

# Budget and Funding Update

## ACEC-ODOT Partnering Conference

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# State Highway Fund Structural Funding Challenges



## Future Fuels Tax Revenue Decline

- The average driver consumes almost **25% less fuel per year** than 10 years ago. At today's rate, that's over **\$40 less per year** in gas tax paid per vehicle.



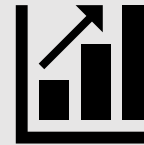
## Reliance on Few Sources of Revenue

- Oregon **does not utilize inflation-resistant** funding mechanisms to support transportation system needs.



## Rigid Statutory Structure

- **About 75% of fees collected by DMV** go to local governments, construction projects, and other programs and can't be spent on delivering DMV services.
- **Only about 2%** of additional taxes and fees raised by HB 2017 went to state highway maintenance and operations.

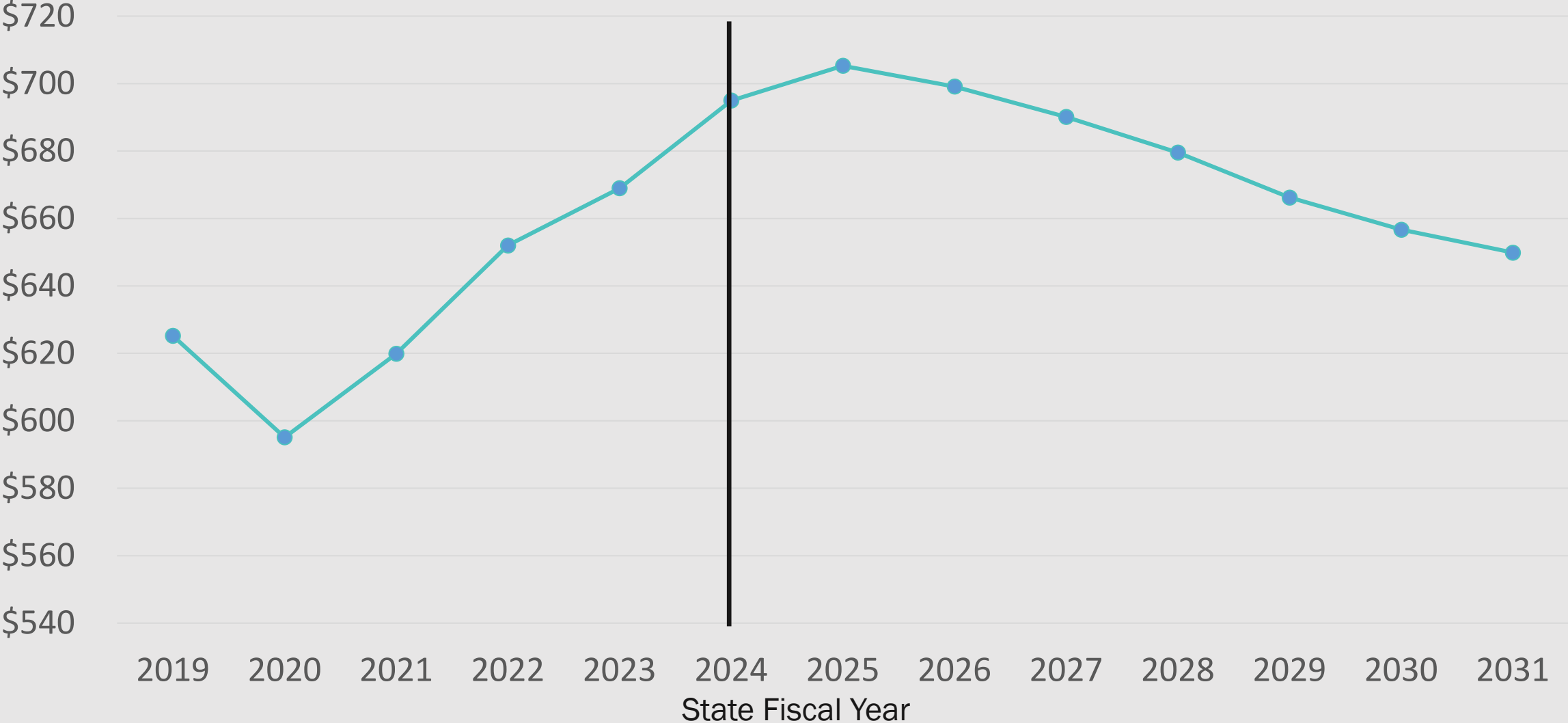


## Rise of Record Inflation

- Since 2017, the National Highway Construction Cost Index has **increased by over 80%**.
- Equipment costs have **increased about 25%** in the past four years.
- Paint costs **have increased over 30%** in the last four years.

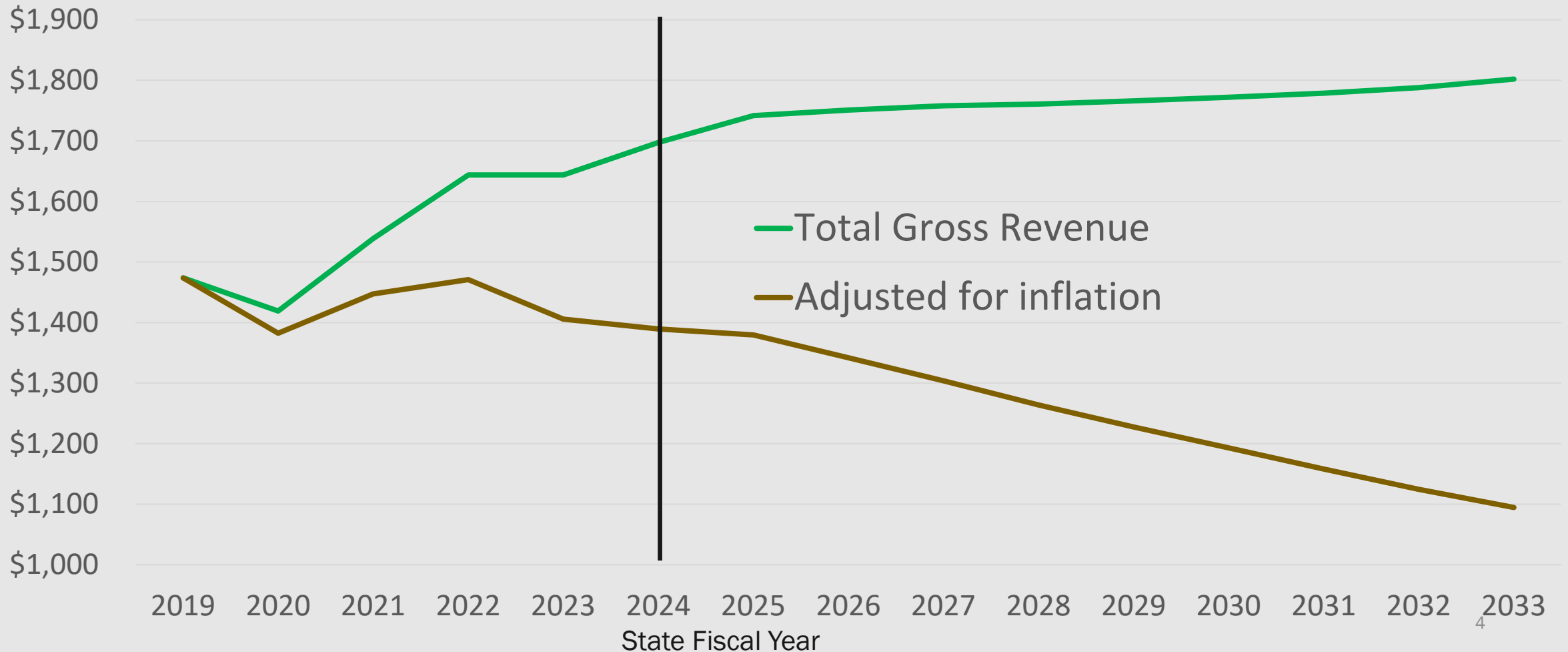
# Fuels Tax Revenues Are Going to Decline

Oregon Motor Fuels Tax Forecast (October 2023), In millions of nominal dollars



# Inflation Will Dramatically Impact the State Highway Fund

Total Gross State Highway Fund Forecast (October 2023), In Millions of Dollars



# A Tale of Two Budgets



## Transportation Projects & Programs

Dedicated federal & state funds for:

- Construction projects
- Grant programs

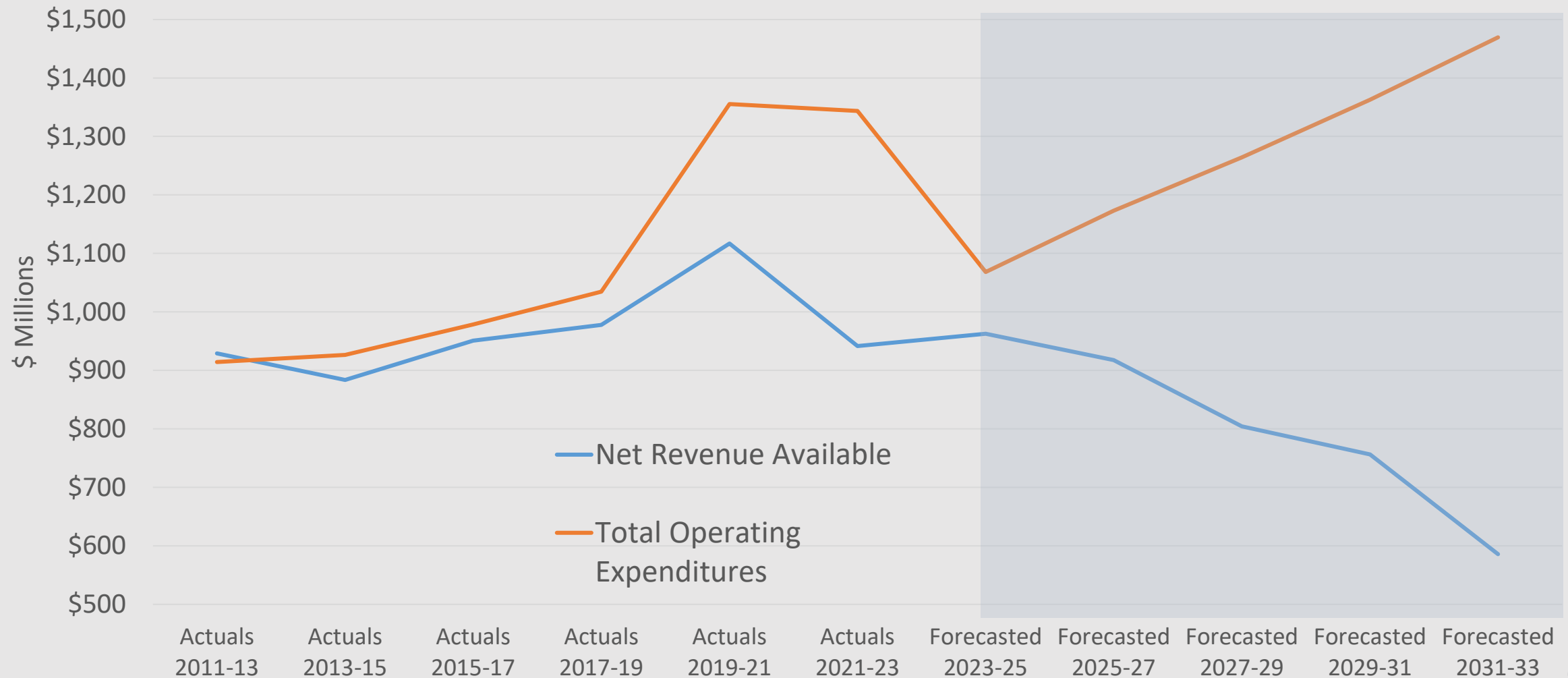


## Maintenance & Agency Operations

State Highway Fund dollars available to run the agency:

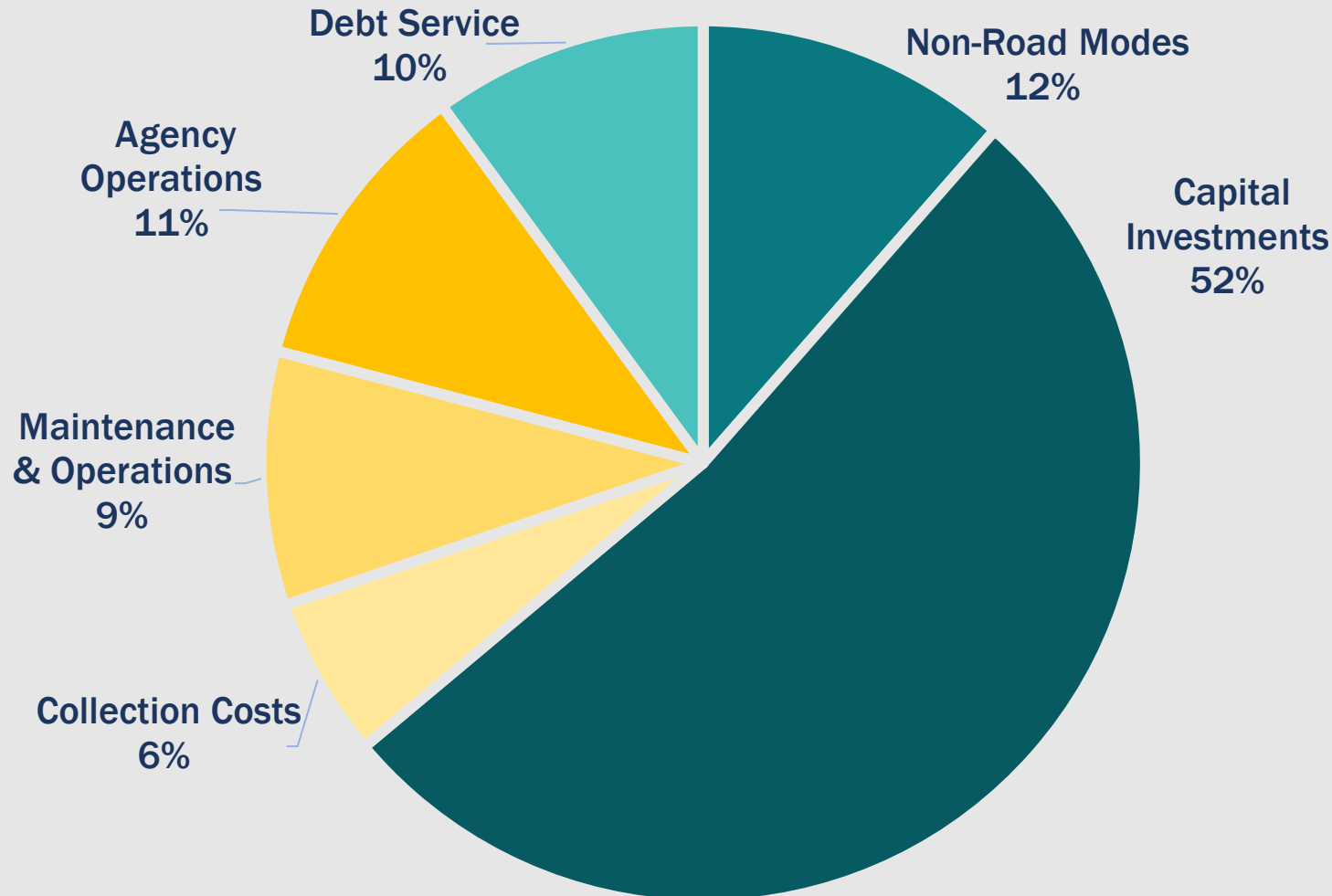
- Road maintenance
- DMV, Commerce & Compliance Division
- Central services like IT, HR, finance
- Project delivery overhead

# ODOT Faces a Large and Growing Gap on the O&M Side of Our Budget



# 2023-25 ODOT Legislative Budget

## \$6.1 Billion in Expenditures



### Capital Investments

- Preservation (bridges, pavements, signals), Safety Improvements, System Enhancements

### Non-Road Modes

- Public Transportation, Rail, Transportation Safety

### Debt Service

- Debt service payments from all funding sources

### Agency Operations

- Staff and support for daily operation, indirect costs

### Maintenance & Operations

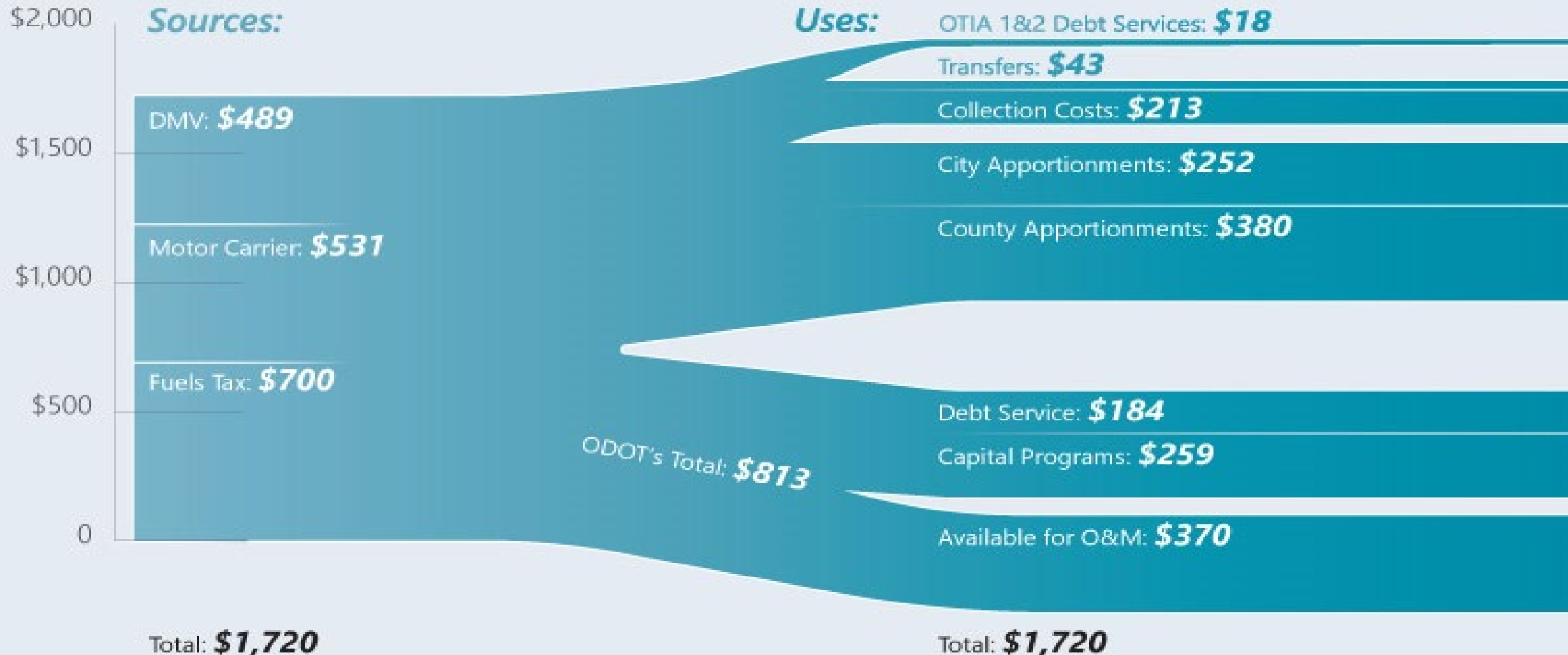
- Staff, equipment, and materials

### Collection Costs

- Fuels Tax, Commerce & Compliance, DMV

# State Highway Fund Sources and Uses

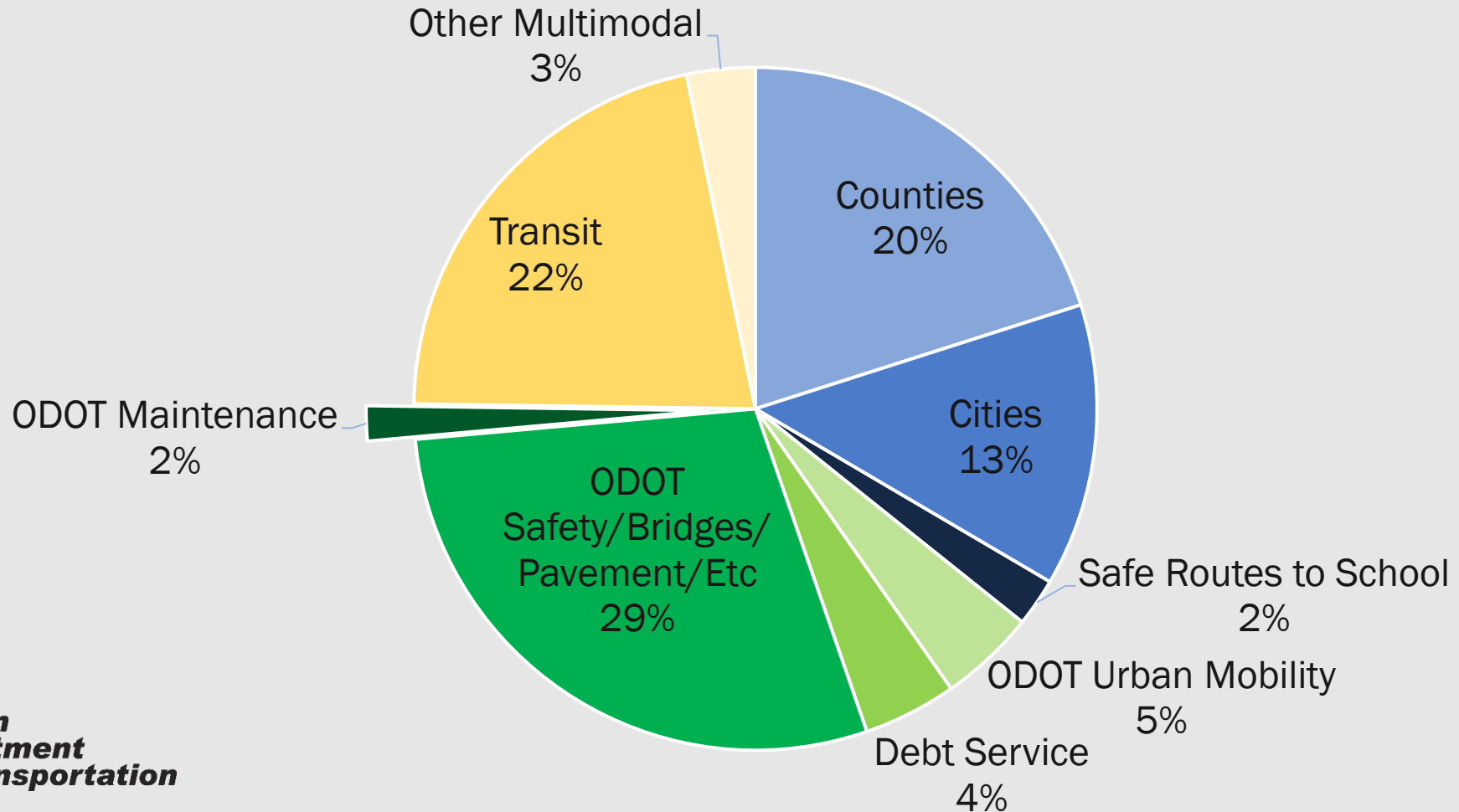
2023-2025 Annual Average in Millions





# HB 2017 Funding Distribution

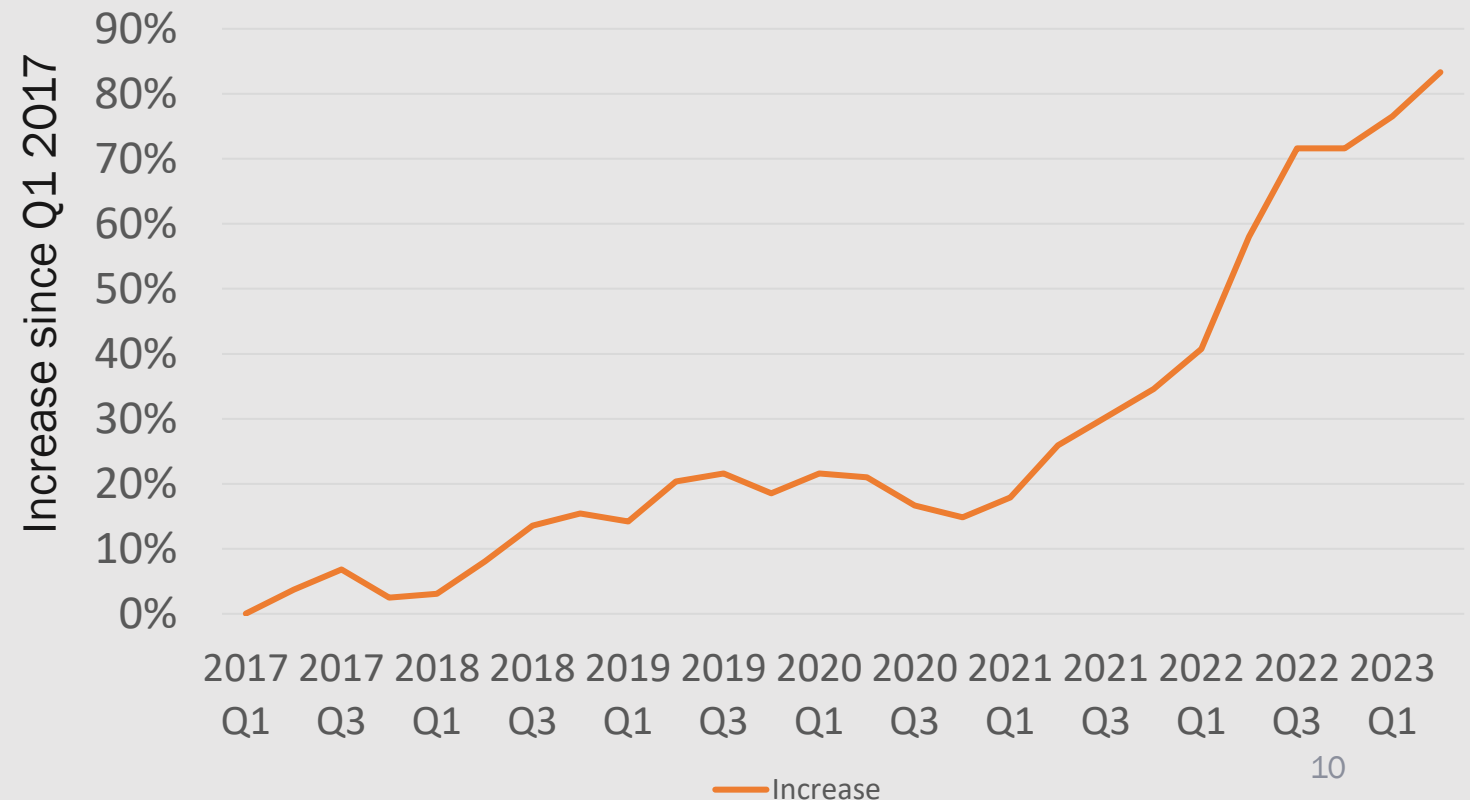
Forecast for FY 2025; \$658 million total projected revenue



# Construction Costs Have Risen Rapidly

Nationwide highway construction costs increased more than 80% since beginning of 2017

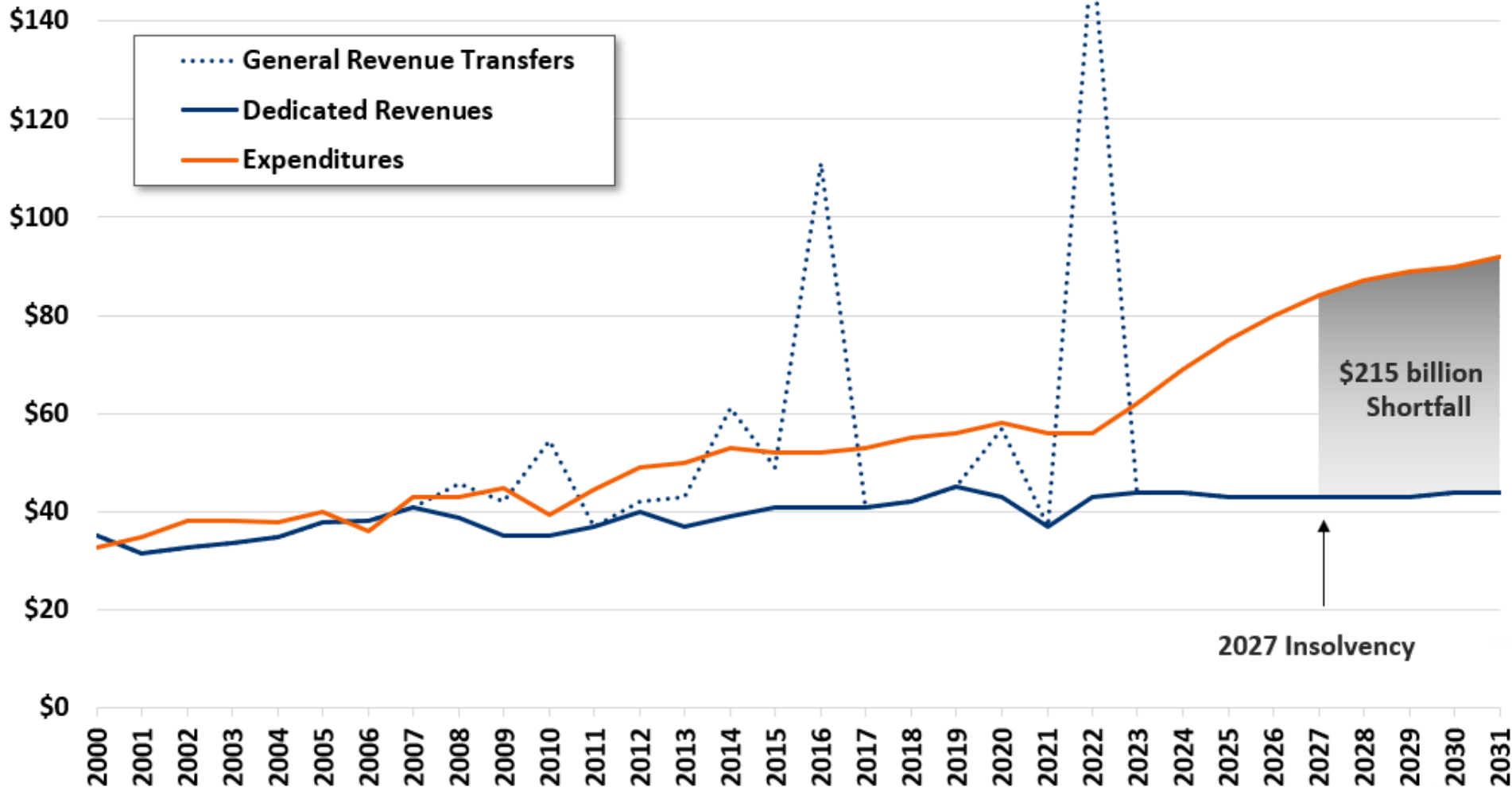
National Highway Construction Cost Index  
Increase Since Q1 2017





# Highway Trust Fund Faces Shortfall After 2027

Trust Fund Spending and Revenue After the Enactment of the Bipartisan Infrastructure Bill (billions)



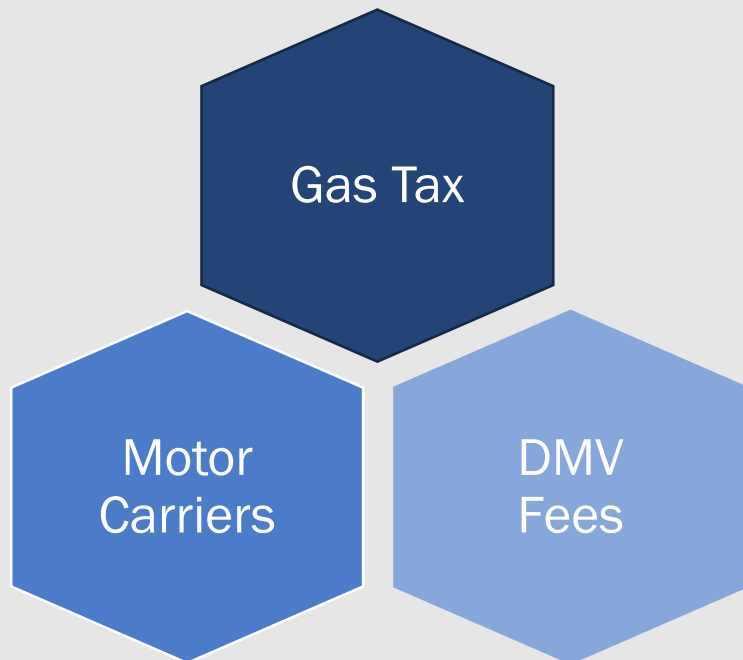
- Federal Highway Trust Fund faces \$40+ billion annual shortfall in 2027 and beyond
- Federal highway and transit funding could fall by about half without additional General Fund transfers



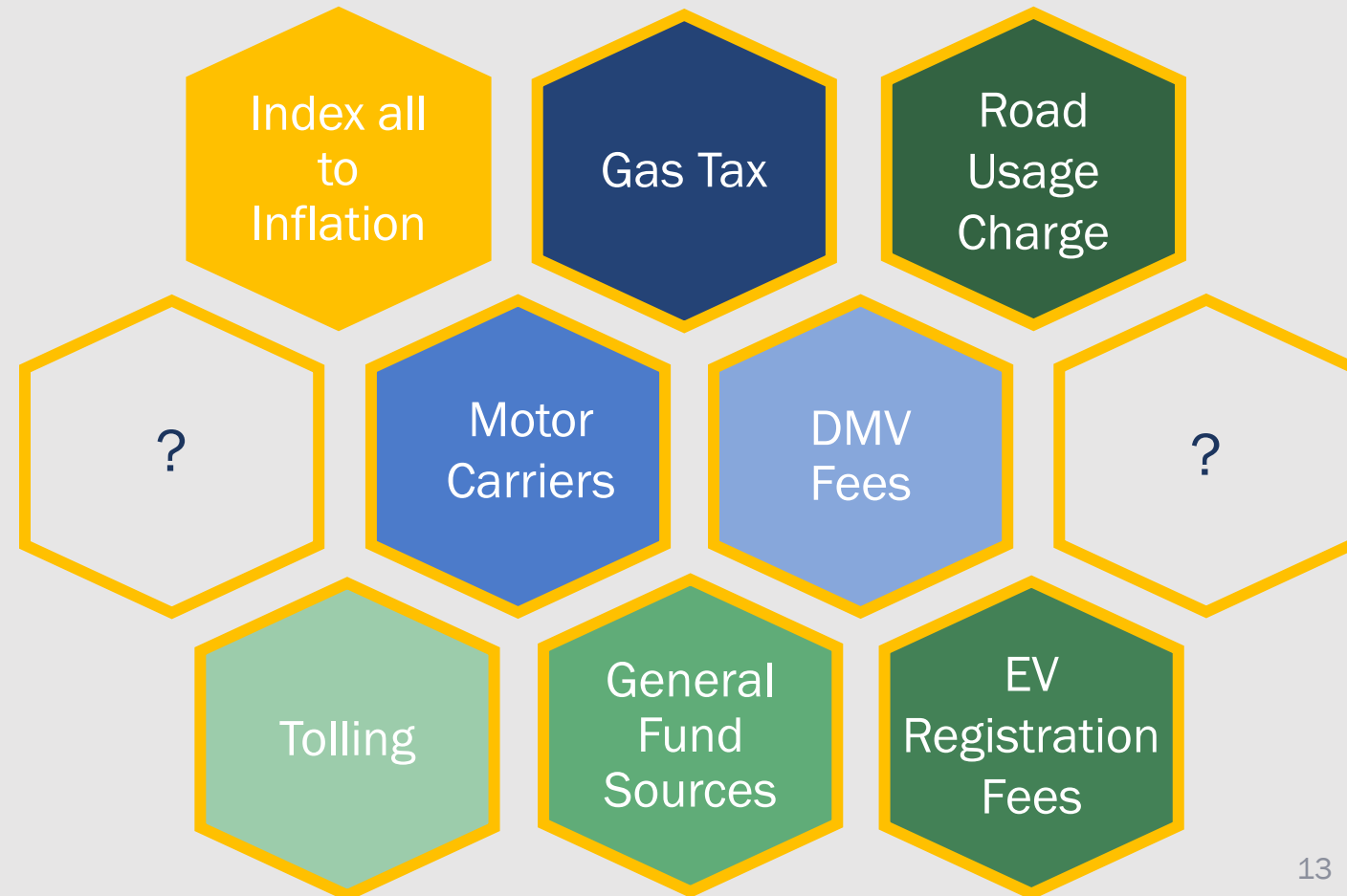
# A More Diversified Revenue Portfolio

Sufficient and sustainable funding is key to maintaining and modernizing our transportation system

## State Highway Fund Revenue Today



## Some Options for the Future





**Questions?**

