



Oregon

Tina Kotek, Governor

Oregon Transportation Commission

Office of the Director, MS 11

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DATE: June 3, 2024
TO: Oregon Transportation Commission

FROM: Kristopher W. Strickler
Director

SUBJECT: **Agenda Item I** – Urban Mobility Strategy Finance Plan Update

Requested Action:

Approve a conceptual plan to close the funding gap for the Urban Mobility Strategy.

Background:

In May 2024 the Oregon Transportation Commission (OTC) received a presentation detailing the size of the funding gap for the Urban Mobility Strategy (UMS) and options to close that funding gap. Multiple factors require ODOT to secure additional resources to move UMS projects forward, including:

- Higher costs and the loss of expected tolling revenue have created a significant funding gap for the I-205 Abernethy Bridge project. Based on current estimates of known costs and available resources, this funding gap is estimated at approximately \$300 million, (though any change in the total cost to complete the project or available resources will modify this amount).
- In May the Commission agreed to provide up to \$250 million from the \$30 million/year UMO set-aside from HB 2017 to match up to \$750 million in federal INFRA grant funding for the I-5 Rose Quarter.

Together, these needs create a funding gap estimated at approximately \$550 million (assuming ODOT receives the INFRA grant).

At the May meeting, the Commission provided feedback to close the funding gap through a combination of reductions in the 2024-2027 Statewide Transportation Improvement Project (STIP) and bonding. Based on this feedback, ODOT proposes the following recommendation to generate approximately \$550 million to address UMS funding needs.

- In order to minimize immediate impacts to projects, ODOT proposes transferring \$100 million in funding to the I-205 Abernethy Bridge. Given that the need is primarily to fund the I-205 Abernethy Bridge project, ODOT proposes that these resources should come from shifting funding from the I-405 Fremont Bridge painting project to the I-205 Abernethy Bridge; the I-405 Fremont Bridge project would be deferred indefinitely.
- The remainder of the funding is proposed to come from issuing Highway User Tax Revenue (HUTR) bonds, with debt service paid for from HB 2017 bridge and seismic funds

for 25 years. The amount of bonds sold will be scaled to the amount of funding needed to complete the Abernethy Bridge, based on how much funding is needed for the I-5 Rose Quarter INFRA grant match (up to \$250 million). Debt service would range from about \$14 million annually on \$200 million of bonds to about \$35-40 million on \$500 million of bonds (though the precise amounts will depend on interest rates and other financing terms). The sale of bonds will be timed to match cash flow needs, likely in late 2025 or early 2026. ODOT would likely start paying debt service in 2026, which will require additional reductions to the 2024-2027 STIP. Debt service required in the 2024-2027 STIP will depend on both the amount of bonds sold and the timing of the sale, but could total \$100 million. ODOT has developed a prioritized list of \$150 million in additional bridge projects in the 2024-2027 STIP that can be deferred, depending on the amount needed for debt service in the current STIP.

ODOT requests feedback from the Commission on this proposal, including:

- Whether this hybrid option represents an appropriate balance between direct project reallocations and bonding.
- Whether programs other than HB 2017 bridge and seismic should help meet some of the UMS funding needs.
- Whether the geographic mix of projects is appropriate.

Outcomes

With approval of this conceptual finance plan, ODOT will take the following steps.

- As part of the 2024 annual STIP amendment in August, ODOT will amend the STIP to transfer funding from I-405 Fremont Bridge painting to the I-205 Abernethy Bridge. (August)
- ODOT will complete a refined estimate of funding needed for the UMS projects, after we learn whether the Rose Quarter receives an INFRA grant and after more refined cost estimates for I-205 are available. (November)
- Once this updated gap estimate is available, we will develop an updated estimate of the amount of HUTR bonds needed and the approximate timing of the sale, then use this information to develop a schedule of estimated debt service. (November)
- ODOT will include the necessary HUTR bonds in its request to the Legislature for bonding authority in the 2025-2027 biennial bond bill. (November)
- ODOT will return to the Commission with a list of the additional projects that will be deferred from the 2024-2027 STIP to provide the necessary funds to cover debt service through 2027. (December)

Without approval, ODOT will bring forward an alternate finance plan based on Commission direction.

Attachments:

- Attachment 01 – Urban Mobility Strategy Finance Plan
- Attachment 02 – Projects Proposed to Cut to Meet UMS Funding Needs

Urban Mobility Strategy Finance Plan Update

June 2024

Introduction

In June 2023 the Oregon Transportation Commission approved a finance plan for the Urban Mobility Strategy at the direction of Governor Tina Kotek after she directed ODOT to delay the collection of tolls until 2026. The finance plan laid out the available resources for the UMS in light of this decision, allocated available funding among projects to meet key milestones, estimated remaining funding gaps for each project, and offered potential funding sources to close these gaps and complete the projects.

In the nearly one year since approval of this plan, a number of major factors have impacted the original plan approved by the Commission.

- In March 2024, Governor Kotek directed ODOT to stand down on tolling for the time being by canceling the Regional Mobility Pricing Project, transferring tolling of the Interstate Bridge Replacement Program to WSDOT, and indefinitely pausing work on the I-205 Tolling Project. This will lead to substantial reductions in expenditures compared to the funding allocated to tolling in the UMS Finance Plan but will also eliminate \$385 million in projected funding from tolls on I-205.
- The estimated cost to complete construction of the I-205 Abernethy Bridge Project has increased for a number of reasons, including structural engineering elements, unanticipated project changes, and delay, escalation and risk for a multi-year project.
- The I-5 Rose Quarter received a \$450 million Reconnecting Communities and Neighborhoods (RCN) grant from the U.S. Department of Transportation, allowing the project to expand its scope of work to complete design on the main construction package and construct a portion (but not all) of the highway cover that will help knit back together the Albina neighborhood that was torn apart by the original construction of the Interstate through a thriving Black community. ODOT also faces an opportunity to potentially leverage additional federal funds through an INFRA grant.

The net effect of these impacts is to create a shortfall in the funding needed to complete the I-205 Abernethy Bridge, which is already under construction. Closing this gap will require the Oregon Transportation Commission to make key financial decisions. The OTC has four major decisions to make:

- Should ODOT repay some of the HB 2017 funding transferred from the Rose Quarter Project to I-205, or focus on closing the funding gap for the I-205 Abernethy Bridge project?
- Should ODOT provide the necessary funds to UMS projects by making cuts to the 2024-2027 Statewide Transportation Improvement Program (STIP), spread out the cuts over time by covering the gap through bonding, or some combination of these two options?
- If bonding is chosen, what bonding strategy should ODOT use? Should we minimize the annual debt service by spreading costs over a longer period of time, or increase the annual cost but

shorten the number of years we are paying debt? And should we use State Highway Fund resources, Federal Highway Administration (FHWA) formula funds, or a combination?

- What types of projects should be cut to provide the necessary funds?

Program Funding

Since the June 2023 UMS Finance Plan, the decision to halt tolling on I-205 has reduced estimated resources for the I-205 Abernethy Bridge by \$385 million, while the RCN grant for the Rose Quarter has opened up new opportunities to make progress on a critical project. While the total resources remain largely unchanged, this obscures the fact that the I-205 Abernethy Bridge now has a significant gap in its funding.

Table 1: Total Resources for UMS

Revenue Sources	UMS Finance Plan June 2023	May 2024 Update
HB 2017 UMS Cash and Bonds	\$560	\$560
I-205 Tolls	\$385	\$0
Other Federal/State/Local	\$157	\$157
Federal Competitive Grants	\$0	\$450
Total Resources	\$1102	\$1167

Note: All dollar figures throughout this document are in millions of dollars.

The “Other Federal/State/Local” funds remain unchanged, as no additional resources have been allocated by the Commission or local governments. The revenue estimate from cash and bonds from the \$30 million allocation to the UMS from HB 2017 also remains unchanged, though it has elements of uncertainty. ODOT has sold the first tranche of bonds backed by these resources, totaling about \$240 million in net proceeds, and expects a second sale by the end of 2025. The total resources available from HB 2017 will depend on key details of financing, including bond interest rates and maturities, as well as when the bonds are sold; ODOT will continue to receive cash from this allocation until funds are fully dedicated to debt service payments after the second tranche of bonds is sold.

Project Funding

Since June 2023 a number of changes have occurred that impact expected expenditures for the UMS projects.

Tolling

The original UMS Finance Plan allocated \$263 million for tolling:

- \$84 million to complete environmental review, construction, and mitigation on I-205;
- \$64 million for planning and environmental review on the Regional Mobility Pricing Project on I-205 and I-5; and
- \$115 million for Toll System Implementation, the statewide policies and systems needed to collect tolls, including back office and customer service functions.

Based on Governor Kotek’s direction, ODOT is canceling the RMPP, indefinitely pausing I-205 tolling, and transferring tolling of the Interstate Bridge Replacement to WSDOT; this obviates the need to develop and implement statewide toll systems at this time. Based on spending to date and expected spending through the project close down period, ODOT expects to spend about \$73 million total across the three UMS toll projects. This leads to a reduction of expenditures of about \$190 million compared to the funding allocated in the 2023 UMS Finance Plan. However, this reduction needs to be balanced against the loss of \$385 million in expected toll revenue from I-205.

Table 2: Tolling Budget and Net Impact of Canceling Tolling

Tolling Budget	
Funding Allocated	\$263
Expected Expenditures	\$73
Reduction in Expenditures	\$190
Net Impact of Canceling Tolling	
Reduction in Expenditures	\$190
Expected I-205 Toll Revenue	\$(385)
Net Impact	\$(195)

I-205 Abernethy Bridge

The 2023 UMS Finance Plan projected a total cost of the I-205 Abernethy Project of \$662 million; the construction authorization increase approved at the May Commission provide funding up to this approximately this amount, when factoring in spending on preliminary engineering. This increase is due to a number of elements:

- Structural engineering elements, including additional steel reinforcement for existing bridge cross beams, additional structural steel fabrication and materials, reconciling as-built conditions vs. contract plans, delay related to changes during construction, and additional engineering.
- Unanticipated project changes, including additional underground storage tanks, blast caps, soundwall panel changes, environmental permit required changes, etc.
- Costs related to delay, escalation and risk for a multi-year project.

The most recent construction cost estimates show that the project will need about \$90 million in additional funding to complete soil stabilization to achieve seismic resilience. This brings the total project cost to about \$750 million, though a precise final cost estimate is not yet known, nor is the shape of cash flow over the next several years. Any additional costs that arise, including adding funds for soil stabilization, will be brought to the Commission for review and authorization. ODOT anticipates completing the base project by early 2027, with soil stabilization work likely to be completed in 2027.

I-5 Rose Quarter

The 2023 UMS Finance Plan provided the I-5 Rose Quarter an allocation of \$158 million from HB 2017 funds and other state, federal and local funds. This allocation will allow ODOT to complete design of the

three early work packages and reach 30% design of the main construction package, but not move to construction, relocate utilities, or acquire any property needed for construction.

The \$450 million federal RCN grant, awarded in March 2024, will fund design completion and construction of an initial portion of the highway cover, which will be forward compatible with the construction of the remainder of the highway cover and I-5 mainline improvements. The grant did not fund the proposed bicycle/pedestrian bridge over I-5, the project's auxiliary lanes and shoulders, the I-5 southbound ramp off-ramp relocation, nor multimodal street improvements. Grant funding will become available upon completion of a grant agreement with the Federal Highway Administration, which could take up to 12 months to complete.

Even with this grant, the Rose Quarter faces a significant funding gap of about \$1.3 billion. This is in part because UMS funds originally dedicated to Rose Quarter by HB 2017 were directed to I-205 Abernethy and implementation of tolling after passage of HB 3055 in order to move I-205 forward and jumpstart work on tolling. ODOT intended to repay these funds borrowed from Rose Quarter after selling bonds backed by toll revenue. This plan has been complicated by the cost increases required to complete the Abernethy Bridge and the loss of projected tolling revenue.

US DOT has informed ODOT that award of partial funding under the RCN grant automatically makes Rose Quarter a "highly recommended" candidate for additional funding under other federal discretionary grant programs, including INFRA. In May the OTC agreed to allocate up to \$250 million in HB 2017 funds to match an INFRA grant of up to \$750 million. An additional state and federal investment of \$1 billion for the Rose Quarter project would deliver the following project features:

- With \$460 million, construct the remaining two-thirds (north and south portions) of the project's central reconnecting feature—the highway cover that will support new community space and future development. This funding would be the last dollar in for completing the highway cover construction. This cost also includes the required fire, life and safety elements of the highway cover structure. (The central portion of the highway cover is funded with the \$450 million in RNC funding from USDOT).
- With \$300 million, construct I-5 safety and operational improvements that support the related north and south highway cover construction and relocate the southbound I-5 off-ramp.
- With \$170 million, construct the southbound off-ramp flyover, install Intelligent Transportation System (ITS) signage and reconstruct local City streets.
- With \$70 million, construct a separated bicycle and pedestrian bridge to the south of the highway cover for an additional multimodal connection across I-5. The bicycle and pedestrian bridge would also connect directly to the southern edge of the highway cover and adjacent Moda Center.

If ODOT were to receive this grant, accompanied with the state matching funds, the remaining project funding gap would be narrowed to about \$300 million, based on the \$1.9 billion top range of the current project cost estimate.

Closing the Urban Mobility Strategy Funding Gap

With higher costs and reduced revenues available to complete the I-205 Abernethy Bridge Project, ODOT faces the need to close the immediate funding gap for the UMS. A plan to close this gap needs to be developed quickly, as ODOT does not have the cash on hand to spend hundreds of millions of dollars on UMS projects over the next few years without a funding source.

ODOT has covered expenditures prior to toll revenue coming available in 2026 through short-term borrowing using a commercial paper program. ODOT has taken out about \$280 million in commercial paper, which the agency planned to pay back using toll revenue. Plans for additional commercial paper draws against the program's total cap of \$500 million are temporarily on hold now that tolling isn't available as a repayment source. ODOT will likely need additional short-term borrowing from our commercial paper program or other sources to meet cash flow needs for I-205 construction costs until long-term funding or financing can be secured. Taking out additional short-term debt will require identifying a replacement revenue source to pay back this short-term debt.

Table 3 shows the funds allocated to each UMS project in the 2023 finance plan. It also offers two options for updating the allocation of funds: the first provides the Rose Quarter an additional \$250 million of HB 2017 funds to seek to secure INFRA funds, while the second option focuses all HB 2017 resources on I-205 Abernethy to close the funding gap and limit additional borrowing. The table shows that the funds needed to reach key milestones now exceed available resources by an estimated \$554 million under Option 1 and \$304 million under Option 2 after accounting for higher costs on I-205 and the loss of tolling revenue. It should be emphasized that this is an initial projected funding gap, as both the total available resources and project expenditures are subject to some uncertainty.

ODOT has developed three scenarios that differ on whether they close the gap by cutting the STIP immediately or spread the cost over a longer period of time using bonding, or some combination thereof.

Scenario 1: Close the Gap by Cutting the STIP

The Commission could choose to cut projects already programmed in the 2024-2027 STIP totaling about \$550 million under Option 1 and \$300 million under Option 2. The Commission could cut projects funded from HB 2017 bridge and seismic resources or from FHWA formula funds, though many of these federal funds are set aside by federal law for specific purposes and not eligible to apply to I-205. Some of these FHWA funds could be drawn from Bridge funds provided under the Infrastructure Investment and Jobs Act or other Fix-It program areas. Funding could also be drawn from public and active transportation resources, as much of the discretionary funding in the 2024-2027 STIP went into these programs; this could include the Great Streets, Safe Routes to School, Pedestrian/Bike Strategic,

Table 3: Estimated Funds Needed For UMS Projects

Project	2023 UMS Finance Plan	Option 1: Repay Rose Quarter	Option 2: Close Abernethy Gap	Notes
I-205 Abernethy	\$662	\$750	\$750	Updated based on cost of design and construction, including proposed construction authorization increase and additional amount needed for soil stabilization
I-205 Phase 2	\$0	\$0	\$0	Phase 2 was indefinitely postponed by the Commission; remains unchanged since 2023 UMS Finance Plan
I-205 Tolling	\$84	\$20	\$20	Updated based on current projections of spending to date and through project closeout period
I-5 Rose Quarter	\$158	\$858	\$608	Updated to include funding allocated in 2023 UMS Finance Plan plus the \$450 million RCN grant award. Additional \$250 million in Option 1 would provide an opportunity to compete for federal INFRA funds
I-5 Boone	\$4	\$4	\$4	Completes preliminary project planning; remains unchanged since 2023 UMS Finance Plan
Regional Mobility Pricing Project	\$64	\$40	\$40	Updated based on current projections of spending to date and through project closeout period
Toll Systems	\$115	\$13	\$13	Updated based on current projections of spending to date and through project closeout period
Short-Term Financing Costs	*	\$36	\$36	Covers fees and interest on short-term borrowing from ODOT's Commercial Paper program
Total Need	\$1,087	\$1,721	\$1,471	
Total Funding Available	\$1,102	\$1,167	\$1,167	
Funding Gap	\$15	\$(554)	\$(304)	

*The 2023 UMS Finance Plan did not incorporate short-term borrowing costs.

Innovative Mobility, and transit programs funded from FHWA formula funds. The funds in the ADA program are expected to be needed to meet the agency's interim goals for curb ramp completion in the ADA settlement agreement; many of these funds are already obligated to projects or are awaiting obligation for projects going to bid in the near future. While the Commission could choose to redirect some unobligated ADA funds to I-205, doing so would require backfilling from another source or risking

ODOT breaching our ADA settlement agreement. Similarly, Local funds are generally allocated under federal and state statute and are not readily available to redirect to the Abernethy Bridge, and Other funds are used for a variety of operational programs at ODOT; cutting these would increase ODOT’s operations and maintenance funding shortfall.

Table 4: Funding Allocations in the 2024-2027 STIP

Category	FHWA Formula	State Highway Fund	Federal Transit Administration	GARVEE Bonds
Fix-It	\$494.8	\$509.5		
ADA	\$278.8	\$31.9		\$636
Enhance	\$80.8	\$119.2		
Safety	\$157.1	\$32.6		
Public/active transportation	\$240.1	\$73.1	\$482.5	
Local	\$535.7	\$4.4		
Other	\$287.6	\$29.7		

Scenario 2: Financing Construction of I-205

To spread out the cuts required to close the I-205 funding gap, ODOT could issue Highway User Tax Revenue (HUTR) bonds backed by the State Highway Fund or GARVEE bonds repaid by FHWA formula funds with a required state match.

- **Scenario 2A: Highway User Tax Revenue Bonds.** Debt service on HUTR bonds with 25 year maturities would be in the range of \$37-43 million annually under Option 1 and \$25-31 million annually under Option 2. These would be repaid by HB 2017 bridge and seismic funds that would otherwise go to projects across the state in the STIP.
- **Scenario 2B: GARVEE Bonds.** GARVEE bonds have a maximum maturity of 18 years and thus face higher annual debt service amounts compared to 25 year HUTR bonds, so annual debt service would average \$50-57 million under Option 1 and \$30-41 million under Option 2, assuming sales of GARVEE bonds with 15 year maturities. Shortening the maturities to 12 years would increase the annual debt service, while lengthening maturities to 18 years would reduce it. Using FHWA funds to pay debt service would allow reductions to come from a variety of programs in the STIP, including Fix-It programs as well as public and active transportation.

Issuing long-term debt would require legislative authorization of additional bonding authority in the 2025-2027 biennial bond bill. Bonds would likely be issued in two or more tranches, perhaps in combination with the remaining HB 2017 UMS HUTR bonds, to match cash flow needs. Debt service payments, and the project cuts in the STIP that accompany them, would begin in 2026 after debt issuance in 2025 following authorization in the 2025 legislative session. ODOT would likely need to take out substantial short-term borrowing to meet cash flow needs prior to receipt of these bond proceeds.

Table 5: Debt Service Options

Bond Type	Maturity	Funding Source	Option 1: \$550m in Debt	Option 2: \$300m in Debt
Highway User Tax Revenue Bonds	25 years	State Highway Fund	\$37-43	\$25-31
GARVEE Bonds	15 years	FHWA Formula Funds	\$50-57	\$30-41

Debt service on any bonds sold to cover the UMS shortfall would be added on top of existing debt service. ODOT’s estimated debt service paid from the State Highway Fund ranges from \$218 million in 2026 to \$243 million in 2035, when it peaks and then drops as bonds for the Oregon Transportation Investment Act are repaid. ODOT intends to sell GARVEE bonds in 2024 to pay for the ADA program, with sales totaling \$640 million in proceeds through 2028. Based on ODOT’s current plan, GARVEE debt service, repaid by FHWA formula funds and required state match, is estimated to start at \$24 million in 2025, rise to \$54 million in 2027, and plateau at about \$62 million in 2029 before dropping in 2039 and being repaid in full in or around 2043. These amounts will change depending on the size and date of each sale and the duration of the bonds.

Scenario 3: Hybrid Scenario Cut the STIP and Use Financing Tools

Scenarios 1 and 2 represent bookends, and in May the Commission recommended ODOT develop a hybrid that uses some deferments of projects in the STIP and some long-term financing to cover the UMS gap. Based on this feedback, ODOT proposes the following recommendation to generate up to \$550 million to address funding needs for I-205 Abernethy and the Rose Quarter.

- In order to minimize immediate impacts to projects, ODOT proposes transferring \$100 million in 2024-2027 STIP funding to the I-205 Abernethy Bridge. Given that the need is primarily to fund the I-205 Abernethy Bridge project, ODOT proposes that these resources should from shifting funding from the I-405 Fremont Bridge painting project to the I-205 Abernethy Bridge; the I-405 Fremont Bridge project would be deferred to the 2027-2030 STIP, assuming there are sufficient resources to fund the project in the next STIP cycle.
- The remainder of the funding will come from issuing Highway User Tax Revenue (HUTR) bonds, with debt service paid for from HB 2017 bridge and seismic funds for 25 years. The amount of bonds sold will be scaled to the amount of funding needed for Rose Quarter to match any INFRA grant funds as well as to complete the Abernethy Bridge. Debt service would range from about \$14 million annually on \$200 million of bonds to about \$32 million on \$450 million of bonds (though the precise amounts will depend on interest rates and other financing terms). The sale of bonds will be timed to match cash flow needs, likely in late 2025 or early 2026. ODOT will likely start paying debt service in 2026, which will require additional reductions to the 2024-2027 STIP. Debt service required in the 2024-2027 STIP will depend on both the amount of bonds sold and the timing of the sale, but could total \$100 million. ODOT has developed a prioritized list of \$150 million in additional bridge projects in the 2024-2027 STIP that can be deferred, depending on the amount needed for debt service in the current STIP.

If the Commission accepts this recommended scenario, ODOT will take the following steps.

- As part of the 2024 annual STIP amendment in August, ODOT will propose amending the STIP to transfer funding from I-405 Fremont Bridge painting to the I-205 Abernethy Bridge. (August)
- ODOT will complete a refined estimate of funding needed for the UMS projects, after we learn whether the Rose Quarter receives an INFRA grant and after more refined cost estimates for I-205 are available. (November)
- Once this updated gap estimate is available, we will develop an updated estimate of the amount of HUTR bonds needed and the approximate timing of the sale, then use this information to develop a schedule of estimated debt service. (November)
- ODOT will include the necessary HUTR bonds in its request to the Legislature for bonding authority in the 2025-2027 biennial bond bill. (November)
- ODOT will return to the Commission with a list of the additional projects that will be deferred from the 2024-2027 STIP to provide the necessary funds to cover debt service through 2027. (December)

As noted above, any of these options likely require additional short-term borrowing through the commercial paper program to meet immediate cash flow needs on I-205, and this borrowing comes with financing costs. Depending on cash flow needs, short-term financing options, and other available resources, the timing of the issuance of the legislatively-authorized HB 2017 UMS bonds may be moved up to avoid a shortfall. Moving up the issuance of HB 2017 bonds will reduce the total resources available from HB 2017 UMS funding, as ODOT generates about \$1 million in additional cash each month from the portion of the funding that is not yet being paid in debt service.

While ODOT has strong credit ratings from rating agencies—including a AAA rating from S&P—the issuance of additional debt against existing State Highway Funds without additional revenue enhancements, combined with the projected decline in the gas tax and the agency’s funding challenges could lead to a rating downgrade or other negative guidance from the rating agencies that could increase the agency’s cost of borrowing.

Funding Needed to Complete the Urban Mobility Strategy Projects

While closing the short-term funding gap for the I-205 Abernethy Bridge project is urgent and critical, it is also important to lay out options for completing other unfunded work in the UMS, including:

- Construction of the I-5 Rose Quarter, including the main construction package (including auxiliary lanes and shoulders to address the traffic bottleneck), early work packages, and the remainder of the highway cover.
- Construction of I-205 Phase 2, the missing lane between Stafford Road and the Abernethy Bridge and bridge investments for seismic resilience through the southern end of the corridor. Further design work on this project was put on indefinite hold in 2023 when tolling was delayed; additional funding is needed to complete design and undertake construction.

- I-5 Boone Bridge replacement for seismic resilience and congestion relief. This project has only undertaken preliminary planning and requires funding to complete design and enter construction.

The total cost of I-5 Rose Quarter, I-205 Improvements (both Abernethy Bridge and Phase 2), and I-5 Boone Bridge totals an estimated \$4.2 billion, with a \$3.1 billion funding gap.

Table 6: Project Funding Gaps

Project	Notes	Cost (High)	Available Funding	Funding Gap
I-5 Rose Quarter	Cost estimate has not been updated since 2023 finance plan. Available funding includes the RCN grant and previously allocated funding.	\$1,900	\$608	\$(1,292)
I-205 Abernethy	Incorporates additional costs as noted above. Available funds includes all remaining HB 2017 funds.	\$750	\$446	\$(304)
I-205 Phase 2	Updated to assume project construction begins in 2031.	\$800	\$0	\$(800)
I-5 Boone Bridge	Cost estimate has not been updated since 2023 finance plan. A new cost estimate will be developed in late 2024.	\$725	\$4	\$(721)
Total		\$4,175	\$1,058	\$(3,117)
*Estimated annual debt service on 25 year Highway User Tax Revenue bonds. **Increase in the statewide fuels tax along with complementary weight-mile tax to pay debt service.		Annual Debt Service*		\$210-240
		Fuels Tax Equivalent**		9.3-10.7 cents/gallon

The Commission, Legislature, and ODOT have a variety of methods to seek to close this gap.

- **Federal discretionary grants.** In the last year major highway projects in the Portland metro region have secured over \$1 billion in federal discretionary funding available under the Infrastructure Investment and Jobs Act. In addition to the Rose Quarter’s \$450 million RCN grant, the Interstate Bridge Replacement secured a \$600 million MEGA grant. ODOT intends to continue seeking other federal grants, including INFRA grants, for the UMS projects—particularly the Rose Quarter.
- **Additional funding in the STIP.** The Oregon Transportation Commission could dedicate additional funding from discretionary resources in the Statewide Transportation Improvement Program (STIP). However, these funds are already allocated among programs through 2030, with no additional funding dedicated to UMS projects. What’s more, discretionary resources are increasingly constrained due to the need to fund the ADA program and other programs required under law: in the 2027-2030 STIP the Commission had less than \$100 million in discretionary resources to allocate among programs, and many areas including Fix-It and Public and Active Transportation took cuts.

- **Additional tax revenue.** Additional statewide tax revenue could be dedicated to the UMS projects. Generating \$3 billion in bond proceeds to close the funding gap would require about \$215 million in annual funding for debt service, which amounts to a statewide gas tax increase of nearly 10 cents per gallon, along with complementary weight-mile tax revenue.
- **Tolling revenue.** While implementation of tolling has been paused, it remains an option if other funding sources are unable to close the gap and policymakers wish to complete major congestion relief projects.

Completing these three major projects will likely require some combination of multiple of the above funding sources rather than relying on a single source.

Closing the Rose Quarter Funding Gap

The I-5 Rose Quarter project faces a funding gap that ranges between \$0 (assuming the project comes in toward the low end of the current cost estimate range and receives the full amount of INFRA funding requested) to \$1.3 billion (if the project comes in at the high end of the cost estimate and does not receive the grant). This fall, after learning whether the project receives the INFRA grant and completing the RCN grant agreement with the U.S. Department of Transportation, the Urban Mobility Office will update the project's cost estimate based on timing of construction, which is dependent on the timing and availability of funds. The project team will examine opportunities for phasing, which could reduce costs by accelerating construction activity, and also explore potential modifications to project scope that could reduce cost.

This updated cost estimate will provide a range of potential additional investments needed to complete the project. This will help inform legislative discussions in the 2025 session as well as Commission actions. As noted above, the remaining funding gap could be closed through some combination of additional tax revenue, funding provided by the Commission in the STIP, and potentially even tolling.

Attachment 02 – Projects Proposed to Cut to Meet UMS Funding Needs

Key No.	Project Name	Region	Phase	Funding Program	Total Value
22603	I-405 Fremont bridge (Willamette River) Ramps	1	RW	FIX-IT SW Bridge	\$ 127,000.00
22603	I-405 Fremont bridge (Willamette River) Ramps	1	CN	FIX-IT SW Bridge	\$ 103,735,000.00
20472	OR99E: Clackamas River (McLoughlin) Bridge	1	RW	FIX-IT SW Bridge	\$ 52,000.00
20472	OR99E: Clackamas River (McLoughlin) Bridge	1	CN	FIX-IT SW Bridge	\$ 12,725,000.00
21709	OR120: Columbia Slough Bridge (Portland)	1	PE	HB2017 Bridge Seismic	\$ 13,000,000.00
21709	OR120: Columbia Slough Bridge (Portland)	1	RW	HB2017 Bridge Seismic	\$ 4,000,000.00
21709	OR120: Columbia Slough Bridge (Portland)	1	CN	HB2017 Bridge Seismic	\$ 42,000,000.00
23120	US101 over Port of Tillamook Bay Railroad bridge (Juno)	2	CN	HB2017 Bridge Seismic	\$ 3,197,598.32
23120	US101 over Port of Tillamook Bay Railroad bridge (Juno)	2	RW	HB2017 Bridge Seismic	\$ 90,637.00
23120	US101 over Port of Tillamook Bay Railroad bridge (Juno)	2	UR	HB2017 Bridge Seismic	\$ 116,887.00
21769	US101: Gold Beach (Rogue River) Bridge	3	CN	HB2017 Bridge Seismic	\$ 24,283,000.00
21769	US101: Gold Beach (Rogue River) Bridge	3	UR	HB2017 Bridge Seismic	\$ 1,000.00
TBD	Funding for future Timber Bridge Needs	N/A	CN	FIX-IT SW Bridge	\$ 50,000,000.00