing SRTS infrastructure grant program, which is currently oversubscribed about 2.5:1. Supports safe connections for K-8 grade schools in the next 30 years. Additional schools are now eligible, which will increase demand for the program. Also provides project development, local assistance, and administrative support.
On-Road Bicycle and Pedestrian Network	$135,000,000	**$115,000,000**	$140,000,000	$160,000,000	Completes gaps in walkways and bikeways on state roads within urban areas within 30 years instead of over 150 years. Addresses existing deficiencies.
Great Streets Program	$65,000,000	**$45,000,000**	$50,000,000	$60,000,000	Supports improvements to state roads where multiple high priority needs overlap to support safer, more climate friendly and equitable outcomes. It looks at funding the holistic needs within a corridor or community. With this additional infusion, larger-scale safety and other investments could be made simultaneously.
On-Road Freight Investments	$12,000,000	**$8,000,000**	$10,000,000	$11,000,000	Focuses on freight safety by increasing truck parking along major interstates in Oregon, and making rail-road crossings safer. Does not include needs for freight truck efficiency.
Fulfilling HB 2017 Commitments					
I-5 Rose Quarter	$1,500-$1,900M	**$900 million - $1,300 million total**			Complete the HB 2017 Rose Quarter project
I-205 Improvements	$1,450-$1,550M	**$1,250 million - $1,350 million total**			Complete the HB 2017 improvement on I-205

Potential Structural Funding Solutions

Oregon is not alone in its pursuit of a modern transportation funding system. However, Oregon is somewhat unique in terms of its constitutional framework, historical distributions, and potential new revenue options. As Oregon evaluates options for transportation funding, the state should consider sufficient, sustainable, and durable solutions.

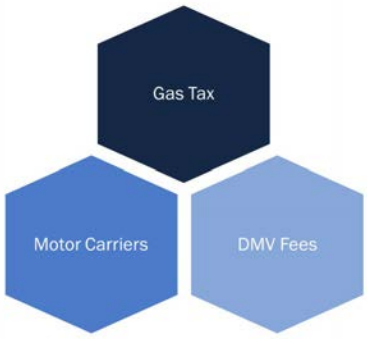
As the first state to establish a per-mile road use charge program and one of the leading states in the deployment of an electric fleet, Oregon is a national leader in the transition to a cleaner, modern transportation system. Decarbonizing Oregon's transportation system through use of cleaner fuels, fewer and more efficient miles driven, and an accelerated transition to an electric fleet benefits the state — but it also brings a renewed urgency to decarbonize our funding structure and identify a sustainable approach to fund ongoing maintenance and operation of our transportation system.

Oregon's State Highway Fund relies on revenue from the gas tax, DMV fees and motor carrier taxes. More diversified funding streams are needed. Policymakers can choose from a variety of transportation fees and taxes to fund immediate needs and ensure that all users of the system are paying their fair share. Fees like a road usage charge can help capture the costs for user's wear and tear on the transportation system. To ensure lasting buying power, indexing all fees to inflation or some other factor is necessary.

Previous transportation visioning panels have explored a variety of transportation funding options, some of which were implemented as part of HB 2017. However, the vast majority of funds raised by HB 2017 were either for public transportation, or dedicated to highway capital programs, not operations and maintenance. Derived and updated from this past panel's work, Table 4 (next page) reflects a variety funding options for consideration by policymakers, indicating how well each addresses certain outcomes such as revenue stability. Included are options for increasing existing user fees, such as increasing the gas tax and DMV fees, as well as new fee options like a studded tire tax.

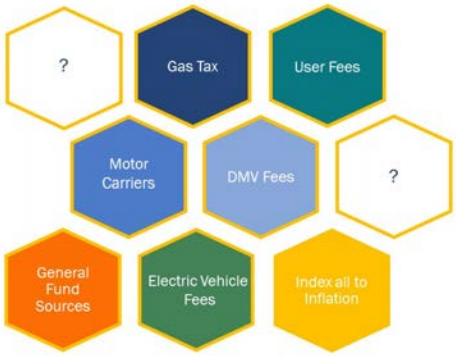
Below that, Table 5 provides estimates on the amount of revenue generated through certain increases in existing taxes and fees, based on the April 2024 ODOT State Revenue Forecast. For example, raising the fuel tax by 1 cent generates approximately $16 million per year; or raising passenger registration fees by $10 per year generates approximately $38 million per year. It should be noted that the revenue estimates do not assume commensurate increases in heavy vehicle taxes/fees in order to maintain cost responsibility, which will be determined as part of the next Highway Cost Allocation Study.

Current State Highway Fund revenue sources



Current funding relies on revenue from the gas tax, DMV fees and motor carrier taxes.

Sustainable funding options for Oregon to consider



A more diversified funding stream is needed to meet immediate needs and ensure that all users are paying their fair share.

Table 4: Roadway Funding Options

Fee Options	Adequacy of revenue	Responsive to inflation	Stability and predictability	Appropriateness of dedication	Administrative costs	Equity by income
Increase state gas taxes	Very Good	Poor	Fair	Good	Very Good	Poor
Increase DMV fees (licenses, registration or titles)	Good	Poor	Very Good	Fair	Very Good	Poor
Increase new vehicle use tax	Poor	Good	Fair	Fair	Very Good	Very Good
Increase MPG-based vehicle registration fees	Good	Poor	Very Good	Fair	Very Good	Poor
Temporary gas tax increase	Very Good	Poor	Poor	Good	Very Good	Poor
New vehicle user fees (first time title fee)	Poor	Poor	Fair	Fair	Very Good	Good
State gas tax indexing	Very Good	Very Good	Good	Good	Very Good	Poor
Local gas tax	Fair	Poor	Fair	Good	Very Good	Poor
Local registration fee	Fair	Poor	Very Good	Fair	Very Good	Poor
Studded tire tax	Poor	Poor	Poor	Good	Good	Fair
Bridge toll	Good	Fair	Good	Very Good	Poor	Fair
Per mile road user charges	Very Good	Poor	Very Good	Very Good	Fair	Fair
Carbon tax	Good	Poor	Fair	Very Good	Very Good	Poor

Table 5: Amount of Revenue that can be Generated by Raising Existing Taxes and Fees

Category	Per unit	Revenue ($Millions)*
Fuels Tax	$ 0.01	$ 16.00
Passenger Registration	$10.00	$ 38.00
Tiered Registration	**	$200.00
Light Vehicle Titles	$10.00	$ 10.00
Class C License	$10.00	$ 4.00
Use Tax	0.1%	$ 2.50

*Revenue estimates do *not* include complementary increases in heavy truck taxes because the cost responsible ratio of light to heavy revenue will be determined in the upcoming Highway Cost Allocation Study.

** Consistent with the HB 2017 Section 75 *Study* (2017), the $200 million revenue estimate represents the projected annual revenue generated from high efficiency passenger vehicles to achieve cost parity.

Call to Action

Oregonians across the state rely on a safe, well-functioning, and accessible transportation system. But our existing funding structure can no longer support the level of service and reliability Oregonians have experienced for decades nor can it deliver the modern, safe transportation system Oregonians deserve.

With sufficient investment in the core operations of the agency, we can restore the level of service Oregonians expect.

Transportation agencies across the state are already living with this new reality; reduced spending means reduced maintenance and operations services. These funding-based reductions bring increased vulnerability to weather and natural disasters, increased time to clear crashes and reopen roads, longer wait times at the DMV, and decreased reliability in services from transportation agencies across the state.

The funding strategies laid out in this document provide a path to a modern, reliable, environmentally friendly and safe transportation system. With sufficient investment in the core operations of the agency, we can restore the level of service Oregonians expect from their transportation agency. And with additional investment, we can build the transportation system Oregonians deserve.

The Oregon Department of Transportation was originally created in 1913 and tasked with building a robust transportation network to serve and connect Oregonians. Since its inception, ODOT has served every person and community across our state. Whether through plowing the interstates, running the local weigh station, painting bike lanes on main streets, or from the DMV counter, ODOT employees serve their communities because they are part of their communities. We want to help Oregon thrive, and with these investments, we believe it will.