

Overview of the 2025-27 Budget Development Process

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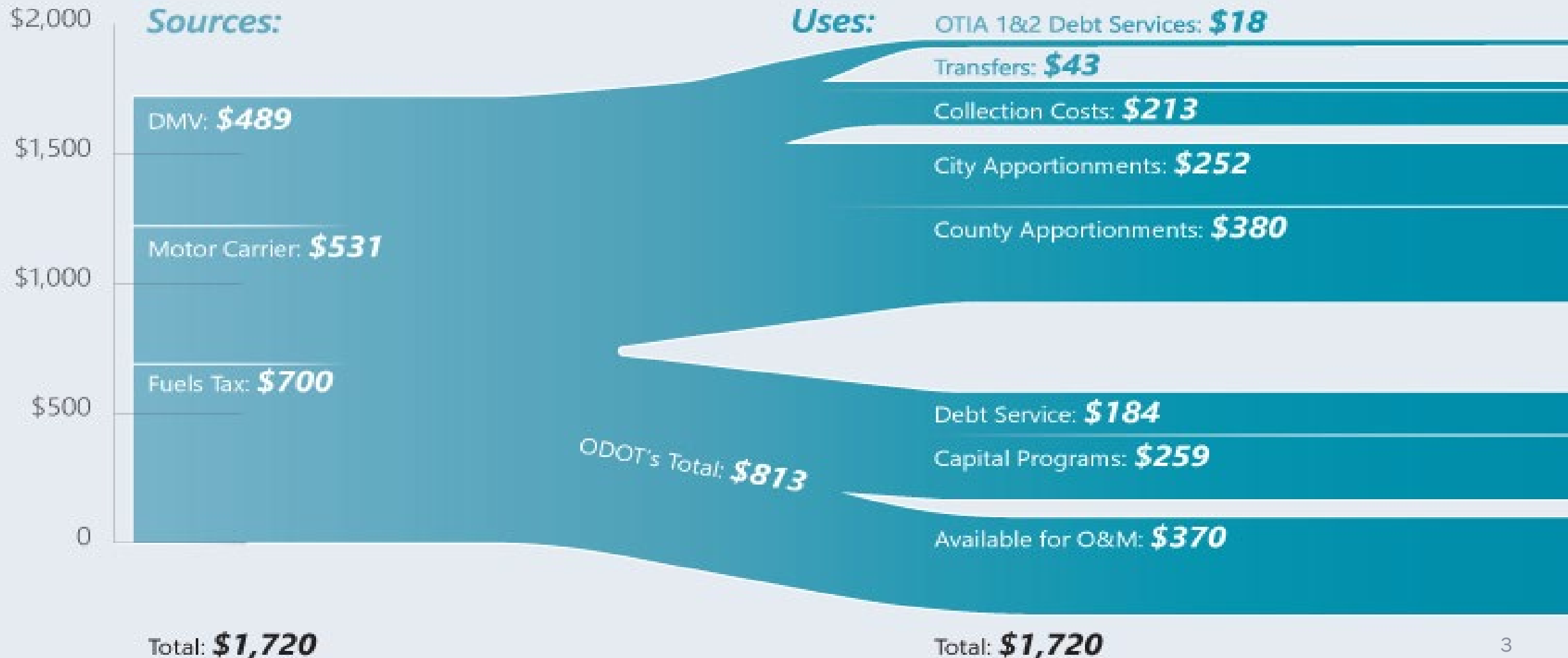


ROADMAP

- Budget Background/Financial Update
- '25-'27 Agency Request Budget Development
 - Budget Cycle
 - Commission Involvement
 - ARB Development
 - 2025-27 Budget Outlook
 - Next Steps

State Highway Fund Sources and Uses

2023-2025 Annual Average in Millions





Actions Taken to Close O&M Budget Gap

Federalize O&M costs

- Example: Incident response, traffic operations centers

Preserve resources for O&M by shifting costs to HB 2017 funds

- Examples: Local fund exchange, Major Bridge Maintenance

Additional revenue

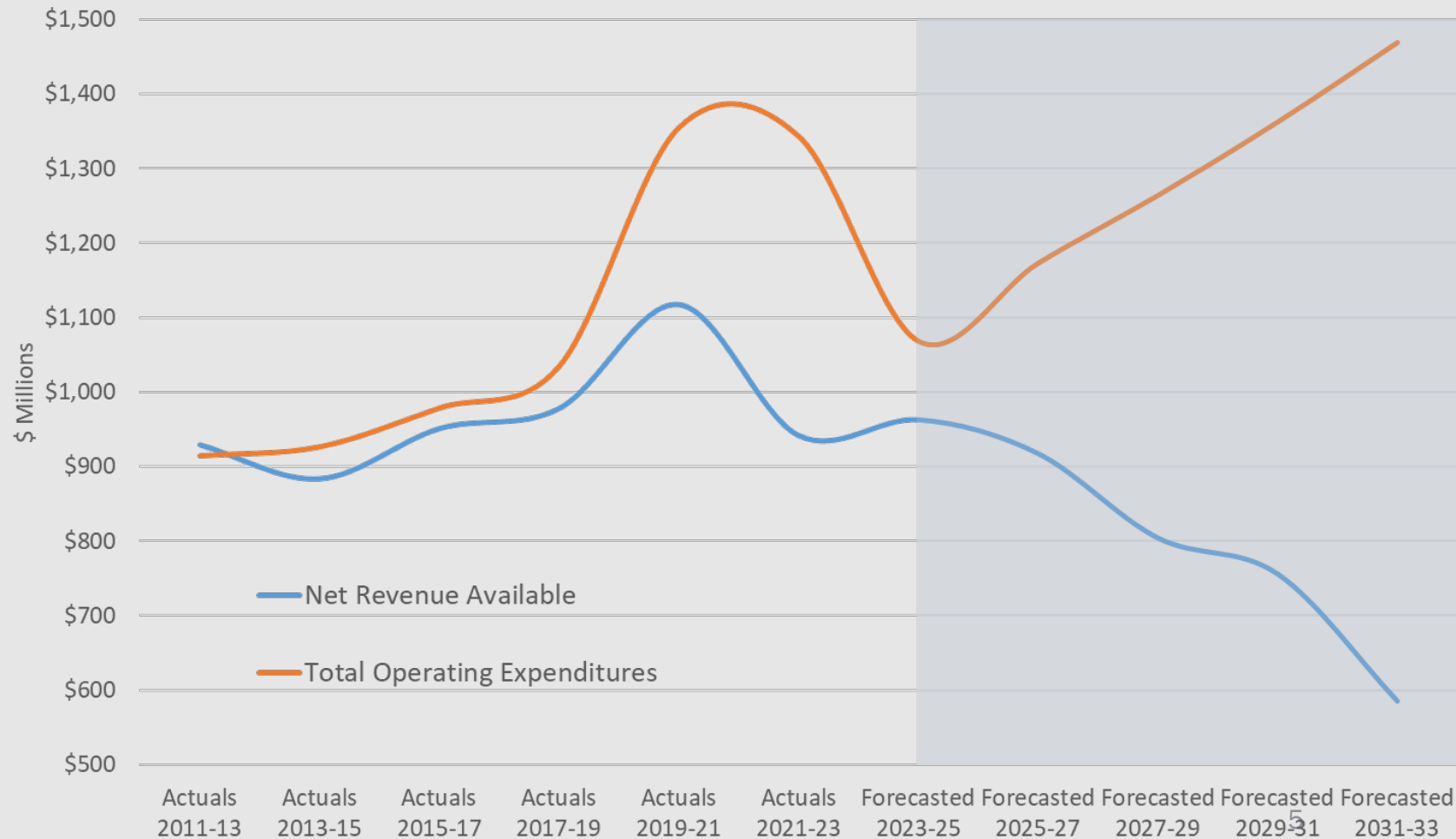
- Example: DMV fee bill in 2023

Budget reductions

- Examples: Absorbing personal services cost increases, budget reductions in '21-'23 and '23-'25

Biennial Net Operating Revenue and Costs

- Revenues have closely tracked expenditures until 2019-21
- Forecasted expenditures grow while revenue declines



Oregon's Budget Cycle

- Three major phases: Agency Request Budget, Governor's Budget, Legislatively Adopted Budget
- Driven by instructions published by DAS CFO, in conjunction with the governor
- Agency budgets must balance with available revenues

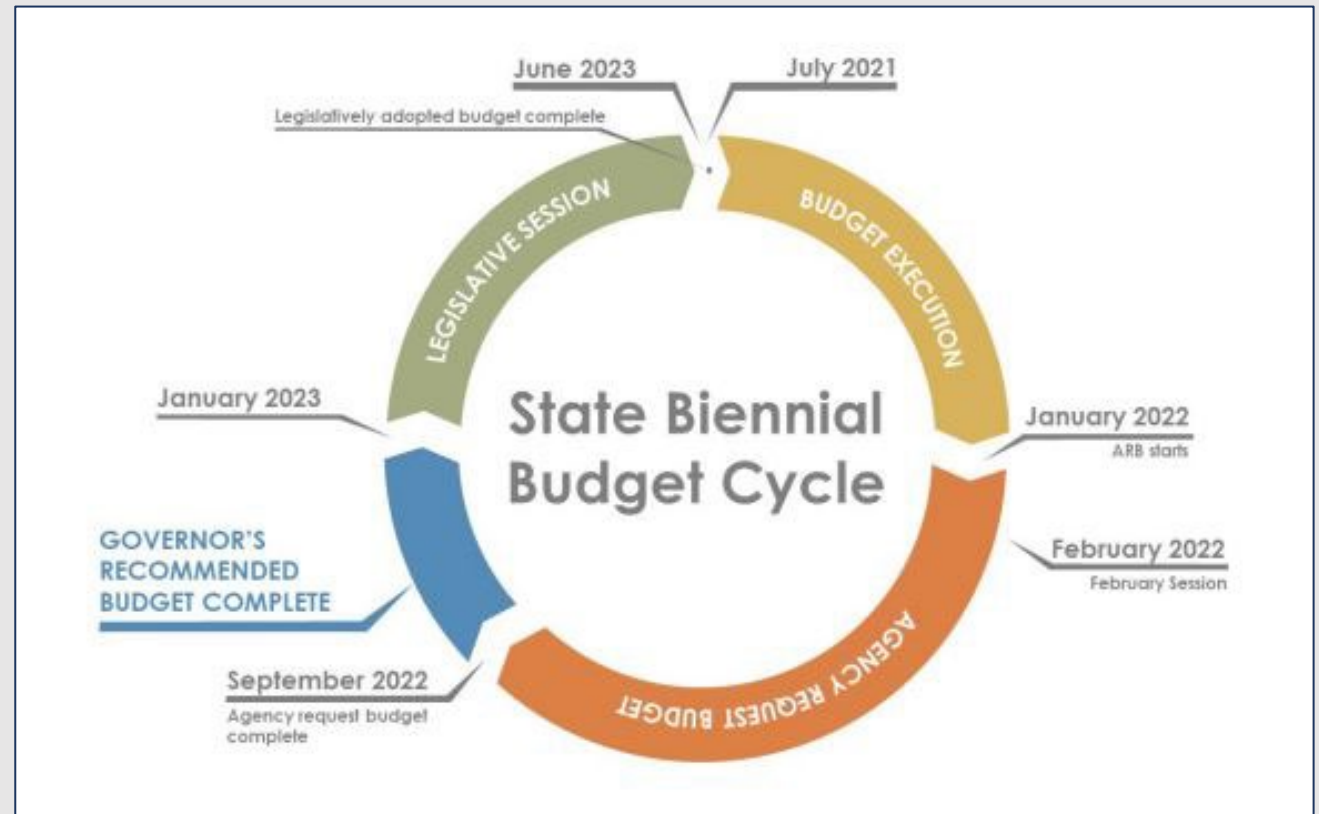


Image source: DAS Chief Financial Office

Three Major Budget Phases



Agency Request Budget (ARB)

- Generated by the agency
- Approved by the Commission
- Best opportunity to request new programs or resources



Photo credit: Wayne Hsieh

Governor's Budget (GB)

- Generated by the governor and DAS CFO
- More collaborative process with DAS and Governor's Office in 2025-27



Photo credit: Jim Choate

Legislatively Adopted Budget (LAB)

- Generated by Joint Ways & Means Committee
- Includes agency presentation and work session
- Post-session changes occur during interim or E Board

Commission Involvement

- OTC is directed by statute to review and approve agency budget prior to submission to DAS
- Agency has usually done this in two stages:
 - Preliminary approval of policy option packages (POPs) - **March**
 - Full, formal approval of Agency Request Budget and TOF allocations - **June**
- We welcome additional guidance/direction from the Commission
- Chair formally certifies the ARB document prior to submission at the end of August

ARB Development

BASE BUDGET (April)

- Personal Services adjustments
- Other, less common base adjustments (e.g. debt service and capital construction)
- Budget alignment changes (e.g. minor organization changes)

CURRENT SERVICE LEVEL (May–June)

- Vacancy factor
- Program phase-ins/phase-outs
- Inflation and price list adjustments
- Net-zero fund shifts
- Technical adjustments

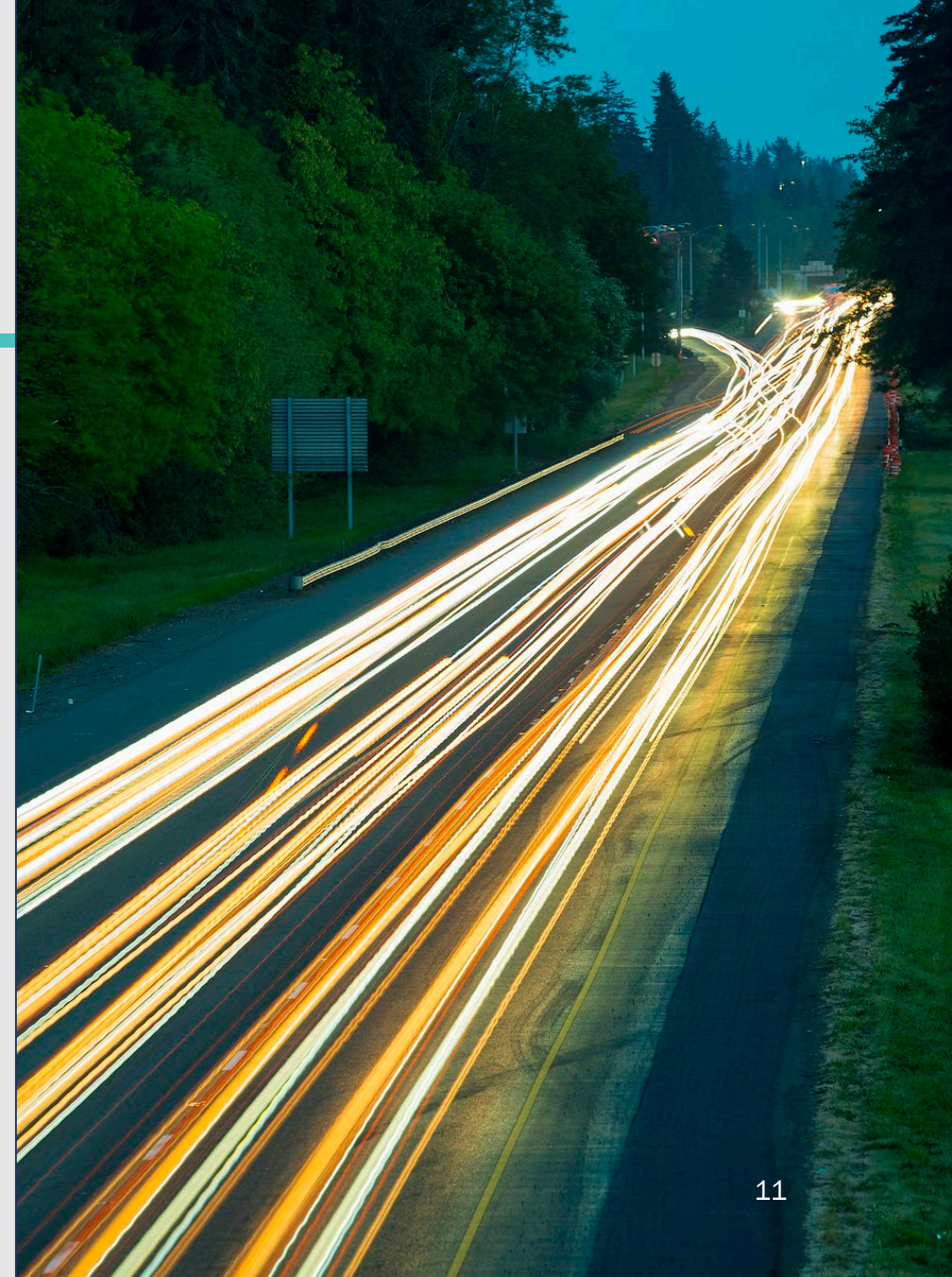


Modified CSL

- If Current Service Level (CSL) expenditures exceed available revenue, agencies must develop revenue shortfall packages to balance
- Commission can provide direction as we develop those packages
- The result is a modified CSL, this is our budget before adding POPs

POP Development

- Programs submitted POP proposals to the Budget Office in December
- Budget Office made recommendations to EST at the beginning of January
- EST prioritized POPs to move forward for further development
- Budget Office will present priority POPs to Commission in March for review and approval





2025-27 ODOT Budget Outlook

- Operational expenditures continue to inflate faster than available revenues
- Budget Office anticipates a significant revenue shortfall at CSL
- Shortfall will require development of formal revenue shortfall packages and associated restoration POPs

NEXT STEPS

- Return in March to present POP recommendations and preview CSL revenue shortfall, including high-level plan for shortfall packages
- Commission will review proposals, provide feedback, and determine which POPs will move forward to ARB
- Final versions of POPs, along with full ARB details and TOF allocation recommendations, will be presented to Commission at June meeting for review and approval

Questions?

