

TRANSPORTATION

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Department of Aviation (Aviation) – Agency Totals

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	11,446,996	13,990,208	7,074,411	6,604,588
Federal Funds	0	0	10,510,000	10,510,000
Total Funds	\$11,446,996	\$13,990,208	\$17,584,411	17,114,588
Positions	16	16	16	16
FTE	16.00	16.00	16.00	16.00

Agency Overview

The 1999 Legislature created the Department of Aviation as a stand alone agency to advocate for the safe operation, growth, and improvement of aviation in Oregon. Its goals include developing aviation as an integral part of Oregon's transportation network, including encouraging aviation-related economic development and increasing commercial and general air services in Oregon. The seven member State Aviation Board, appointed by the Governor, represents aviation interests from the public and private sectors. The Board provides policy direction to the Department.

Sixteen staff persons support four programs: 1) Operations; 2) Search and Rescue; 3) Capital Improvements; and 4) Capital Construction. Staff conduct aviation safety and public education programs, safety inspections, and assist local governments with guidance, information, and technical support regarding airport ordinances, layout, land use laws, grant and entitlement programs, pavement management, and airport master plans. In addition, the Department operates 28 state airports and registers all pilots and nonmilitary aircraft based in Oregon.

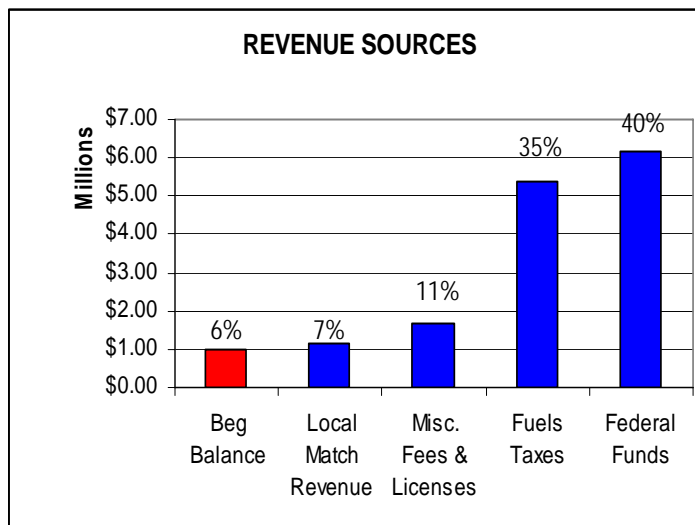
The Department administers three funding programs: 1) Federal Aviation Administration (FAA) grant programs, the Airport Improvement Program (AIP), and the FAA General Aviation (GA) Entitlement Program; 2) Pavement Maintenance Program; and 3) the state's own grant program, Financial Aid to Municipalities (FAM).

Revenue Sources and Relationships

The Department is supported entirely by Other Funds. Total estimated revenue for 2005-07 is \$15.4 million. The revenue is made up of about 35% fuels tax, 40% Federal Funds, and 6% beginning fund balance, with the remaining 18% from other revenue sources, such as registration fees, leases, search and rescue, and local match revenue.

The jet fuel tax remains at \$0.01 per gallon, as approved by the 1999 Legislature. Of the \$0.01 tax, one half goes to the Department's operating budget and the other half is dedicated to pavement maintenance for all public owned and public use airports. The aviation fuel tax remains at \$0.09 per gallon, as approved by the 1999 Legislature. Of the \$0.09 tax, \$0.03 goes to the Department's operating budget and \$0.06 is dedicated to pavement maintenance. The fuel taxes generated \$5.1 million for the 2003-05 biennium. Over \$5.4 million is projected to be generated in 2005-07.

Funds from the FAA AIP provide grants for capital construction projects and system planning for state-owned and public-use airports. The AIP grants require a 10% state or local match. The Aviation Investment and Reform Act (AIR 21 Bill) adopted by Congress (GA Entitlement Program) provides \$150,000 per year for three years awarded to eligible airports. Oregon has 47 eligible airports, 19 of which the Department has administered the GA Entitlement Program for during 2002-03. Eligibility is based on a federal formula; therefore, the state does not have to compete for the funds. The funds provide improvements to airport security, pavement, and lighting and require a 10% match.



The Pavement Maintenance Program for Core System Airports is funded by the State Aviation Fuel Tax revenue. Airport sponsors participate with local matching funds. The fund's purpose is to help reduce airport pavement maintenance backlog. Staff provides maintenance on a three-year revolving geographical basis.

Financial Aid to Municipalities (FAM) is the Department's grant program. Funds are awarded at a maximum of \$10,000 and may be used for federal grant matches. The FAM funds must be spent in a two-year period or the funds are no longer available and are reallocated in the next biennium.

The Department registers and collects fees from about 6,700 pilots, deducts for administrative costs, and passes the dedicated funds to the Oregon Emergency Management Search and Rescue. The registration fee is \$8 for initial registration (good until the pilot's birthday), and \$16 for renewals, which are for a two-year period. Approximately 4,900 aircraft are registered with the Department. Fees are based on the class of the aircraft. The Department also annually licenses 25 aircraft providers for a fee of \$250 each. These fees are used to fund operations.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget provides \$17.1 million total funds and 16.00 FTE. This represents an increase of \$3.1 million or 22.3% from the 2003-05 legislatively approved budget and \$0.5 million or 2.7% less than the Governor's recommended budget. The adopted budget reflects increases of \$3.4 million for policy packages with remaining changes related to applying the standard inflation rate for services and supplies and state government service charges, and cost adjustments for unemployment assessments, pension bond payments, overtime, temporaries, shift differentials, and merit increases. Specific details are discussed under each program unit.

Aviation – Operations Program

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	7,939,546	7,624,029	6,479,946	6,010,434
Federal Funds	0	0	1,260,000	1,260,000
Total Funds	\$7,939,546	\$7,624,029	\$7,739,946	7,270,434
Positions	16	16	16	16
FTE	15.50	15.50	15.50	15.50

Program Description

The Operations Program is responsible for the following six service areas:

- *Airport Services* (3.00 FTE) manages more than 200 leases and other property agreements; oversees inspections, planning, engineering, and construction on development projects; coordinates tenant relations for state-owned airports; and applies for and administers the Federal AIP grants.
- *Airport Maintenance* (2.00 FTE) maintains state-owned airports to federal and safety standards including routine and preventive maintenance such as mowing, obstruction removal, pavement preservation, and navigational aid maintenance.
- *Aircraft and Pilot Registrations* (0.50 FTE) involves registering 6,700 pilots and 4,900 aircraft annually.
- *Statewide Services* (5.00 FTE) leads and manages the Department; develops statewide aviation policy and solutions to aviation problems (noise, airport sites, funding); fosters strong relationships and partnerships; manages agency budget and finances; provides public information and outreach services; maintains an aviation lending library; and provides support services.
- *Airport Operations* (1.00 FTE) is responsible for airport safety inspections on state-owned and other Oregon public airports; investigates proposed airport and heliport sites; licenses and registers airports and heliports; provides technical safety advice on facilities siting and feasibility issues.
- *Planning* (4.00 FTE) develops and implements the Oregon Aviation Plan and related policies; conducts continuous aviation system planning; provides technical assistance on airport planning and development; administers grant and aid programs for airport development; comments on land use and zoning requests that may impact civil aviation; reviews proposed development for safety hazards to aviation; and works with partner communities and agencies to improve the level of airline services.

Budget Environment

The budget environment has changed for the Department in that it has lost 25% of its staff due to retirements and staff turnover. Considerable history, experience, and knowledge left with the retirees. The Department is

expecting to gain new insight and flexibility to meet the new demands and scrutinize programs for improvements. The State Aviation Board is beginning to aggressively pursue aviation issues and provide strategic direction for the Department.

The terrorist attacks of September 11, the rising costs of new aircraft and fuel, dissatisfaction with commercial airline services, and community interest in local air transportation for access to urban and recreational areas are all driving the trend for increased general aviation activity. Other budget drivers include:

- the ability to transfer airport ownership to local communities for support and maintenance;
- an increased focus on alternate connections and air travel options;
- complaints and conflicts over aviation issues, in particular, airport noise levels; and
- Oregon companies' need for rapid and efficient transport of manufactured goods between smaller communities.

The Department is facing aging facilities infrastructure; in particular, pavement at public use airports constructed during World War II and the deterioration of the Department's one public building constructed in 1955. The 1999 Legislature foresaw the problem with public use airport pavement and created the Statewide Airport Pavement Maintenance Program. However, the condition of the Salem aviation building has not been addressed.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget provides \$7.3 million Other Funds and 16 positions (15.50 FTE). This represents a decrease of \$0.35 million or 4.6% from the 2003-05 legislatively approved budget and \$0.5 million less than the Governor's budget. A technical adjustment shifts Other Funds expenditures to Federal Funds for system planning that is funded by federal formula grants and received directly from the Federal Aviation Administration; the shift is made in the amount of \$1.3 million for no net increase or decrease in the Department's budget. The adopted budget is decreased \$0.65 million Other Funds to phase out excess expenditure limitation in Special Payments and decreased \$7,656 Other Funds to reflect estimated savings from the "smart buy" initiative to create savings among state agencies by leveraging the state's purchasing power. The remaining increases relate to applying the standard inflation rate for services and supplies adjusted by the Legislature to reflect reductions in statewide service charges and assessments, at \$0.1 million Other Funds; and cost adjustments for unemployment assessments, pension bond payments, overtime, temporaries, shift differentials, and merit increases of \$0.2 million Other Funds.

The Legislature did not approve policy packages totaling \$0.45 million to fund grants for regional air taxi service, youth aviation careers, and maintenance of the Department's aircraft. The Legislature instructed the Department to complete a thoughtful review of general aviation in the state and develop a master plan consistent with Oregon statute that will guide the use of aviation resources in management, advocacy, and investment decisions and report to the Emergency Board in the interim or the next Legislative Assembly. Additionally, the Legislature discussed the usage of the Department's aircraft and whether repairs would result in an increase in or preservation of the value of the aircraft. The Legislature instructed the Department to conduct a cost/benefit analysis of ownership against charter use of aircraft and report to the Emergency Board during the interim or to the next Legislative Assembly.

Aviation – Search and Rescue Program

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	152,050	100,177	107,623	107,312
Total Funds	\$152,050	\$100,177	\$107,623	107,312
FTE	0.50	0.50	0.50	0.50

Program Description

The Search and Rescue program unit accounts for and distributes net revenues from pilot registration fees to Oregon State Police, Office of Emergency Management (OEM) to coordinate all air search and rescue efforts statewide including searches for lost people and overdue aircraft. OEM also develops and trains search and rescue volunteers working closely with the U.S. Air Force, Civil Air Patrol, volunteer pilots, county sheriffs, the U.S. Coast Guard, and other branches of the military during air searches.

Budget Environment

The Search and Rescue Program collects pilot registration fees, deducts administrative costs, and distributes the funds to the OEM. Funds are restricted to aerial search and rescue activities. The Department accounts for 0.50 FTE to provide the administrative function of registering pilots and collecting fees.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget provides \$0.1 million Other Funds for the Search and Rescue Program. This represents an increase of \$7,135 or 7.1% over the 2003-05 legislatively approved budget and \$311 less than the Governor's recommended budget. The adopted budget is increased by \$2,861 Other Funds for applying the standard inflation rate of 2.4% for services and supplies adjusted by the Legislature to reflect reductions in statewide service charges and assessments; and cost adjustments of \$4,274 Other Funds for unemployment assessments, pension bond payments, overtime, temporaries, shift differentials, and merit increases.

Aviation – General Aviation Entitlement Program

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	0	6,016,000	486,842	486,842
Federal Funds	0	0	9,250,000	9,250,000
Total Funds	\$0	\$6,016,000	\$9,736,842	\$9,736,842

Program Description

This program provides for the state administration of the federal General Aviation Entitlement grant program.

Revenue Sources and Relationships

The primary source of revenue for this program is through dedicated federal grants awarded by the FAA under the General Aviation Entitlement program. Federal funds and local community match funds pass through the Aviation's budget to fund this program.

Budget Environment

There are 46 airports in Oregon eligible for the federal funds. The Department serves as grant sponsor to coordinate and administer the distribution of these entitlement funds to Oregon's smaller eligible airports. Each of the airports can be allocated up to \$150,000 per year and annual allocations can be banked for up to three years for a maximum of \$450,000. The Department projects 23 airports will complete projects during the biennium.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget provides \$9.7 million Total Funds, representing an increase of \$3.7 million or 62% above the 2003-05 legislatively approved budget. The adopted budget specifically adds \$3.4 million Federal Funds and \$0.2 million Other Funds to reflect increased availability of General Aviation Entitlement Funds through the Federal Aviation Administration. A technical adjustment shifts Other Funds expenditures to Federal Funds for the aviation entitlement program that is funded by federal formula grants and received directly from the Federal Aviation Administration; the shift is made in the amount of \$5,852,388 for no net increase or decrease in the Department's budget. The remaining increases relate to applying the standard inflation rate for services and supplies and for state government service charges, at \$0.1 million Other Funds.

Aviation – Capital Improvement Program

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	144,468	250,000	0	0
Total Funds	\$144,468	\$250,000	\$0	\$0

Program Description

This program provides for airport improvement projects that are less than \$500,000 and can be accomplished in one biennium. Funding is 90% Federal Funds and 10% Other Funds.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget reflects no capital improvement projects for the 2005-07 biennium.

Aviation – Capital Construction Program

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	3,210,932	2	0	0
Total Funds	\$3,210,932	\$2	\$0	\$0

Program Description

This program provides for the development and improvement of state-owned airports for community access, development, and emergency use.

Revenue Sources and Relationships

The primary source of revenue for this program is dedicated federal grants awarded by the FAA under the AIP. Ninety percent of eligible land and construction costs are paid through Federal Funds. The 10% match may be provided through the Department's FAM grant program.

Budget Environment

The state competes with other Oregon airports for a share of the Airport Trust Fund for state-owned airport improvements. The FAA requires potential capital improvement projects be submitted for consideration of inclusion in the FAA Capital Improvement Program five-year plan. The Department is typically notified of airport improvement when projects are programmed for funding as they move up on the FAA's Capital Improvement Program five-year plan priority list. The FAA prioritizes projects based on criteria and availability of funds. When the state is notified that a project is programmed for funding, it is required to provide plans, specification development, and proceed with bid and contractor selection. The state can then request funding for construction and recovery of engineering and administration costs. The Department has identified over \$23 million in federally eligible projects for the years 2003 through 2009.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget reflects no capital construction projects for the 2005-07 biennium. The Department expects to finalize plans to co-locate the Salem office building with the Oregon Military Department's National Guard Army Aviation Facility and report to the Emergency Board during the interim.

Department of Transportation (ODOT) – Agency Totals

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
General Fund	17,113,741	3,914,616	9,026,167	8,626,167
Lottery Funds	10,108,962	21,145,902	33,187,224	22,162,072
Other Funds	1,629,496,788	2,504,907,029	2,540,943,950	2,608,580,793
Federal Funds	50,560,257	69,297,154	66,600,703	64,780,422
Other Funds (NL)	152,696,986	94,014,523	208,967,153	17,663,632
Total Funds	\$1,859,976,734	\$2,693,279,224	\$2,858,725,197	\$2,721,813,086
Positions	4,856	4,693	4,687	4,650
FTE	4,693.62	4,585.68	4,589.58	45,62.87

Agency Overview

The Oregon Department of Transportation (ODOT) is responsible for developing, maintaining, and managing Oregon's transportation system in a safe and efficient manner that enhances the state's economic competitiveness and livability. Historically, ODOT has focused primarily on constructing and maintaining highways; however, more recently, with designated General, Federal, and Lottery Funds, it has broadened its focus to include reduced use of the automobile in congested areas and increased emphasis on alternative modes of transportation. The Department is under the direction of a Director and five-member Oregon Transportation Commission, all of whom are appointed by the Governor, and confirmed by the Senate.

Revenue Sources and Relationships

The bulk of the Department's revenues originate from motor fuel taxes, licenses, and fees that are constitutionally dedicated and Bond Revenue that is supported by increases in licenses and fees. The State Highway Fund is shared among ODOT, counties, and cities. Out of \$3.9 billion to be collected for 2005-07, \$660 million is projected to accrue to other state agencies and local governments, leaving \$3.2 billion available for expenditure on transportation programs. The most recent revenue forecast projects gross highway fund collections to increase by about 6.4% from the 2003-05 estimates. Total state motor fuel tax receipts are forecast to increase 4.2%, as the slow, but steady, recovery in Oregon's economy is expected to continue.

Notwithstanding the recent run-up in oil and gasoline prices, gas and particularly diesel consumption have remained comparatively buoyant in CY2004. The consensus outlook for oil prices over the next two years is for a return to lower, more fundamentally based levels. Despite elevated price levels in oil and gasoline, fuel consumption has not markedly deteriorated. The biggest risk in the motor fuels outlook is the more indirect effect of higher hydro-carbon prices pushing the economy into a prolonged soft spot or possibly a downturn, and thereby reducing travel demand.

There has been a dramatic impact on forecast revenues stemming from the passage of HB 2041 ("OTIA III") in the 2003 legislative session. The major fee and tax increases created under HB 2041 span the range of title and registration fee increases by Driver and Motor Vehicle Services (DMV) to higher weight-mile tax rates and registration fees for heavy vehicles under the Motor Carrier Transportation Division. OTIA III augments the initiatives from OTIA I and II from 2001 legislation and represents a significant commitment to improving Oregon's highway, road, and bridge infrastructure. Passage of HB 2041 reflects strong recognition of the fundamental role that transportation infrastructure plays in the overall and long-term vitality of Oregon's economy. In addition, such a major stimulus to job creation in the construction sector, coupled with attendant ripple effects on related economic activities, is a key step toward helping to sustain the state's economic recovery over the intermediate term.

Weight-mile fuel tax rates were increased uniformly by 9.9% as a partial result of the OTIA III legislation. Over and above the tax increase, freight hauling has been unusually robust in the current recovery, spearheaded principally by efficiency gains from industry consolidation coming out of the recession and from capacity constraints occurring in the rail freight sector. The 2005-07 forecast for all motor carrier activities combined increases by about 8.2% from 2003-05 levels. DMV revenues are forecast to rise 8.6% in the 2005-07 biennium over 2003-05. This stems principally from title fee and vehicle registration fee increases contained in the HB 2041 law, but several other DMV transactions under the DMV are affected, as well. The incremental revenues generated by the new legislation are largely pledged to specifically support debt service on the indebtedness authorized under OTIA III in order to quickly address bridge repair and replacement.

The Transportation Operating Fund was established by the 2001 Legislature (HB 3882) to pay the expenses of statutorily required or authorized activities that may not be funded with State Highway Fund monies. Among the revenues deposited in the Transportation Operating Fund are fuel tax revenues collected on sales of fuel for non-road uses, if a claim for a refund is not filed. The Department of Administrative Services and ODOT oversee surveys conducted by Oregon State University to estimate the amount of taxes paid on motor vehicle fuels for non-road uses. Based on the most recent survey and current demographic information, it is estimated that approximately 17 million gallons of fuel is used per year in this category for non-road uses. After accounting for valid refund claims, about \$8.1 million in the 2005-07 biennium is expected to be available for non-highway uses. These revenues can be used for expenses ineligible for payment from constitutionally restricted Highway Funds.

Federal appropriations from the Federal Highway Trust Fund, authorized by the Transportation Equity Act for the 21st Century (TEA-21) are received and reported as Other Funds. The total amount of Federal Funds in this category for the 2005-07 biennium is over \$539 million. Federal Funds received and reported as federal revenue are grants or direct revenue for specific programs such as transit and rail projects. The state currently receives about \$300 million a year in federal highway funds; local transit districts around the state receive millions of federal dollars for transit stations, bus purchases, light rail, and operating assistance each year. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was enacted August 10, 2005, authorizing the Federal surface transportation programs for highways, highway safety, and transit for the 5-year period 2005-2009. As a result of congressional action to reauthorize and increase Federal-Aid Highway funding to states, the Legislature expects the Department to request additional expenditure authority for projects and Public Transit. Federal Funds make up about 21% of ODOT's budget.

The Department receives \$20 million in Lottery Funds to make bond installment payments for the Westside Light Rail Line, construction of which is now complete. The Westside Light Rail bonds are scheduled to retire in 2011. The 2001 Legislature authorized the sale of \$35 million in Lottery Bonds to participate in the South Metro Commuter Rail Project during the 2001-03, 2003-05 and 2005-07 biennia. The first bonds will be sold in the 2005-07 biennium with no debt service payments until 2007-09. In 2003 the Legislature authorized the sale of \$2 million in bonds to capitalize the Short-Line Premium Credit Account, and the sale of \$8 million in bonds for Industrial Spur projects. Lottery Funds allocated to pay the debt service on these bonds are estimated at \$2.2 million. The General Fund is used to partially fund passenger rail service in the Willamette Valley. The following table summarizes the Department's major sources of revenue.

OREGON DEPARTMENT OF TRANSPORTATION MAJOR SOURCES OF REVENUE			
Revenue Source	2003-05 Estimated	2005-07 Legislatively Adopted	Percent of Total Revenue
Beginning Balance	\$453,280,606	\$348,705,882	9.23%
General Fund	\$3,914,616	\$8,626,167	0.23%
Federal Revenue	\$68,004,521	\$64,780,422	1.71%
Federal Revenues as Other	\$851,264,420	\$539,393,852	14.28%
Other Funds:			
Charges for Services	\$52,270,238	\$1,955,965	0.05%
Drivers' Licenses	\$78,586,673	\$82,378,886	2.18%
Interest Income	\$15,766,963	\$15,701,881	0.42%
Lottery Funds	\$21,143,267	\$33,186,430	0.88%
Motor Vehicle Fuels Tax	\$818,175,061	\$844,257,323	22.35%
Other Licenses and Fees	\$64,978,582	\$75,493,019	2.00%
Other State and Federal	\$19,667,348	\$15,953,953	0.42%
Revenue Bonds	\$345,572,000	\$743,782,016	19.69%
Sales Income	\$16,736,755	\$20,107,175	0.53%
Vehicle Licenses	\$375,817,879	\$417,118,694	11.04%
Weight Mile Tax & Fees	\$418,198,777	\$454,977,406	12.04%
Transportation Operating Account	\$7,900,000	\$8,100,000	0.21%
Transfers In (Revenue, etc.)	\$56,437,682	\$103,448,591	2.74%
Subtotal Revenues	\$3,667,715,388	\$3,777,967,662	100.00%
Transfers to Other Agencies	(\$65,298,560)	(\$71,935,984)	
Transfers to Cities and Counties	(\$580,529,120)	(\$588,405,719)	
Revenues Available for Expenditure	\$3,021,887,708	\$3,117,625,959	

Budget Environment

Oregon's population growth rate, stronger employment, and E-commerce continue to increase traffic congestion and demands for maintenance, pavement preservation, Driver and Motor Vehicle services, and Motor Carrier Transportation activities. At current funding levels, ODOT predicts critical transportation needs will not be met during the next 20 years. The state's aging transportation infrastructure is more costly to operate and maintain. One-fourth of the state's bridges have exceeded their design life of 50 years. Other variables influencing the agency's budget include higher demand for use of trucks to ship products to market; environmental regulations, which add to the cost for design and construction requirements; and extreme weather conditions that cause unexpected emergency repair costs.

The Oregon Transportation Commission identified road and bridge repair, preservation, and maintenance as its highest priority for the 2005-07 biennium. Local governments face equally critical transportation issues. Pressure on property taxes and local general funds, combined with no increase in state funding other than the Oregon Transportation Investment Acts (OTIA), have reduced local community resources for transportation. The Legislature adopted a plan to provide new revenue to finance \$1.9 billion in highway user tax bonds for bridge repair and modernization projects over eight years. For the 2005-07 biennium, \$701 million in bonds will be issued for bridges and modernization projects.

The agency General Fund component partially funds the Willamette Valley Passenger Rail. A portion of the budget that had been previously General Fund was offset by adjusting the budget to reflect the use of Other Funds from the Transportation Operating Account (\$8 million) for the Motor Voter Program, Transportation Growth Management, Special Transportation Program, Passenger Rail, DMV Drug Testing Program for Commercial Driver License holders, Safety Education Program, and Transportation Demand Management.

The state is in the process of consolidating the data centers of twelve state agencies. ODOT is one of the twelve agencies affected. For the 2005-07 biennium agencies will make payments to the data center in amounts equivalent to the expenditure limitation that will no longer be necessary for direct expenses within the budget. A charge back model is expected to be in place for the 2007-09 biennium. The 2005-07 legislatively adopted budget reflects phasing out 26 positions (16.83 FTE) and a shift of \$8.6 million from personal services, services and supplies, and capital outlay to State Government Service Charges to be paid to the State Data Center. An adjustment to the Department's budget in future biennia will be necessary once the implementation plan has been finalized.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$2.7 billion total funds is increased \$28.5 million or 1% from the 2003-05 legislatively approved expenditure level and includes 4,650 positions (4,562.87 FTE). The adopted budget is \$137 million or 4.8% less than the Governor's recommended budget. The adopted budget emphasizes a priority for highway construction projects including \$701.5 million supported by highway user bonds, \$539 million from federal revenues, and \$150 million from other highway funds for highway construction projects. The Legislature adopted Senate Bill 71 authorizing \$100 million in lottery-backed revenue bonds and \$1.8 million Lottery Funds for related debt service costs for transportation projects including improving public transportation, the aviation system, the rail network, and marine and ports with an emphasis on projects that will facilitate the movement of people or freight between roads and air, water, and rail transportation. The Legislature deferred including an expenditure limitation until details of the project selection process are defined. The Legislature expects ODOT to request expenditure authority from the interim Emergency Board once a process has been established. The adopted budget continues support for senior and disabled transit operations and equipment. In addition, the adopted budget includes \$8.6 million General Fund for high-speed rail and buses. Specific details are discussed under each program unit.

ODOT – Highway Division

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	1,268,598,840	2,032,800,306	2,023,471,267	2,012,521,884
Total Funds	\$1,268,598,840	\$2,032,800,306	\$2,023,471,267	\$2,012,521,884
Positions	2,660	2,557	2,560	2,728
FTE	2,554.25	2,494.73	2,485.25	2,674.75

Program Description

The purpose of the Highway Division is to design, build, maintain, and preserve quality highways, bridges, and related system components. The Highway Division derives its mission and activities from a comprehensive set of long-range multi-modal transportation system plans and policies developed and maintained under the direction of the Oregon Transportation Commission. The plans cover highways, mass transit, ports, freight and passenger rail, bike lanes, and pedestrian needs. The Statewide Transportation Improvement Program (STIP) is a project funding and scheduling document developed through a planning process that involves local and regional governments, transportation agencies, and the interested public. It is updated every two years through a public hearing process. ODOT is responsible for delivering projects associated with OTIA, as well as other STIP projects. Enacted by the Legislature in 2001-2003, OTIA authorized bonding to fund modernization projects, pavement preservation, and bridge repair and replacement.

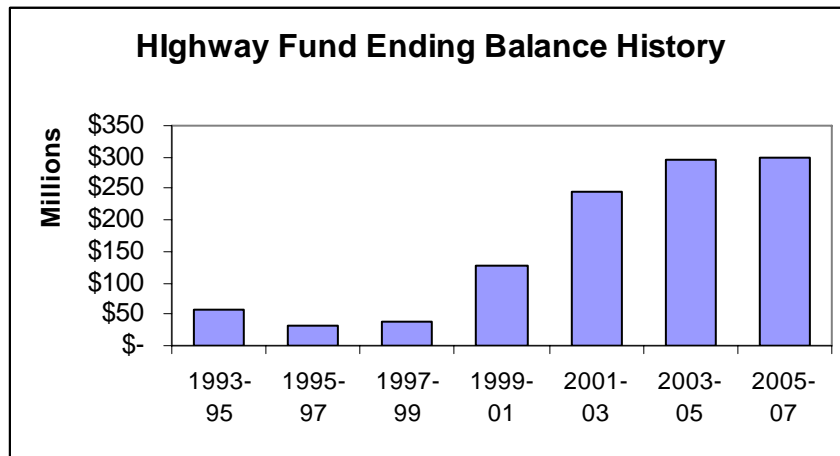
Organizationally, the Highway Division is administered through the five regional offices and the headquarters office. In the past, the agency had completed most engineering and design work in-house while contracting with private companies for the actual construction of projects. During the 2003-05 biennium, the Highway Division reorganized to contract out most engineering and design work, as well as construction. To facilitate the implementation of this new business model and to ensure efficient project delivery, more than 300 Technical Services headquarter staff have been redeployed in the five Highway regions. In addition, the newly created Oregon Innovative Partnerships Program has begun to identify possible projects for long-term public-private partnership and to solicit information and statements of interest from potential private sector partners. Agency staff perform much of the maintenance and preservation work for which ODOT is responsible. The categories of the Highway Division budget are Maintenance, Preservation, Bridge, Safety, Operations, Modernization, Special Programs, Local Government, and Utility Permits.

Revenue Sources and Relationships

Highway programs are supported by state, federal, and local funds. The majority of the federal funds available for highway programs are Federal Highway Administration funds, primarily derived from federal SAFETEA-LU funds. State funds include fuel tax receipts, weight mile taxes, vehicle registration, and highway user revenue bonds. Local funds are provided by cities and counties for projects funded by the local entity in whole or in part, as well as projects for which the local entity is paying ODOT to do some or all of the project work. The following table shows how funding levels have changed since 1999-2001. The 2005-07 legislatively adopted budget includes a total of \$701.5 million bond financing for the three OTIA programs; \$127.9 million for OTIA I, \$93.3 million for OTIA II; and \$480.2 million for OTIA III.

Funds	1999-2001 Actual	2001-03 Actual	2003-05 Estimated	2005-07 Legislatively Adopted
Beginning Balance	\$ 22,094,248	131,731,496	245,723,085	294,769,876
Federal as Other	523,640,872	578,997,272	803,343,611	492,356,866
State Other	714,361,985	743,033,733	814,620,841	822,707,514
State Revenue Bonds	58,515,056	226,190,078	300,000,000	701,532,827
Total Funds	\$1,318,612,161	\$1,679,952,579	\$2,163,687,537	\$2,311,367,083

In addition, the 2005-07 legislatively adopted budget includes \$294.8 million in highway funds that were unspent in the 2003-05 biennium. Based on history, the ending balance appears to be building over time which may be an indication that current revenue is not being managed aggressively. This would indicate that more highway improvement projects could be undertaken during the biennium to maximize the use of revenues. The Legislature directed the agency through a budget note to review the projected ending cash balances and report to the Emergency Board during the interim on actions taken to align project pay-outs with current revenue streams including accelerating projects where appropriate.



Budget Environment

The Highway Division budget includes the portion of the 2004-07 STIP to be expended during the 2005-07 biennium. Federal regulations require that the STIP include only projects for which the state can reasonably expect adequate funding. OTIA authorized ODOT to issue a total of \$2.4 billion in bonds for modernization, preservation, and bridge projects, including \$300 million to be distributed as grants to local governments. In addition to OTIA projects, the 2004-07 STIP contains over \$1.3 billion in traditionally funded projects and programs. Approximately 64% of the funding for these additional projects (\$829 million) comes from federal sources. State highway funds contribute \$391 million, with the remainder comprised of local government funds.

ODOT operates and maintains nearly 8,100 miles of highways in every corner of Oregon. The highway system is as diverse as the state itself. It ranges from six-lane, limited-access freeways with metered entrances to graveled rural highways. Oregon's economy depends on a sound highway system. Local, regional, and national industries - including agriculture, timber, tourism, and technology - rely on our transportation infrastructure. Commercial trucks rely on state highways for both short and long haul freight movements. State highways make up less than 9% of total road and street miles in the state, but carry 60% of the traffic - more than 57 million vehicle miles per day. More people are driving more cars for more miles. Roughly 70% of commuters drive alone to and from work. Congestion is worsening, especially on urban freeways. Despite a 23% increase in miles traveled over the past decade, Oregon's road mileage has grown by only 3.7%. Oregon's population is also aging. Ensuring mobility for older citizens requires creative transportation solutions, such as more visible pavement markings, traffic signals, and signing. Environmental concerns have prompted many changes to ODOT practices. Often, additional work is required to deliver projects and programs in the most environmentally responsible manner. State highway fund sources (gas tax, weight-mile taxes, and vehicle registration fees) have not, with the exception of investments authorized by OTIA, increased in more than a decade. State and federal fuel tax revenues supporting highway programs have failed to keep pace with needs.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$2 billion Other Funds is \$20.3 million less than the 2003-05 legislatively approved expenditure level and \$10.9 million less than the Governor's recommended budget. The adopted budget reflects \$399.3 million in increased spending for highway construction projects as a result of scheduled contractor payments to be made during the 2005-07 biennium.

Bond proceeds totaling \$332 million for local bridges and STIP projects are the largest reduction in the Highway program budget. An additional \$123.6 million is reduced, reflecting the one-time payment for projects. Other reductions include \$13.8 million in fund shifts, technical adjustments, revenue reductions, and program reductions for the Oregon "Smart Buy" initiative. Increases in the Highway program consist of policy packages totaling \$3.1 million, increases for salary and merit increases totaling \$13.2 million, and the standard inflation totaling \$33.1 million. Specific budget changes are described in the individual Highway Division program units.

ODOT – Highway/Maintenance and Emergency Relief

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	282,729,134	304,072,015	305,522,632	299,114,039
Total Funds	\$282,729,134	\$304,072,015	\$305,522,632	\$299,114,039
Positions	1,354	1,211	1,215	1,406
FTE	1,288.31	1,175.47	1,177.90	1,368.90

Program Description

The purpose of the Highway Maintenance and Emergency Relief program is to maintain, repair, and extend the service-life of the 8,067-mile state highway system. Program activities include surface patching and bridge repair; upkeep of roadway shoulders, drainage, landscape, and rest areas; snow removal; sanding of roads; emergency repairs to roadways following natural disasters; and maintenance of ODOT buildings and equipment. Maintenance projects may include the replacement of necessary safety materials (such as road signs) but do not generally include reconstruction. Department personnel perform much of the Highway Maintenance work, in contrast with construction and engineer/design work, which is primarily contracted out to private companies. The ODOT Wireless Group is also supported with Highway Maintenance funds. The Wireless Group performs operational, maintenance, engineering, construction, and customer support work for the ODOT two-way radio and microwave networks, the network wireless LAN infrastructure, and Intelligent Transportation Systems (ITS) wireless support. The Maintenance program also provides testing and inspecting roadway materials; purchasing equipment and fleet vehicles; repairing equipment in the field and in shops located in Salem, Bend, and La Grande; selling and distributing fuel; operating storerooms; designing and manufacturing signs; and traffic signals.

Budget Environment

ODOT estimates it would need an additional \$41 million per year to fully meet maintenance needs. The Highway Maintenance budget has experienced steady upward pressure as Oregon's highways age and the vehicle miles traveled on them increase. The Department routinely surveys all roads, bridges, and connecting surfaces under its maintenance jurisdiction and grades their condition. Increased traffic volume has caused faster than expected deterioration and driven up the costs of maintenance work sites. Inflation in the price of materials used to maintain and preserve the state's roadways is another significant cost driver. New environmental regulations and restrictions require costlier practices and materials. An aging highway system demands larger, more expensive, and more complex maintenance projects. Lacking sufficient funding, roads have not been maintained in the condition called for in the Department's planning statements. Deferring necessary preservation projects further increases future maintenance needs.

Future maintenance costs are estimated on the basis of current expenditures and assume that current maintenance practices will continue into the future. This assumption does not consider the intensification of maintenance activities required by the system's increasing use and age or by catastrophic natural events. Preventive maintenance that would minimize potential damage from natural disasters is restricted by limited resources. The Federal Highway Administration Emergency Relief program supplements state resources in case of damage to the Federal Highway System caused by a natural disaster. Application for these federal funds requires a declaration of emergency by the Governor and damage must generally exceed \$700,000 from a single event.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$299.1 million Other Funds is \$4.9 million less than the 2003-05 legislatively approved expenditure level and \$6.4 million less than the Governor's recommended budget. The adopted budget includes 1,406 positions (1,368.9 FTE) which is 195 positions (193.43 FTE) more than the 2003-05 legislatively approved expenditure level. The increase in positions is the result of shifting 192 positions from the Non-limited Operations and Support Services programs into the Maintenance Program. The primary changes are adjustments that reflect \$16 million Other Funds reduction for pavement preservation, increases in employee compensation and merit increases totaling \$6.2 million, \$5 million for inflation and state government service charges, and \$1.5 million Other Funds reduction for technical adjustments and program reductions. The approved budget includes an enhancement to add \$1.5 million for maintenance yard retrofits required by the Environmental Protection Agency and a reduction of \$80,000 Other Funds to transfer surplus property to Oregon State Parks and Recreation. The Legislature did not approve a proposal for \$4.6 million to transfer

ownership of the Transportation Building on the Capitol Mall to the Department of Administrative Services (DAS). The Legislature concluded that transferring ownership to DAS was not cost neutral requiring either the State Highway Fund to bear the increased cost of renovation or Uniform Rent payers. The Legislature also indicated that the priority to insure substantial progress is demonstrated on the OTIA construction program before considering facility improvement projects.

ODOT – Highway/Preservation

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	274,532,713	334,171,047	231,497,827	231,195,773
Total Funds	\$274,532,713	\$334,171,047	\$231,497,827	\$231,195,773
Positions	229	234	219	220
FTE	228.34	233.75	219.00	220.00

Program Description

The Preservation program rehabilitates existing roadways and facilities to extend their service life. Preservation projects add useful life to the highway system without increasing capacity. The program strives to conduct resurfacing treatments at the most cost-effective time in the life cycle of a pavement, which typically entails resurfacing at eight- to fifteen-year intervals. This approach allows highways to be resurfaced while they are still in "fair or better" condition and require only relatively thin paving. Costs escalate as road conditions deteriorate into the "poor" category. To sustain the most cost-effective pavement program, the 1999 Oregon Highway Plan established a long term goal of having 90% of state highway miles in fair or better condition.

Budget Environment

In 1976, the first year pavement condition information was collected by ODOT, Oregon's highways were in poor condition with only 51% of state highway miles rated "fair or better." In 1984, a Preservation program was established in the STIP to improve long-term pavement condition. Pavement condition peaked at 83% "fair or better" in 1993. Conditions then declined to 78% "fair or better" in 1999, as resurfacing costs increased and fewer miles could be treated. For the last ten years, STIP preservation funding has been relatively constant (after adjusting for inflation). Funding from other sources, as well as changes in the manner in which funds are applied, has helped to improve pavement conditions. ODOT altered its preservation strategy for some low traffic volume highways in 1999 by switching to thin, maintenance-only treatments. While these treatments typically have shorter life and must be applied more frequently than conventional preservation treatments, this strategy reduced the resurfacing cost per mile and is largely responsible for improvements in statewide pavement conditions. This improvement is reflected in the 2003 pavement condition rating of 84% "fair or better." However, this improvement is a short term phenomenon and pavement conditions will decline through 2010 as these thinner treatments wear out. Preservation projects funded with OTIA I and II bond proceeds also improved pavement conditions, although higher volume and higher classification highways did not receive OTIA funds. To make the best use of available funds, preservation treatments over the last several years have primarily focused on highways with lower per-mile resurfacing costs. Keeping up with deteriorating pavement conditions has become increasingly difficult as the Department completed most of these lower cost projects. Highways in poor condition which need extensive rehabilitation or which require costly upgrades to meet current standards are typically too expensive to include in the STIP in the current fiscal environment. Many of these highways are in high volume urban areas. Until additional funds become available, these highways will receive only patching and a disproportionate level of maintenance funds will need to be devoted to keeping them drivable.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$231.2 million Other Funds is \$103 million less than the 2003-05 legislatively approved expenditure level and \$0.3 million less than the Governor's recommended budget. The adopted budget is adjusted to reflect a reduction of \$107.6 million for projected timing of contractor payments for STIP projects during 2005-07. The adopted budget is also reduced by \$1.9 million to reflect the transfer of 12 positions to other divisions within ODOT, representing the realignment of resources to facilitate implementation of OTIA. The adopted budget adds \$5.5 million for inflation and state government service charge assessments; \$1.3 million for employee compensation and benefit increases; and reduces \$0.45 million to reflect adjustments in assessments and charges by the Department of Administrative Services, PERS rates, Attorney General hourly rates, and a technical adjustment in vacancy savings.

ODOT – Highway/Bridge

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	143,313,181	340,089,069	534,676,620	533,585,745
Total Funds	\$143,313,181	\$340,089,069	\$534,676,620	\$533,585,745
Positions	134	159	157	150
FTE	133.55	153.25	157.00	150.00

Program Description

The Bridge program is responsible for preserving more than 2,600 bridges, tunnels, and culverts on the state highway system. There are three generations of bridges in Oregon: those built prior to the 1950s, those built between 1950 and 1970, and those built since the 1970s. Only those bridges built since the 1970s were constructed using current capacity and seismic standards. Program activities include repairing structural deterioration; repairing and replacing bridge decks; raising bridges to increase vertical clearance; major bridge painting; repairing and preventing streambed scouring near bridges; protecting bridges from earthquake damage; repairing and protecting bridges from corrosion damage; upgrading electrical and mechanical systems in movable bridges; and safety improvement work, such as upgrading bridge railings and widening bridges.

Budget Environment

The Oregon Transportation Commission, the Governor, and the Legislature have increasingly prioritized Oregon's bridge program. In 2003, the Legislature passed HB 2041, which provided \$1.3 billion for the replacement and repair of bridges on state highways. More than 300 state bridges are included in the OTIA III State Bridge Delivery Program. This program will redress problems at bridges that need to be open to heavy and oversized truck traffic; load-restricted bridges; Interstate 84 and Interstate 5 bridges; and other key transportation links critical for freight mobility. In spite of this significant investment in state bridges, there remain a large number of bridges that are nearing the end of their expected life and need repair or replacement. Twenty-three percent of state-owned bridges are more than 50 years old and require extensive rehabilitation and/or replacement. Bridge projects are more costly and variable than highway work of comparable length. ODOT estimates that needs related to structurally deficient bridges are funded at \$68 million per year less than needed to keep pace with normal wear and tear. At \$75 million per year ODOT, can address 35 of the 75 bridges that need to be replaced or rehabilitated annually. ODOT estimates that 16 to 18 bridges will require emergency repair annually.

In 2002, ODOT contracted with Oregon State University to study the cracking in the particular type of bridges that were identified as needing to be repaired or replaced in order to continue to move freight throughout the state. Results of the study indicate that most of the cracked bridges will continue to function without further load restrictions over the next six to eight years as repairs or replacements are made. The study provides a new tool for analyzing the cracked bridges that will result in costs savings by repairing bridges previously identified for replacement and causing less disruption of traffic. Already, repair rather than complete replacement has been determined to be an adequate solution for some bridges identified for replacement. The overall backlog of deficient bridges on state highways totals nearly \$5 billion. ODOT expects an updated bridge options report detailing the increased breadth of the bridge repair program enabled by the new analysis tool to be completed in October of 2005.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$533.6 million Other Funds is \$193.5 million or 56.9% higher than the 2003-05 legislatively approved expenditure level and \$1 million less than the Governor's recommended budget. The adopted budget is adjusted by an increase of \$185.3 million Other Funds to reflect anticipated contractor payments in the 2005-07 biennium. The adopted budget also reflects transferring \$0.67 million Other Funds and four positions (4.00 FTE) to the Highway Operations Program resulting from the realignment of resources to facilitate implementation of OTIA. The adopted budget adds \$0.13 million Other Funds to continue one of five limited duration positions for the Access Management Program as a permanent full-time position (1.00 FTE). The remaining changes in the program budget are adjustments to reflect applying standard inflation rates for services and supplies and state government service charges of \$7.9 million Other Funds, cost adjustments for unemployment assessments, overtime, temporaries, shift differentials, and merit increases of \$1.1 million Other Funds, and a reduction of \$0.26 million to reflect adjustments in assessments and charges by

the Department of Administrative Services, PERS rates, Attorney General hourly rates, and a technical adjustment in vacancy savings.

ODOT – Highway/Safety

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	51,591,077	52,272,043	54,378,719	54,473,792
Total Funds	\$51,591,077	\$52,272,043	\$54,378,719	\$54,473,792
Positions	45	43	37	38
FTE	42.96	42.25	36.50	37.50

Program Description

The Highway Safety Program identifies sections of state highway with the highest number of fatal and serious injury crashes and takes steps to improve safety on those roadway segments. ODOT uses a management system called the Project Safety Management System (PSMS) to improve decision-making and safety on Oregon's highways. The Safety Priority Index System (SPIS) is used to identify highway locations with high crash histories. The Safety Investment Program (SIP) prioritizes segments of highway for corrective action based on a history of fatal and serious injury crashes. SIP indicates where safety investments should be incorporated into preservation projects. Crash patterns are analyzed to determine the optimal corrective actions that can be undertaken by the Department, and corrections are selected based on estimated best return. Corrections often include the addition of passing lanes, roadway realignments, turning refuges, shoulder widening, rumble strips, guardrail additions, sign changes, pedestrian islands, or access control measures. Currently, there are over 622 high crash locations identified on the state highway system and approximately 1,700 miles of roadway with a significant number of fatal and severe injury crashes.

Budget Environment

Increases in population have created more traffic, which in turn has created more congestion and consequently an increased number of crashes. Highway Safety funds target high crash locations. Corrective actions are often combined with preservation projects, although stand-alone safety projects may address specific crash types or high crash locations. To free up funds for safety improvements in the maximum number of critical areas, preservation projects with no significant history of crashes may be scaled down to minimum design standards.

In 2003, 508 reported traffic fatalities occurred. Oregon's highway death rate has risen to 1.46 people killed per 100 million vehicle miles traveled. The ODOT Safety Division and the Oregon Transportation Commission have set a goal to reduce this fatality rate to 0.99 per 100 million vehicle miles traveled by 2010. This equates to lowering the statewide fatality count to 370 by 2010.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$54.5 million Other Funds is \$2.2 million or 4.2% more than the 2003-05 legislatively approved expenditure level and \$90,000 more than the Governor's recommended budget. The adopted budget reflects applying standard inflation rates for services and supplies and state government service charges of \$1.1 million Other Funds; cost adjustments for unemployment assessments, overtime, temporaries, shift differentials, and merit increases of \$0.17 million Other Funds; and an increase of \$1.4 million Other Funds to reflect anticipated contractor payments in the 2005-07 biennium. The adopted budget also reflects transferring \$0.6 million Other Funds and four positions (4.00 FTE) to the Highway Operations Program reflecting the realignment of resources to facilitate implementation of OTIA. The Legislature increased the budget by \$90,000 Other Funds to continue one of five limited duration positions for the Access Management Program as a permanent full-time position (1.00 FTE) and to reflect adjustments in assessments and charges by the Department of Administrative Services, PERS rates, Attorney General hourly rates, and a technical adjustment in vacancy savings.

ODOT – Highway/Operations

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	49,411,635	38,833,815	45,689,821	45,637,976
Total Funds	\$49,411,635	\$38,833,815	\$45,689,821	\$45,637,976
Positions	119	118	103	104
FTE	113.08	114.83	102.04	103.04

Program Description

Highway Operations includes planning, development, and implementation of improvements to relieve or prevent traffic congestion and to improve safety. Programs include Intelligent Transportation Systems (ITS); transportation system management, such as interconnected traffic signal systems, new traffic signals, ramp metering, and electronic variable message signs; illumination; rock fall and slide repairs; and demand management, which includes ride share, van pool, and park and ride programs. Operational projects like these are one way to maximize the efficiency of the state highway system with limited funding, while also improving system safety and reliability.

Budget Environment

A growing population and limited funding have increased the state's reliance on system efficiency tools, like those mentioned above, to manage congestion and improve safety. ODOT estimates current funding is \$20 million less than needed to replace signs, signals, and lighting; to conduct work to prevent slides and rock falls; and to deploy technological solutions that will ease congestion and improve safety. Highway Operations activities are prioritized through the use of several tools, including the Rockfall Hazard Rating System, Statewide ITS Strategic Plan, Regional ITS Deployment plans, and the Information Technology Tactical Plan. Enhanced prioritization tools are currently under development.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$45.6 million Other Funds is \$6.8 million or 17.5 % more than the 2003-05 legislatively approved expenditure level and \$50,000 less than the Governor's recommended budget. The adopted budget adds \$8 million Other Funds to reflect anticipated contractor payments in the 2005-07 biennium. The adopted budget adds 7 positions transferred from other divisions and transfers 20 positions to other divisions reflecting the realignment of resources to facilitate implementation of OTIA, reducing the budget by \$2.48 million Other Funds and 13.00 FTE. The adopted budget adjusts the base budget to phase out the entire Access Management Fee and restores the reduction in a policy package as part of the agency's fee bill for ratification by the Legislature. The Legislature eliminated the fee in Senate Bill 1101 but retained \$0.4 million Other Funds and 2.00 FTE to administer the program. The remaining changes in the program budget are adjustments to reflect applying standard inflation rates for services and supplies and state government service charges, increasing the budget by \$0.66 million Other Funds and adjustments for unemployment assessments, overtime, temporaries, shift differentials, and merit increases of \$0.64 million Other Funds. The Legislature increased the budget by \$50,000 Other Funds to continue one of five limited duration positions for the Access Management Program as a permanent full-time position (1.00 FTE) and to reflect adjustments in assessments and charges by the Department of Administrative Services, PERS rates, Attorney General hourly rates, and a technical adjustment in vacancy savings.

ODOT – Highway/Modernization

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	163,622,956	254,901,811	453,955,664	453,831,831
Total Funds	\$163,622,956	\$254,901,811	\$453,955,664	\$453,831,831
Positions	200	175	156	157
FTE	191.26	174.50	155.75	156.75

Program Description

The Highway Modernization program designs and builds highway improvements that add capacity to accommodate current or projected traffic growth. This includes adding traffic lanes for passing, climbing,

turning, accelerating, and decelerating; building new road alignments or facilities, including bypasses; realigning or widening existing roads; and widening bridges to add travel lanes.

Budget Environment

Modernization needs are calculated by combining current traffic conditions with projections of future highway demand. Since 2001, ODOT has shifted its emphasis from modernization to preservation of roads and bridges. Several modernization projects programmed in the STIP after 2001 were placed on hold. The proposed expenditure limitations include projects already underway; projects in the 2004-07 STIP; and state matching funds for federal projects earmarked through the Surface Transportation Program. From 2000 through 2002, funding levels were at the statutory minimum of approximately \$102 to \$108 million per biennium, meeting only 12% of the need for increased capacity. With OTIA bond proceeds now directed to the program, the 2005-07 recommended budget increases modernization funding by about 180%. OTIA funds will allow the contracting out of approximately 110 modernization projects. In order to meet the 20-year need identified in the Oregon Highway Plan, approximately \$440 million per year will need to be provided. While the influx of revenue from OTIA bond proceeds will assist in meeting this need in the short term, long-term funding levels remain far below what is needed to meet the challenges of providing an adequate transportation infrastructure for Oregon’s growing population.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$453.8 million Other Funds is \$199 million or 78% higher than the 2003-05 legislatively approved expenditure level and \$0.12 million less than the Governor’s recommended budget. The adopted budget is adjusted by an increase of \$195 million Other Funds to reflect anticipated contractor payments in the 2005-07 biennium. The adopted budget also reflects transferring \$2.86 million Other Funds and 18 positions (18.00 FTE) to the other Highway divisions, reflecting the realignment of resources to facilitate implementation of OTIA. The remaining changes in the program budget are adjustments to reflect applying standard inflation rates for services and supplies and state government service charges of \$5.7 million Other Funds and cost adjustments for unemployment assessments, overtime, temporaries, shift differentials, and merit increases of \$1.2 million Other Funds. The Legislature increased the budget by \$0.17 million Other Funds to continue one of five limited duration positions for the Access Management Program as a permanent full-time position (1.00 FTE) and to reflect adjustments in assessments and charges by the Department of Administrative Services, PERS rates, Attorney General hourly rates, and a technical adjustment in vacancy savings.

ODOT – Highway/Special Programs

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor’s Recommended	2005-07 Legislatively Adopted
Other Funds	152,725,559	161,504,203	178,261,235	175,265,289
Total Funds	\$152,725,559	\$161,504,203	\$178,261,235	\$175,265,289
Positions	541	594	617	618
FTE	525.84	576.91	602.06	603.56

Program Description

A number of smaller special programs play unique roles in Oregon’s Highway Program. Positions associated with these programs are often budgeted in other Highway program areas and reimbursed for services performed in these categories. These payments are in turn used to backfill program staff with contracted work for current services. In activity areas where no FTE are assigned, the work makes up a small portion of the duties for multiple positions, and varies from year to year. Special program activities include:

- *The Oregon Plan for Salmon and Watersheds* identifies how various agencies will restore threatened or endangered salmon species and meet the requirements of the Clean Water Act. Projects include construction of highway culverts, opening tide gates, and other improvements to help fish populations impacted by ODOT projects.
- *Environmental Services* ensures ODOT’s compliance with the National Environmental Policy Act and more than forty other environmental laws and regulations covering air quality, acoustics, archaeology, cultural resources, energy, hazardous materials, biology, threatened and endangered species, wetlands, water quality, and visual impacts.

- **The Pedestrian and Bicycle Program** (2.00 FTE) ensures ODOT's compliance with state laws requiring reasonable expenditure of highway funds on footpaths and bicycle trails. The program administers a local assistance grant program for improvements to pedestrian and bike paths.
- **The Winter Recreation Parking Program** (7.46 FTE) oversees snow removal and parking enforcement at designated winter recreation area parking locations. Sno-Park permit sales fund this program.
- **Snowmobile Facilities** develops and maintains snowmobile facilities, including the purchase of land and the enforcement of registration, operation, and equipment requirements. Registration fees and fuel taxes attributed to snowmobile use fund this program.
- **Civil Rights** (7.00 FTE) manages ODOT's federally mandated affirmative action program.
- **The Surplus Property Unit** (10.00 FTE) leases and sells property acquired by ODOT for highway construction projects when the property no longer has a present or future use to the Department.
- **The Rights-of-Way for Other Agencies Unit** recovers costs associated with providing department staff trained in right-of-way acquisition to local agencies who lack the necessary staff. Department staff help local agencies obtain the necessary right-of-way for construction projects, and reimbursement costs are recovered from project funds.
- **The Immediate Opportunity Fund (IOF)** is a grant program that distributes funds for street and road improvements that will influence the location, relocation, or retention of firms in Oregon. Grants may not exceed \$1 million, and are distributed to private firms or their local government sponsors. The IOF also provides procedures and funds for the Oregon Transportation Commission to respond quickly to unique economic development opportunities.
- **Administration** (51.2 FTE), **Materials Testing Lab** (22.75 FTE), and **Indirect Services** (111.77 FTE) conduct activities that serve a common or joint purpose benefiting more than one project or program. Therefore, their work cannot be effectively charged to individual projects or programs. Activities include management, supervision, and administrative control of the agency; awards programs; contract negotiations; training and education; work planning; service contracts; crew team and safety meetings; quality assurance; and quality control. Office expenses and facilities costs are also covered with these funds.
- **Highway Deputy Directors, Highway Finance Office, and Office of Project Delivery** (72.14 FTE) include support staff (2.00 FTE) for the Highway program Executive Deputy Director; financial support staff (23.00 FTE) for budget, funds, and grant tracking, financial coordination for regions, report writing, and financial analysis; and headquarters project delivery staff (47.14 FTE) responsible for ensuring efficient and consistent statewide delivery of all transportation projects.
- **Innovative Private Partnerships** (3.50 FTE) develops transportation projects for solicitation of private sector proposals for partnership and to respond to proposals initiated by private firms and units of government.
- **Project Delivery** (46.02 FTE) staff, located primarily in the five regional offices, focus on work needed to develop construction projects for eventual contracting.
- **Other Special Programs** fund miscellaneous expenses such as work on bridges, facilities, and roads of historical interest, safety rest areas, district office facilities work, independent wetland mitigation, and some tourist signing.
- **Highway Management** (15.3 FTE) performs work related to speed zone studies, signal timing, and traffic investigations, including crash sites.
- **Transportation Operation Centers and COMET** (46.42 FTE) includes the dispatch centers in Regions 1, 2, 3, and 4. The dispatch centers monitor traffic and road conditions, operate Intelligent Transportation Systems (ITS) equipment (e.g., signs, highway advisory radio, etc.), enter incidents into traveler information systems, and coordinate incident response and maintenance communications within ODOT and with other agencies. The incident response program (COMET in Region 1) includes a fleet of vehicles that patrol congested corridors and keep traffic flowing by removing accidents, stalled vehicles, and debris from the road.
- **The TripCheck Program** operates and maintains ODOT's traveler information systems, including the TripCheck website, 5-1-1 phone system, and cable TV systems. These systems provide the public with information about road and weather conditions, incidents, construction, restrictions, and closures.
- **Systems Management** (129.00 FTE). Through the realignment process, Systems Management will focus their work efforts to overall management of the highway system. This includes program level responsibility for Asset Management, Continuous Improvement (i.e., Quality Assurance/Quality Control, technical performance measures) and ensuring the technical excellence of the Highway Division project delivery staff. To date, the plan for identifying highway system assets is in the final stages of development. The program level Quality Assurance plan is in place, with a pilot of the overall plan currently underway. Additionally,

plans are being implemented to ensure that core, advanced, and expert training and development is identified and offered according to a predictable schedule.

- *Traffic* (79.00 FTE) covers the traffic function in both Regions and Technical Services. The work that is done supports the operation of the system. Activities include speed zones, non project traffic analysis, and traffic safety. This will isolate the Traffic function from the Indirect and support function of the Construction program. There is also a component of traffic that is closely aligned with project delivery and will allocate resources to that function.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$175.3 million Other Funds is \$13.8 million or 8.5% more than the 2003-05 legislatively approved expenditure level and \$3 million less than the Governor’s recommended budget. The adopted budget provides \$2.8 million Other Funds for increases in employee compensation and merit increases; applies the standard inflation rates for services and supplies and state government service charges of \$3 million Other Funds; and adds \$9.6 million Other Funds to reflect adjustments in STIP project payments. The adopted budget adds 61 positions (58.29 FTE) from other highway programs for a \$10.6 million increase in personal services. The increase is offset by a decrease of \$10.8 million Other Funds for the transfer of 27 positions to other ODOT divisions, reflecting the realignment of resources to facilitate implementation of OTIA. The budget is also reduced by \$1.9 million to reflect anticipated savings from the Oregon “Smart Buy” initiative and adjustments in assessments and charges by the Department of Administrative Services, PERS rates, Attorney General hourly rates, and a technical adjustment in vacancy savings.

The Legislature did not approve the following policy option packages proposed in the Governor’s recommended budget:

- An increase of \$0.6 million Other Funds to ratify raising the annual snow park fee from \$15 to \$20 and raising the 3-day permit fees from \$7 to \$9.
- A revenue transfer of \$5.2 million for Capital Construction projects.
- An increase of \$1.5 million and 2.00 FTE to enhance the usability of a transportation trip planner developed jointly between the Departments of Transportation in Oregon and Washington. The project is contingent on federal grant funding that is not currently available.

The Legislature added \$0.4 million Other Funds and 3.50 FTE to reflect adjustments in positions between Central Services, Motor Carrier Transportation, and Special Programs. In addition, the Legislature approved a temporary Road User Fee to accommodate the pilot program established by the 2003 Legislature to evaluate alternate fuel tax initiatives. Since the revenue from the fee replaces a like amount of fuel tax, no increase in expenditure limitation is required. The Legislature also approved the establishment of an Unsolicited Proposal Fee to support private sector consulting contracts to do work associated with the unsolicited proposal program increasing the budget by \$70,000 Other Funds.

ODOT – Highway/Local Government Programs

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor’s Recommended	2005-07 Legislatively Adopted
Other Funds	149,066,069	542,538,381	214,932,553	214,899,208
Total Funds	\$149,066,069	\$542,538,381	\$214,932,553	\$214,899,208
Positions	15	23	23	23
FTE	14.88	22.52	23.00	23.00

Program Description

The purpose of the Local Government Programs unit is to work in a cooperative venture with cities, counties, and regional planning agencies to ensure priority transportation needs are met. ODOT provides federal revenues and reimbursements to local governments for surface transportation, local bridges, congestion mitigation, transportation enhancements, and planning. The Legislature has mandated that a portion of state gas tax revenues be distributed among cities with populations of less than 5,000. ODOT shares a portion of its federal funds with counties and cities outside the Portland metropolitan area with populations greater than 5,000. The Portland metropolitan area receives funding through a separate federal appropriation dedicated to Transportation Management Areas.

Budget Environment

Local governments face the same critical transportation issues as the state. Pressure on property taxes and local general funds, combined with flat state funding, have left local communities with fewer resources for transportation. ODOT's Local Government Fund Exchange program allows local governments to exchange \$1 of their federal fund allocation for 94 cents in state highway funds. This exchange helps local agencies avoid complicated state and federal contracting regulations and ensures that all federal funds are expended within required timelines. The amount of funds available for exchange is determined annually by ODOT. Local governments may need to accumulate funds over several years to pay for large projects.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$214.9 million Other Funds is \$327.6 million or 60% less than the 2003-05 legislatively approved budget and \$30,000 less than the Governor's recommended budget. The adopted budget is reduced \$332.1 million Other Funds to reflect the one-time payment to local governments for bridge projects and adjustments for contractor payments for STIP projects anticipated during 2005-07. The remaining changes in the program budget are adjustments to reflect applying standard inflation rates for services and supplies and state government service charges of \$4.1 million Other Funds and cost adjustments for unemployment assessments, overtime, temporaries, shift differentials, and merit increases increasing the budget by \$0.57 million Other Funds. The adopted budget transfers one position to Special Programs, resulting in a reduction of \$0.2 million and 1.00 FTE. The budget is also reduced by \$30,000 to reflect adjustments in assessments and charges by the Department of Administrative Services, PERS rates, Attorney General hourly rates, and a technical adjustment in vacancy savings.

ODOT – Utility Permits

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	1,606,516	4,417,922	4,556,196	4,518,231
Total Funds	\$1,606,516	\$4,417,922	\$4,556,196	\$4,518,231
Positions	0	12	12	12
FTE	0.00	12.00	12.00	12.00

Program Description

The purpose of the Utility Permits program is to issue permits to utility companies that need to conduct activities on state highway rights-of-way.

Budget Environment

Historically, ODOT has used State Highway Funds to support the cost of issuing and administering utility permits. In January 2001, following a review of the use of Highway Fund revenues, the Oregon Attorney General advised ODOT that costs associated with issuing utility permits do not represent an appropriate use of State Highway Funds. The 2001 Legislature authorized ODOT to charge a utility permit fee and directed the Department to adopt rules establishing a fee schedule. The schedule was adopted in January 2002. A lawsuit challenging the permit fees is currently pending.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$4.5 million Other Funds is \$0.1 million or 2.3% more than the 2003-05 legislatively approved expenditure level and \$40,000 less than the Governor's recommended budget. The expenditure limitation is increased by the standard inflation rate of 2.4% increasing the budget by \$90,000 and cost adjustments for unemployment assessments, overtime, temporaries, shift differentials, and merit increases increasing the budget by \$50,000 Other Funds. The Legislature reduced the budget \$40,000 to reflect adjustments in assessments and charges by the Department of Administrative Services, PERS rates, Attorney General hourly rates, and a technical adjustment in vacancy savings.

ODOT – Driver and Motor Vehicles Services

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	116,947,247	121,316,715	131,335,757	129,927,024
Federal Funds	0	0	0	245,934
Total Funds	\$116,947,247	\$121,316,715	\$131,335,757	\$130,172,958
Positions	904	861	862	862
FTE	857.60	824.13	827.13	826.88

Program Description

Driver and Motor Vehicles (DMV) licenses and registers over 6.8 million drivers and motor vehicles and enforces motor vehicle-related laws. There are 64 DMV offices statewide serving more than 13,000 walk-in customers each day. In addition, DMV personnel process more than 10 million transactions and respond to over 1.8 million phone inquiries each year. Law enforcement agencies access DMV computer information files more than 41,000 times each day, and businesses and individuals make about 4 million DMV record requests each year.

Revenue Sources and Relationships

DMV is supported from fees levied for the various services it provides. Passenger vehicle registration fees are the largest single revenue collected, followed by driver licenses, and truck and trailer licensing fees. Together these revenues represent 97% of total estimated 2005-07 DMV gross revenue collections (\$526 million). Revenue in excess of amounts needed to cover DMV operating costs is subject to city, county, and state distribution. Approximately 48% of the revenues collected are projected to be transferred to the State Highway Fund.

Budget Environment

During the 2003-05 biennium, DMV focused on improvements to driver safety programs, theft identification, workload, automation, and privatization initiatives. In 1999, the Legislature directed DMV to study the effects of aging on driving and report recommendations to the 2001 Legislature. As a result, the 2001 Legislature adopted HB 3071 requiring health care providers to report at-risk drivers to DMV. During 2001-03, DMV began working with health care providers that are required to make reports to DMV of at-risk drivers to develop administrative rules to implement the legislation. In 2003-05, DMV has continued to develop a comprehensive approach to managing the identification and testing of impaired drivers and evaluate the effectiveness of driver improvement programs. The role of DMV in providing identity documents is increasing as a result of the escalation in identity theft crimes and the 2001 terrorist attacks. National efforts at uniformity for driver licenses and identity cards will require DMV to be connected to national databases and may require the collection of biometric data on drivers. Both initiatives will require resources not currently funded. The number of transactions DMV processes has remained fairly flat over the last three years. This is projected to continue into the 2005-07 biennium. This is the result of the statewide economic downturn, along with the implementation of legislation that reduced the frequency of transactions by lengthening the term of driver licenses and new vehicle registrations.

In addition, the Legislature adopted Senate Bill 640 which requires biometric data to verify identity for driver's licenses, permits, or identification cards issued by the Department of Transportation Driver and Motor Vehicles Division. The measure increases the fee for driver's licenses, permits, and identification cards by \$3 to cover the costs of implementing the measure.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$130.2 million total funds is \$8.8 million or 7.3% more than the 2003-05 legislatively approved expenditure level and \$1.2 million less than the Governor's recommended budget. The adopted budget is adjusted to reflect a category shift from debt service to special payments for an energy loan, an adjustment to fund two new service and supplies accounts for information systems, and an adjustment for the centrally funded fleet replacement program reducing the budget by \$60,000 Other Funds. In addition, the adopted budget phases out \$1.85 million Other Funds for one-time expenditures related to information systems projects completed during 2003-05 and adds \$0.37 million for information systems projects planned for the 2005-07 biennium.

The adopted budget increases expenditures by \$1.2 million Other Funds for temporary services to enhance and maintain service levels during seasonal workload increases and other workload surges. An increase of \$0.57 million Other Funds is approved for bank card merchant fees resulting from growth in E-government transaction processing; and an increase of \$0.53 million Other Funds to cover the higher cost of digital photo licensing. The Legislature increased the budget \$0.37 million to reflect the transfer of three Training and Development Specialist positions from Central Services (2.75 FTE) and increased the budget by \$0.3 million to implement Senate Bill 640 relating to security measures for documents issued by ODOT. In addition, the Legislature increased the budget by \$0.25 million Federal Funds to provide an expenditure limitation for a federal grant to electronically verify the validity of social security numbers received for driver licenses. A request to apply for the grant was approved by the Legislature in April 2005. Two packages totaling \$1.1 million for HAZMAT Endorsement background fingerprinting and new school bus driver endorsements were withdrawn by the agency.

The remaining changes in the program budget are adjustments to reflect applying standard inflation rates for services and supplies and state government service charges of \$4 million Other Funds and cost adjustments for unemployment assessments, overtime, temporaries, shift differentials, and merit increases of \$4.6 million Other Funds. The Legislature reduced the budget \$1.4 million to reflect adjustments in assessments and charges by the Department of Administrative Services, PERS rates, Attorney General hourly rates, and a technical adjustment in vacancy savings.

ODOT – Motor Carrier Transportation

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	41,541,960	42,973,756	46,722,690	45,834,160
Federal Funds	4,457,197	6,126,511	4,473,919	4,463,932
Total Funds	\$45,999,157	\$49,100,267	\$51,196,609	\$50,298,092
Positions	338	320	320	319
FTE	338.00	320.00	320.00	319.00

Program Description

The Motor Carrier Transportation Division (MCTD) is responsible for administering and enforcing laws and rules related to motor carriers, including regulations related to commercial vehicle registration, safety, and weight-mile tax. MCTD issues over-dimension variance permits and enforces truck size and weight regulations. Division enforcement officers and safety specialists check trucks mainly at 87 weigh stations, including six ports-of-entry, and at dozens of portable scale sites. The Division also processes mileage reports and collects highway-use (weight-mile) taxes and fees.

Revenue Sources and Relationships

Revenue from weight-mile taxes, commercial vehicle registrations, and permits provide the primary resources to support this division. All revenue in excess of the amount required for carrying out the regulatory and safety programs, approximately 89% of revenue collected, is transferred to the State Highway Fund. Over \$4.2 million in Federal Funds is projected to be received in the 2005-07 biennium for commercial vehicle safety enforcement efforts under the Motor Carrier Safety Assistance Program (MCSAP). MCTD coordinates the work of Oregon State Police, which receives \$1.6 million of the funds each year, as well as city police, county sheriffs, and county weighmasters who work under non-compensated agreements. The MCSAP program requires a 20% state match, but because current program expenditures contribute to the match there is no financial outlay from the state.

Budget Environment

Current revenues are needed to maintain existing program activities. Reductions in budget would force cuts in staffing levels and a deterioration of service delivery considering MCTD's minimal capital outlay and services and supplies budgets. MCTD's effectiveness to enforce weight regulations to control heavy truck damage to pavement and bridges could also be impacted. In the past 9 years, MCTD has reduced its original work force by 24% while managing to operate all programs and absorb workload increases. When the division became part of the Department in January 1996, it had 345 FTE stationed throughout the state. The work force grew in 2001 when the Motor Carrier Audit Section moved from the Central Services Division to the Motor Carrier Division, adding 57 FTE and \$7 million to the budget. Since 1996, the division reallocated one position and abolished 81

positions. It currently employs 320 FTE. MCTD periodically conducts surveys to gauge customer satisfaction. A 2004 survey found customers are very happy with staff and service: 34% strongly approve of services, 49% approve, 3% disapprove, and 1% strongly disapprove (13% offered no opinion).

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$50.3 million total funds is \$1.2 million or 2.4% more than the 2003-05 legislatively approved expenditure level and \$0.9 million less than the Governor’s recommended budget. The adopted budget is decreased \$1.8 million Federal Funds and \$70,000 Other Funds and reduces months on six positions for a total decrease of 0.40 FTE to balance to current available federal revenues. The adopted budget is adjusted by an increase of \$0.8 million Other Funds to reflect anticipated contractor payments in the 2005-07 biennium. The adopted budget adjusts the base budget to phase out the entire Pack and Load Registration and Authorized Mover Fee program and restores the reduction in a policy package which was ratified by the 2005 Legislature. The Legislature restored \$70,000 Other Funds and 0.40 FTE. The fee was authorized in SB 471 by the 2003 Legislature. The adopted budget also adds \$0.4 million Other Funds to increase information technology professional services to support and enhance the Motor Carrier Transportation E-Government systems.

The remaining changes in the program budget are adjustments to reflect applying standard inflation rates for services and supplies and state government service charges of \$0.9 million Other Funds and \$0.1 million Federal Funds; a reduction of \$0.3 million to reflect anticipated savings from the Oregon “Smart Buy” program; an adjustment reducing the budget by \$30,000 Other Funds to reallocate expenditure limitation for the centrally held fleet replacement limitation; and cost adjustments for unemployment assessments, overtime, temporaries, shift differentials, and merit increases of \$1.9 million Other Funds and \$50,000 Federal Funds. The Legislature reduced the budget \$0.74 million total funds to reflect adjustments in assessments and charges by the Department of Administrative Services, PERS rates, Attorney General hourly rates, and a technical adjustment in vacancy savings.

ODOT – Transportation Development

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor’s Recommended	2005-07 Legislatively Adopted
Other Funds	55,230,657	61,109,738	163,126,686	60,973,814
Federal Funds	149,358	176,302	187,080	186,248
Total Funds	\$55,380,015	\$61,286,040	\$163,313,766	\$61,160,062
Positions	234	224	214	214
FTE	223.76	218.32	207.24	207.36

Program Description

Transportation Program Development operates through four program areas:

- **STIP Development** (21.00 FTE) coordinates identification and prioritization of the Department’s four-year Statewide Transportation Improvement Program (STIP) development process. The STIP is updated every two years with ongoing public, local government, and stakeholder involvement. This program area identifies projects using pavement, bridge, and safety condition assessment tools.
- **Technical Assistance and Coordination** (6.79 FTE) is provided to local governments on periodic comprehensive plan reviews, Transportation System Plan reviews, and to Metropolitan Planning Organizations (MPO), and Area Commissions on Transportation (ACT). This program area also maintains data and shares transportation-related information with federal, state, and local agencies through the Technology Transfer Center.
- **Statewide and Regional Studies** (68.38 FTE) guide and support short- and long-range planning for Oregon’s transportation system and administer the statewide Planning and Research Program that directs activities funded by the Federal Highway Administration. The Department adheres to a formal long-term process that produces and periodically updates a long-range strategy reported in the Oregon Transportation Plan (OTP). This program area is responsible for the Department’s planning activities that focus on five areas of need: urban mobility, rural accessibility, freight transport mobility, safety, and finance. The goals, policies, and proposed actions are translated into specific projects and activities driving toward an integrated transportation system. Specific construction activities are described in the STIP. Other sources of information and criteria for this process are the federal highway funding authorization, federal clean air, water, and energy acts, state benchmarks, and land use planning goals. Analytical services related to facility

planning, transportation system studies, public transit services, and traffic analyses support the planning process.

- *Transportation Analysis and Research* (111.19 FTE) provides policy and economic analysis and forecasting, analyzes initiatives and issues, evaluates transportation needs and solutions, conducts strategic planning, researches new technologies, and coordinates opinion surveys. This program area also manages and analyzes transportation data to support planning, construction and maintenance, resource deployment, and funding allocations. Data collection and analysis include the bridge and pavement management systems, crash data, transportation inventory/classification, mapping/geographic information systems services, and traffic counting.

Revenue Sources and Relationships

General planning activities are funded from state and federal highway funds and federal planning grant moneys. Revenue transfers from the highway program, for example, support highway planning, system studies and monitoring, and data gathering.

Budget Environment

ODOT provides funds each year for local government planning activities including Metropolitan Planning Organization plans (MPO), local Transportation System Plans (TSP), and transportation growth management tools. Population growth is outpacing ODOT planners' abilities to fully participate in both state and local planning processes. Based on the 2000 U.S. Census, MPOs have been established in Corvallis and Bend and Transportation Management Areas (TMAs) have been established in Salem/Keizer and Eugene/Springfield. Transportation system analysis is constantly changing as questions are raised involving the interaction between land use, economics, and transportation.

The program focuses workload on expanding planning and policy matters related to the linkage of transportation and land use, local government transportation system plan reviews, and facility plan reviews. These work efforts affect the Department's ability to respond to the needs of local governments and provide the needed projects.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$61.2 million total funds is \$0.13 million total funds or 0.2% less than the 2003-05 legislatively approved expenditure level and \$102 million less than the Governor's recommended budget. The adopted budget is adjusted by reducing \$2.6 million Other Funds to transfer 12 positions to other ODOT divisions, reflecting the realignment of resources to facilitate implementation of OTIA. An increase of \$0.2 million Other Funds is approved as a special payment to the Office of the Governor to fund transportation activities of the Economic Revitalization Team. A reduction of \$70,000 Other Funds and \$2,011 Federal Funds is made to reflect anticipated savings from the Oregon "Smart Buy" initiative.

The Legislature approved the following policy packages:

- Correct a technical error in the 2003-05 budget by increasing the revenue transfer to the Department of Land Conservation and Development (DLCD) by \$25,723. A similar package is included in the DLCD budget.
- Reclassify three employees currently working out of class. Two of the positions have no impact on the budget because there will be no change in current pay. The third position increases personal services by \$8,874 and will be funded by a decrease in services and supplies.
- Transfer a Planner 3 position from the Rail Division to the Freight Mobility Section increasing the budget by \$0.13 million Other Funds and 1.00 FTE.

Conversion of consultants to ODOT positions to implement new analysis tools and train staff was withdrawn by the agency resulting in a 0.88 FTE reduction to the Governor's recommended budget.

The Legislature did not approve a package to add \$101.8 million Other Funds for the Connect Oregon initiative. Senate Bill 71 requires ODOT to establish a project selection process that includes a combination of loans and grants. The initiative provides lottery-backed revenue bonds to pay for transportation projects including improving public transportation, the aviation system, the rail network, and marine and port facilities with emphasis on projects that facilitate the movement of people or freight between roads and air, water, and rail transportation. The Legislature expects ODOT to request an expenditure limitation from the interim Emergency Board once a project selection process has been established.

The remaining changes in the program budget are adjustments to reflect applying standard inflation rates for services and supplies and state government service charges of \$1.2 million Other Funds and \$9,811 Federal Funds and cost adjustments for unemployment assessments, overtime, temporaries, shift differentials, and merit increases of \$1.5 million Other Funds and \$2,978 Federal Funds. The Legislature reduced the budget \$0.48 million total funds to reflect adjustments in assessments and charges by the Department of Administrative Services, PERS rates, Attorney General hourly rates, and a technical adjustment in vacancy savings.

ODOT – Public Transit Division

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
General Fund	7,688,813	0	0	0
Other Funds	10,983,427	22,764,958	19,893,177	19,860,513
Federal Funds	20,108,138	27,018,434	33,052,475	31,031,412
Total Funds	\$38,780,378	\$49,783,392	\$52,945,652	\$50,891,925
Positions	13	14	15	14
FTE	13.04	13.50	14.50	13.50

Program Description

The Public Transit Division develops, encourages, and supports the use of transit, ridesharing, walking, bicycling, telecommuting, and other alternatives to driving alone. The Division operates six program areas:

- **General Public Transit** (4.34 FTE) provides general public transportation to rural areas, tribal governments, and cities with populations under 50,000. About 80% of its funds are distributed to cities, counties, other government units, and nongovernmental units through special payments.
- **Inter-city Passenger Development** (1.00 FTE) provides information, technical assistance, and management of grant resources for inter-city bus, rail, and air passenger services that are needed to connect Oregon communities. Emphasis is placed on improving connections between transportation modes and improving travel information systems.
- **Special Needs Transportation Services** (4.16 FTE) provides transportation designed to meet the needs of the elderly and people with disabilities. Programs include: 1) the Special Transportation Fund program distributing state cigarette tax, Environmental Quality Improvement Funds (EQIF), and Non-Highway Fuels Tax funds to local governments for transportation services benefiting elderly and disabled people; and 2) the statewide Elderly Persons and Persons with Disabilities Federal Grant Program, which funds the purchase of vehicles and other equipment for special needs transportation. Staff coordinate efforts with other state agencies, providers, and local government agencies to meet client transportation needs. Training and technical assistance are also provided to staff from small city and rural transit systems.
- **Transportation Demand Management/Transportation Options** (1.00 FTE) provides financial and technical support to rideshare programs throughout the state. The section develops policy and promotes alternatives to driving alone such as carpools, park and ride lots, flexible schedules, parking management, and telecommuting. Targeted information is also provided to commuters, business, and pleasure travelers.
- **Public Transportation Planning** (1.00 FTE) provides statewide transit policy and planning technical assistance and coordinates urban transit planning, local system planning, and multi-modal corridor planning.
- **Division Administration** (2.00 FTE) Defines state transit policies and provides leadership and support for the five program areas.

Revenue Sources and Relationships

The Division receives the majority of its funding from federal sources. There are four Federal Transit Administration Programs from which the state receives formula grants:

- Section 5303 – Metropolitan Planning at approximately \$1 million per biennium.
- Section 5310 – Elderly Persons and Persons with Disabilities Capital Program at approximately \$2.2 million per biennium.
- Section 5311 – Rural and Small Urban Areas Program Grants for approximately \$7.7 million per biennium.
- Section 5313b – Statewide Transit Planning at approximately \$250,000 per biennium.
- In addition, the Division receives \$13.5 million in flexible Federal Surface Transportation Program (STP) funds to improve transportation for the elderly and disabled (\$10 million), to replace urban buses (\$2 million), and for innovative marketing for transportation options (\$1.5 million).

State funds make up the remaining 42% of the Division's revenue. Public Transit is allocated these funds from three main sources:

- Cigarette Tax – \$8.65 million per biennium. Includes 3.45% (\$.02 per pack) apportionment of all moneys received by the Department of Revenue from certain cigarette tax revenues.
- DMV Photo ID – \$4.56 million per biennium. Includes any excess of fees collected from the distribution of ID cards by the DMV over the cost of running the program. This revenue is passed to local governments to support special needs transportation programs.
- Transportation Operating Fund (TOF) Non-Highway Fuels Tax – \$6.01 million per biennium. This includes an apportionment of state tax moneys collected from the sale of fuel for motorized non-highway uses such as lawnmowers, chainsaws, wood chippers, etc. These moneys provide federal fund match for Transportation Demand Management, Special Needs Transportation, and Transportation Planning programs.
- In addition, the Division receives about \$200,000 per biennium from interest and the sales of surplus vehicles.

Budget Environment

Challenges for the Division include continued innovation and improvements for public transit services for the elderly, people with disabilities, and rural communities for strengthened accessible public transportation. State budget reductions in community social service programs continue to challenge community transportation providers to help people get to health appointments, work, and other essential services.

Since 1992, public transportation ridership in Oregon has grown 60%, affecting urban and rural areas. This is a success story in meeting public policy goals but has created pressure on local provider budgets. In addition, this industry is vulnerable to the recent challenges of public security concerns and cost of fuel. There is no ongoing dedicated source of state funding to support urban transit systems. In 2003, the Legislature authorized \$2 million additional support towards the estimated \$18 million annual urban fleet replacement costs. Aging transit fleets throughout the state continue to need support for replacement vehicles, or the state risks losing the capital infrastructure to operate current services. Support to preserve the urban fleet helps providers to maintain service levels and protects the existing public investment in these successful systems. Another major challenge for public transportation is pressure to upgrade and provide public transit facilities with security features and appropriate bus maintenance structures. Developing state policy and strategies to provide stable state, federal, and local financial support for planned urban transit system improvements will continue to be an issue.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$50.9 million total funds is \$1.1 million or 2.2% more than the 2003-05 legislatively approved expenditure level and \$2 million less than the Governor's recommended budget. The Legislature approved the following policy packages:

- A reallocation of expenditures from special payments to services and supplies to reflect the increasing operational costs associated with increased program activities. The package shifts \$60,000 Other Funds and \$0.1 million Federal Funds to service and supplies categories.
- An increase of \$4,472 Other Funds for Public Transit's share of Central Services Information Technology infrastructure upgrade.
- An increase of \$8,492 Other Funds for Public Transit's share of increases to the Central Services intra-agency charges.

The Legislature did not approve a position (1.00 FTE) to enhance usability of a transportation trip planner developed jointly between the Departments of Transportation in Oregon and Washington or an increase of \$2 million Federal Funds for mass transit vehicle replacements. Funding is contingent upon increased federal revenue that is not currently available. The Legislature expects ODOT to request an increase in expenditure limitation from the interim Emergency Board if federal funding becomes available during the interim.

The remaining changes in the budget reflect applying standard inflation rates for services and supplies and state government service charges of \$0.55 million Other Funds and \$0.64 million Federal Funds; a decrease of \$80,000 Federal Funds to balance to current available federal grant funds; a reduction of \$3,052 Other Funds and \$6,289 Federal Funds to reflect anticipated savings from the Oregon "Smart Buy" initiative; and cost adjustments for unemployment assessments, overtime, temporaries, shift differentials, and merit increases of \$30,000 Other Funds and \$10,000 Federal Funds. The Legislature reduced the budget \$50,000 total funds to reflect adjustments

in assessments and charges by the Department of Administrative Services, PERS rates, Attorney General hourly rates, and a technical adjustment in vacancy savings.

ODOT – Rail Division

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
General Fund	9,262,878	3,914,616	9,026,167	8,626,167
Other Funds	13,901,646	62,263,136	11,357,395	54,239,700
Federal Funds	14,266,515	22,862,239	15,409,547	15,385,786
Total Funds	\$37,431,039	\$89,039,991	\$35,793,109	\$78,251,653
Positions	28	25	25	24
FTE	26.88	25.50	25.50	24.50

Program Description

The Rail Division ensures compliance with state regulations related to passenger and freight rail service programs. The Division operates the following program areas:

- *Division Administration* (3.50 FTE) provides leadership and support, defines state rail policies, and insures rail interests are adequately addressed.
- *Railroad Safety* (10.00 FTE) provides safety inspection services of tracks, locomotives, and rail cars, and insures compliance with regulations related to hazardous materials and railroad operating practices. Staff also inspects railroad sidings and yards to insure safety of railroad workers in and around railway walk areas, loading docks, and bridges. This section is also responsible for overseeing the safe operation of Tri-Met's light rail operation as mandated by the Federal Transit Administration.
- *Crossing Safety* (8.00 FTE) authorizes all changes at public highway railroad crossings, inspects all public crossings, enforces laws related to crossing blockages, and manages crossing safety improvement projects.
- *Rail Planning, Projects and Operations* (3.00 FTE) manages and markets inter-city passenger rail operations and related thruway Motor Coach Service; coordinates Oregon's partnership in the Pacific Northwest High Speed Rail Corridor; and manages railroad improvement projects associated with both passenger and freight rail operations. This program area also develops and implements freight and passenger rail plans and represents the state on railroad merger and abandonment and other rail service issues.

Revenue Sources and Relationships

The programs operate with dedicated federal (\$19.6 million) and state (\$49.2 million) revenue. Federal revenues include:

- Federal Railroad Administration (FRA) – \$15.4 million. Includes both freight and High Speed Rail Corridor projects as made available by Congress. These project specific funds are used for engineering, design, construction, equipment purchases, and contracts.
- Federal Highway-Railroad Grade Crossing Hazard Elimination Funds (Sec. 130) – \$4.2 million. Federal as Other Funds used for crossing safety projects.

State revenues include:

- Rail Gross Revenue Fee – \$2.5 million. Paid by Oregon railroads based on their previous year's gross revenue. Funds can only be spent on rail safety and rail crossing regulations.
- Grade Crossing Protections Account (GCPA) – \$1.3 million. Generated from driver license and vehicle registration fees. Used for crossing safety regulation and improvement projects at public railroad crossings.
- Lottery Bonds – \$42 million. Second phase of south Metro Commuter Rail Project (\$35M), Industrial Spur (\$6M), Issuance costs (\$.7M).
- General Fund – \$8.6 million. Funds one roundtrip train daily between Eugene and Portland, with continuing service to Seattle and Vancouver, British Columbia, funded by the State of Washington.
- Transportation Operating Fund (TOF) Non-Highway Fuels Tax – \$1.2 M. Helps fund one round trip train between Eugene and Portland.
- Other biennial revenues include \$150,000 from interest, \$100,000 from Crossing Blockage Penalties, \$121,830 from Railroad Right of Way Lease Fees, and \$114,736 from the Tri-Met Fixed Guideway Fee.

Budget Environment

The lack of stable funding for both the passenger rail and short-line service systems makes the future of rail service in Oregon uncertain. In past sessions, the Legislature has committed General Fund resources to supplement passenger rail service. However, the funds are scarce and relied upon by many of the state's programs, which puts the funding of passenger rail service in jeopardy each legislative session. In addition to committing General Fund for passenger rail services, the 2001 Legislature created the Short-Line Credit Premium account for financial assistance to the short-line railroads. The Legislature allocated \$2 million in lottery bond revenue to this account in both the 2001 and 2003 sessions. These funds provide some much-needed rehabilitation resources to the struggling short-line railroads across the state. Growth in the transportation systems and the rail industry combined with heightened interest in freight mobility are stretching Division staff resources to provide adequate services for protecting the public from rail-related incidents, particularly in the rail planning and safety assessment areas.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$78.3 million total funds is \$10.8 million total funds or 12% less than 2003-05 legislatively approved expenditure level and \$42.5 million higher than the Governor's recommended budget. The difference is primarily due to the extension of one-time bond proceed expenditures, adding \$35.2 million and \$0.7 million of debt issuance costs related to the South Metro Commuter Rail, and carry-over of expenditure limitation for the Industrial Spur Program in the amount of \$6 million. The adopted budget phases out \$2 million related to the short-line projects, and \$2 million related to industrial rail spur projects, and \$0.67 million of donation funds for the Lewis and Clark Celebration Excursion Train. A reduction of \$5.4 million Other Funds and \$8 million Federal Funds is reflected in the budget to balance to available revenue. Expenditure decreases include reduced federal grant funds, one-time Environmental Quality Fund revenue received in the 2003-05 biennium, and revenue associated with the rail fixed guideway fees which are subject to legislative ratification.

The adopted budget also:

- Adds \$4.6 million General Fund and \$0.4 million Other Funds from the Transportation Operating Fund (TOF) or flexible federal transportation funds to restore funding for the Willamette Valley Passenger Rail Program, which was funded during the 2003-05 biennium with one-time funding from the Environmental Quality Fund to replace General Fund directed to other agencies.
- Adds \$5,730 Other Funds for Rail Division's share of upgrades and components of Central Services information technology infrastructure project.
- adds \$8,078 for Rail Division's share of Transit's share of increases to the Central Services intra-agency charges.
- Adds \$0.45 million Other Funds to develop an integrated crossing and safety inspection management information system supported by revenues from the Rail Fund, Grade Crossing Protection Account, and Grade Crossing Improvement Account.
- Adds \$0.4 million Other Funds and 2.00 FTE to restore revenue and expenditure limitation associated with the Rail Fixed Guideway Safety fee.

The remaining changes in the budget reflect applying standard inflation rates for services and supplies and state government service charges of \$90,000 General Fund, \$0.4 million Other Funds, and \$0.5 million Federal Funds and cost adjustments for unemployment assessments, overtime, temporaries, shift differentials, and merit increases at a reduction of \$30,000 Other Funds. A reduction of \$7,539 Other Funds and \$1,385 Federal Funds is reflected in the adopted budget for anticipated savings from the Oregon "Smart Buy" initiative. The Legislature reduced the budget \$90,000 total funds to reflect adjustments in assessments and charges by the Department of Administrative Services, PERS rates, Attorney General hourly rates, and a technical adjustment in vacancy savings.

ODOT – Transportation Safety Division

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
General Fund	162,050	0	0	0
Other Funds	7,088,654	9,729,224	9,994,416	9,974,740
Federal Funds	11,533,804	13,057,617	13,421,348	13,410,776
Total Funds	\$18,784,508	\$22,786,841	\$23,415,764	\$23,385,516
Positions	24	24	24	24
FTE	24.04	24.00	24.00	24.00

Program Description

The Transportation Safety Division advocates transportation safety through statewide education, enforcement, and engineering. Major efforts focus on occupant protection, intoxicated driving, speeding, youthful drivers, pedestrians, bicyclists, motorcyclists, and employers. Safety programs are operated through over 550 safety grants and contracts awarded annually to local agencies, non-profit groups, the private sector, and service providers. The grants use state and federal funds; provide statewide public education and information programs; and reimburse public schools that provide Division-approved driver education programs.

Further duties involve the responsibility to:

- organize, plan, and conduct a statewide transportation safety program;
- coordinate general activities and programs of the several departments, divisions, or agencies of the state engaged in promoting transportation safety;
- provide transportation safety information and develop other measures of public information;
- cooperate fully with all national, local, public, and private agencies and organizations interested in the promotion of transportation safety;
- serve as a clearinghouse for all transportation safety materials and information used throughout the state;
- cooperate in promoting research, special studies, and analysis of problems concerning transportation safety; and
- make studies and suitable recommendations to the Legislature concerning safety regulations and laws.

Revenue Sources and Relationships

Approximately 60% of the Safety program funds are Federal Funds; the other 40% are other state funds.

Budget Environment

A number of factors influence the workload and performance of the Transportation Safety Division. These include traffic safety education and driver training, youthful driver restrictions, posted speeds, passenger safety, and driving under the influence of intoxicants. Recent turnover in senior staff for law enforcement, public safety, engineering, and roadway personnel have created the need for management level training and front line training. Upgrades to equipment and recent court cases have required training for this area to be revised and distributed.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$23.4 million total funds is \$0.6 million or 2.6% more than the 2003-05 legislatively approved expenditure level and \$30,000 less than the Governor's recommended budget. The adopted budget reflects applying standard inflation rates for services and supplies and state government service charges of \$0.2 million Other Funds and \$0.3 million Federal Funds; reduces \$60,000 Other Funds for the centrally held fleet replacement program; and includes cost adjustments for unemployment assessments, overtime, temporaries, shift differentials, and merit increases of \$0.1 million Other Funds and \$80,000 Federal Funds. In addition, the adopted budget reflects a reduction of \$10,000 Other Funds and \$20,000 Federal Funds for anticipated savings from the Oregon "Smart Buy" initiative. The Legislature reduced the budget \$30,000 total funds to reflect adjustments in assessments and charges by the Department of Administrative Services, PERS rates, Attorney General hourly rates, and a technical adjustment in vacancy savings.

ODOT – Board of Maritime Pilots

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	211,403	264,676	201,180	208,742
Other Funds (NL)	58,721	11,678	11,958	0
Total Funds	\$270,124	\$276,354	\$213,138	\$208,742
Positions	1	1	1	1
FTE	1.00	1.00	0.71	0.71

Program Description

The Board of Maritime Pilots is located within the Department of Transportation budget but is independent of the agency and the Oregon Transportation Commission. The Board is charged with the regulation, including examining, licensing, and investigating incidents or complaints, of navigation pilots on Oregon's four pilot-required areas. There are currently 67 licensed pilots under the regulatory authority of the Board.

Revenue Sources and Relationships

The Board is a self-supporting entity funded by license fees. Revenues for 2005-07 are estimated to be \$215,300 based upon the payment of the \$1,500 annual license fee by each of the 67 licensed pilots and from miscellaneous other revenues.

Budget Environment

Workload on licensing activities will be reduced throughout 2005-07 due declining revenues. License revenue is no longer sufficient to support current activities. A proposal to increase license fees may be requested to restore expenditures to the current activity level.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$0.2 million is \$70,000 or 24.5% less than the 2003-05 legislatively approved expenditure level and \$4,396 less than the Governor's recommended budget. The adopted budget is reduced by \$66,320 and 0.29 FTE to reflect corrected beginning balances and updated 2005-07 revenue projections. The adopted budget applies standard inflationary increases for services and supplies and state government service charges of \$5,024 Other Funds and cost adjustments for unemployment assessments, overtime, temporaries, shift differentials, and merit increases of \$211 Other Funds. The Legislature reduced the budget \$4,396 total funds to reflect adjustments in assessments and charges by the Department of Administrative Services, PERS rates, Attorney General hourly rates, and a technical adjustment in vacancy savings. The Legislature also directed ODOT through a budget note to move the offices of the Board of Maritime Pilots to a Department facility in Salem in order to reduce costs and provide improved oversight.

ODOT – Central Services

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	103,902,036	111,029,970	123,050,693	122,494,616
Federal Funds	45,245	56,051	56,334	56,334
Total Funds	\$103,947,281	\$111,086,021	\$123,107,027	\$122,550,950
Positions	502	489	495	464
FTE	496.08	487.75	493.25	472.17

Program Description

Central Services provides the core administrative functions that support each of the programs. This program includes:

- *Director's Office* (3.00 FTE) includes the Department Director and support staff who oversee all operations and programs.
- *ODOT Headquarters* (32.00 FTE) accomplishes work through two major program areas. Government Relations is primarily responsible for working with the Oregon Legislature, members of the Oregon Congressional delegation, and local government officials; and for analyzing federal and state laws and rules affecting transportation. The Public Affairs and Employee Communications unit provides information on transportation programs and activities to the public and keeps ODOT's workforce informed about developments affecting their jobs.

- *Central Services Administration* (2.00 FTE) includes the Executive Deputy Director and a support person for management of Financial Services, Human Resources, Information Systems, Internal Audit Services, and Support Services.
- *Financial Services* (94.00 FTE) provides the Department with accounting and financial services including accounting, collections, budget, performance measures, and financial analysis.
- *Human Resources* (50.50 FTE) provides technical advice on personnel, safety and training issues, and manages the Department's human resource systems and processes. Human Resource staff work closely with operating divisions to identify options to meet staffing needs and more efficient ways of doing business.
- *Civil Rights* (4.00 FTE) is charged with administering 12 federal and state regulatory Civil Rights programs and handling compliance issues for the Department.
- *Information Systems* (238.67 FTE) includes planning, developing and supporting business application systems; technology infrastructure; and supporting telephone and electronic mail.
- *Internal Audit Services* (8.00 FTE) is responsible for assuring that effective management controls are in place and functioning properly to help management achieve its objectives.
- *Support Services* (40.00 FTE) provides a variety of services to all ODOT programs including purchasing and contract management, fleet management, and supply and reprographic operations.

Revenue Sources and Relationships

Central Services is supported by a combination of direct and indirect charges. Direct charges are applied where the service can be accurately measured, such as in computer charges and Highway Fuel Tax accounting. The bulk of the revenues, however, come from indirect charges that are assessed to each division primarily based upon its number of full-time equivalent positions.

Budget Environment

Workload in Central Services is driven by the workload factors affecting the Department as a whole. This includes factors such as the demographic changes in Oregon's population and economy, implementation of federal appropriation legislation, rapidly changing information technology, and efficient delivery of programs. Current revenues are insufficient to maintain current service levels for programs funded with Highway Fund revenue. The effect of staff reductions on service levels will make it more difficult to communicate with local property owners on construction projects; delay customer service; and slow workflow for Financial Services, Internal Audit, Information Systems, and Business Services.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget of \$122.6 million total funds is \$11.5 million or 10.3% more than the 2003-05 legislatively approved expenditure level and \$0.5 million less than the Governor's recommended budget. The adopted budget eliminates \$0.1 million Other Funds related to a federal grant for Transportation Community System Preservation and eliminates the start-up costs of \$0.4 million Other Funds related to the Value Pricing Pilot Project. The adopted budget reflects the transfer of five positions (5.00 FTE) and adds \$1.4 million Other Funds from Transportation Program Development as a result of the realignment of resources to facilitate implementation of OTIA. The Legislature approved the following policy packages:

- Reclassifying four positions that are currently receiving work out of class differentials due to increased responsibility, workload, and supervisory duties, and resulting in no budgetary effect in 2005-07.
- Adding \$1 million to upgrade the anti-virus infrastructure, data storage capacity and tools, server lifecycle program and maintenance of the network, mainframe, server equipment, and associated software components of ODOT's information technology infrastructures.
- Adding \$2.9 million to provide funding for information technology contractors to support current ODOT business systems and computing infrastructure.
- Transferring 26 positions (16.83 FTE) to the State Data Center to accommodate ODOT's share of the Consolidated Network Information Center (CNIC).
- Reducing \$0.6 million Other Funds and five positions (4.25 FTE) to transfer two positions (1.50 FTE) to Special Programs and three positions (2.75 FTE) to Driver and Motor Vehicles.

The adopted budget applies standard inflationary increases for services and supplies and state government service charges of \$4.2 million Other Funds and \$1,345 Federal Funds and cost adjustments for unemployment assessments, overtime, temporaries, shift differentials, and merit increases of \$3.95 million Other Funds and adds 0.50 FTE as a result of an internal realignment of staff. The Legislature added \$60,000 total funds to reflect

adjustments in assessments and charges by the Department of Administrative Services, PERS rates, Attorney General hourly rates, and a technical adjustment in vacancy savings.

ODOT – Nonlimited

Debt Service and Loan Fund

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds (NL)	118,115,278	74,278,450	157,960,458	17,663,632
Total Funds	\$118,115,278	\$74,278,450	\$157,960,458	\$17,663,632

Support Services

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds (NL)	32,500,439	37,308,062	37,899,298	0
Total Funds	\$32,500,439	\$37,308,062	\$37,899,298	0
Positions	161	151	150	0
FTE	161.00	151.00	150.00	0.00

Operations

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds (NL)	2,022,548	2,228,366	13,095,439	0
Total Funds	\$2,022,548	\$2,228,366	\$13,095,439	0
Positions	14	15	42	0
FTE	14.00	15.00	42.00	0.00

Program Description

Nonlimited programs record revenues and expenses for transactions that are generally internal to the agency and serve operating programs that are subject to expenditure limitation. They are nonlimited because the level of activity is generally unpredictable. Nonlimited sections of the budget are Debt Service, Support Services, and Operations. Services within the budget include testing and inspecting roadway materials; purchasing equipment and fleet vehicles; repairing equipment in the field and in shops located in Salem, Bend, and La Grande; selling and distributing fuel; operating storerooms; designing and manufacturing signs; and traffic signals.

The Reimbursables Unit (38.00 FTE) has been moved in the 2005-07 Governor's budget from Highway Special Programs to Nonlimited Operations. This unit recovers costs when ODOT performs work on behalf of a third party. The work includes repair to damaged highway structures; services to public agencies, citizens, and businesses not associated with STIP projects; real estate sales or purchases associated with transferring staff; and the purchase and resale of favorably priced fuel to other state agencies.

Revenue Sources and Relationships

- **Debt Service:** Debt service in this program relates to highway construction bonds and loan disbursements from the Oregon Transportation Infrastructure Bank (OTIB). Debt service is paid from the State Highway Fund. Total debt service payments for highway construction bonds are estimated to be \$147.8 million during the 2005-07 biennium. The OTIB makes loans to local governments, transit providers, and other eligible borrowers. As loans are repaid, principal and interest are returned to the OTIB and are available for new loans. Loan disbursements for the 2005-07 biennium are estimated to be \$10 million.
- **Support Services and Operations** (192.00 FTE) Revenues are received from other divisions within the Department for facilities management, fleet operations, fleet repair, acquisition and distribution, testing and inspecting roadway materials, sign and traffic signal design and manufacturing, and quality assurance testing. Some services are sold to local agencies. Examples of services provided are facilities maintenance and construction, operation of truck and equipment repair facilities, inventory maintenance, and purchasing. These expenditures are limited in the division or agency receiving the service.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget for Nonlimited Debt Service and Loan Fund of \$17.6 million, is \$56.6 million or 76% less than the 2003-05 legislatively approved expenditure level and \$140.3 million less than the Governor's recommended budget. The Legislature determined that debt service is not an unpredictable expense and that the expenditure associated with the Other Funds Debt Service should be reclassified as an expenditure limitation. The Legislature transferred the Other Funds Debt Service and \$0.1 million services and supplies expenditure to the Lottery Debt Service program unit, renaming it to "Debt Service" resulting in a reduction in this program unit of \$147.8 million. The Oregon Transportation Infrastructure Bank (OTIB) remains in the Nonlimited classification. The Legislature approved an increase of \$7.5 million in the OTIB to reflect approval of a loan to Clackamas County.

The Legislature also determined that the Nonlimited Support Services program and Nonlimited Operations program do not meet the criteria for non-limited authority. The Legislature eliminated the programs resulting in a reduction of \$13.1 million Other Funds Non-Limited for Operations and \$37.9 million Other Funds Non-limited for support services. The 192 positions (192.00 FTE) are transferred to the Highway Maintenance Program where expenditure authority is included in the base budget.

ODOT –Debt Service

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Lottery Funds	10,108,962	21,145,902	33,187,224	22,162,072
Other Funds	7,806,451	0	0	147,754,911
Total Funds	\$17,915,413	\$21,145,902	\$33,187,224	\$169,916,983

Program Description

Debt service in this program relates to highway construction bonds and the state's share of funding for the Westside Light Rail Project in the Portland metropolitan area, the South Metro Commuter Rail project in Washington County, Short-Line Railroad improvements, and Industrial Spur projects. Debt service is paid from the State Highway and Lottery Funds.

Revenue Sources and Relationships

Other Funds are derived from the sale of bonds, which are retired using allocations of State Highway and Lottery Funds.

Legislatively Adopted Budget

The 2005-07 legislatively adopted budget is \$169.9 million, which is \$148.7 million more than the 2003-05 legislatively adopted budget and \$136.7 million more than the Governor's recommended budget. The increase reflects the transfer of debt service payments for highway construction bonds from the Non-Limited program. The adopted budget provides expenditure limitation for \$20 million Lottery, \$0.8 million Lottery Funds for the Short-Line Rail, and \$1.4 million Lottery Funds for Industrial Rail Spur projects. No debt service is expected for the South Metro Commuter Rail project in the 2005-07 biennium. Total debt service payments for highway construction bonds are estimated to be \$147.8 million during the 2005-07 biennium.

ODOT – Capital Improvements

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	2,284,466	2,529,970	2,590,689	2,590,689
Total Funds	\$2,284,466	\$2,529,970	\$2,590,689	\$2,590,689

ODOT – Capital Construction

	2001-03 Actual	2003-05 Legislatively Approved	2005-07 Governor's Recommended	2005-07 Legislatively Adopted
Other Funds	1,000,001	2,600,000	9,200,000	2,200,000
Total Funds	\$1,000,001	\$2,600,000	\$9,200,000	\$2,200,000

Program Description

The Capital Improvements and Capital Construction program provides for new construction, remodeling, or improvements to facilities subject to the oversight of ODOT.

Revenue Sources and Relationships

Capital activities are funded primarily through transfers of State Highway Funds.

Legislatively Adopted Budget

The 2005-07 legislatively adopted Capital Improvement budget is \$2.6 million, which is \$60,000 more than the 2003-05 legislatively approved expenditure level. The increase reflects applying the standard inflationary increases for services and supplies and capital outlay. The adopted budget supports 46 identified facility improvement projects.

The 2005-07 legislatively adopted Capital Construction budget is \$2.2 million, which is \$0.4 million less than the 2003-05 legislatively approved expenditure level and \$7 million less than the Governor's recommended budget. The Legislature approved funding Phase 3 of the Sylvan Maintenance Station estimated at \$2.2 million. Construction bids on the four remaining Sylvan buildings indicated an increased cost from the Governor's recommended budget of \$0.9 million to \$2.2 million for the project. The Legislature did not approve \$4 million for replacing buildings at the East Portland Maintenance Station, \$4 million for Baker City Maintenance Station, and \$0.2 million for planning and design of future projects, indicating that the legislative priority is to insure substantial progress is made on the Oregon Transportation Investment programs before considering facility construction projects.