

TRANSPORTATION

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Department of Aviation – Agency Totals

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	6,886,659	9,508,576	6,826,725	6,738,855
Federal Funds	2,863,075	10,443,166	970,000	2,470,000
Total Funds	\$9,749,734	\$19,951,742	\$7,796,725	\$9,208,855
Positions	19	17	16	17
FTE	17.92	17.00	16.00	16.38

Agency Overview

The Department of Aviation's mission is to support Oregon communities by preserving and enhancing aviation. 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.

The Department's six-year plan goals include: a) protect public-use airports, b) leverage technology to enhance general aviation programs, c) support communities through economic development, d) improve safety and operating condition of state-owned/operated airports, and e) protect and enhance aviation. Key areas of the responsibilities include:

- Develop and implement the Oregon Aviation Plan and related policies
- Conduct continuous aviation system planning and provide technical assistance on airport planning and development
- Administer the federal General Aviation Entitlement grant, pavement maintenance, and financial aid to municipalities (FAM) programs
- Register approximately 4,200 aircraft annually
- Register approximately 2,545 pilots annually
- Conduct airport safety inspections on state-owned and other Oregon public airports; investigate proposed airport and heliport sites; provide technical safety advice on facilities siting and feasibility issues
- Maintain 28 state-owned airports to federal and safety standards including routine and preventive maintenance such as mowing, obstruction removal, pavement preservation, and navigational aid maintenance

Revenue Sources and Relationships

The Department is supported entirely by Other and Federal Funds with total estimated revenue for the 2009-11 biennium of \$9.8 million. This reflects a decrease of \$12.2 million, or 56%, from the 2007-09 legislatively approved budget. A reduction in federally funded capital construction accounts for most of the decline.

Fuel Tax

- *Jet fuel tax* remains at \$0.01 per gallon as approved by the 1999 Legislature. Of the \$0.01 tax, one half supports the Department's operating budget and the other half is dedicated to pavement maintenance for all public owned and public use airports. The 2009-11 estimated revenue totals \$4.2 million, or an increase of 3.4% from the 2007-09 projected revenue.
- *Aviation fuel tax* remains at \$0.09 per gallon as approved by the 1999 Legislature. Of the \$0.09 tax, \$0.03 supports the Department's operating budget and \$0.06 is dedicated to pavement maintenance. The 2009-11 estimated revenue totals \$785,000, or an increase of 7% from the 2007-09 projected revenue.

Fees

- The Department registers and collects fees from an estimated 2,545 pilots, deducts for administrative costs, and passes the dedicated funds to the Military Department's Oregon Emergency Management Search and Rescue program. The initial registration fee is \$12 (good until the pilot's birthday) and \$24 for renewals which are for a two-year period. The 2009-11 estimated revenue totals \$115,000. The 2009-11 legislatively adopted budget increased these fees from \$8 for initial registration and \$16 for renewals (HB 2150).
- Approximately 4,200 aircraft are registered with the Department. Fees are based on the class of the aircraft and range from \$30 for ultralight to \$350 for turbo/jet fixed wing. The Department annually licenses 25

aircraft providers for a fee of \$250 each. These fees are used to fund operations. The 2009-11 estimated revenue totals \$611,000 including approved fee increases (HB 2149).

- The Department also generates revenues through hangar and site leases and charges for services.

Federal Funds

- Funds from the Federal Aviation Administration Airport Improvement Program (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, eight of which the Department has administered under the GA Entitlement Program since 2003. 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.

Budget Environment

In January 2007, the Department entered into an interagency agreement with the Port of Portland to acquire the Mulino Airport. Before transferring ownership, the Port of Portland agreed to pay for the construction of two rows of T-Hangars at a cost not to exceed \$1.4 million and a taxi lane/access road at a cost not to exceed \$800,000. The Department will report to an interim legislative committee on the transfer of ownership, revenues generated, and costs associated with operating this additional airport.

The FAM discretionary grant program may provide up to \$25,000 per fiscal year per airport to prevent future deficiencies and preserve existing facilities; eliminate existing deficiencies; modernize the airport; leverage available state and federal funds for airport planning and capital improvements; or contribute to the airport's financial self-sufficiency. The recipient airport must provide matching funds in the form of either cash or in-kind services. The level of match is dependant on the airport's category and ranges from 5% for low activity to 50% for commercial property. However, due to on-going concerns for operating cash balances, the 2009-11 legislatively adopted budget does not include funding for FAM grants.

Essential Budget Level

The essential budget level of \$6.8 million Other Funds and \$970,000 Federal Funds reflects a decrease of \$12.1 million, or 61%, total funds from the 2007-09 legislatively approved budget. The 2007-09 legislatively approved budget included \$11.9 million total funds for capital construction projects which carry six-year expenditure limitations and do not need to be re-established in the new biennium. Standard adjustments for personal services costs, inflation, rate increases for the Attorney General, and state government service charges are included in the essential budget level.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$9.2 million total funds reflects a decrease of 54% from the 2007-09 legislatively approved budget. The adopted budget maintains the essential budget level and includes the following enhancements:

- Assume ownership of the Mulino Airport from the Port of Portland for \$1
- Authorize a limited duration Aviation Operations Specialist for nine months
- Upgrade registration software
- Authorize \$1.6 million in capital construction funding for improvements at the Joseph Airport

Department of Transportation (ODOT) – Agency Totals

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
General Fund	8,626,167	4,504,713	4,630,845	10,000,000
Lottery Funds	22,819,711	46,559,957	92,782,785	85,445,103
Other Funds	2,578,623,284	3,414,306,679	3,397,274,712	3,869,216,652
Federal Funds	50,690,562	81,466,942	82,510,966	87,466,949
Other Funds (NL)	220,324,825	41,677,260	18,158,214	18,158,214
Total Funds	\$2,881,084,549	\$3,588,515,551	\$3,595,357,522	\$4,070,286,918
Positions	4,657	4,639	4,607	4,636
FTE	4,544.69	4,532.62	4,512.72	4538.08

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 alternatives to 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 ODOT'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 \$4.7 billion to be collected for 2009-11, \$793 million is projected to accrue to other state agencies and local governments, leaving \$3.9 billion available for expenditure on transportation programs. This is an increase of \$286.8 million from the essential budget level as a result of the Legislature's approval of HB 2001 increasing revenues for transportation projects. The most recent revenue forecast at the essential budget level projected gross highway fund collections to increase by about 1.6% from the 2007-09 estimates. Total state motor fuel tax receipts at the essential budget level were forecasted to increase 5.43%. Despite high gasoline prices faced by Oregonians during the 2007-09 biennium, fuel consumption is not forecast to decline through fiscal year 2013. Compared to the prior forecast, the current forecast shows fuels tax revenue will be about 1.8% higher on average per fiscal year. Some of this increase relates to the impact of HB 2210, which mandated the blending of gasoline with 10% ethanol for sale throughout the state. While presumably less polluting, ethanol blends may result in poorer fuel efficiency and, therefore, consumers will need to increase the number of gallons they purchase if they wish to maintain their current driving habits.

The forecast for Driver and Motor Vehicles Division (DMV) revenues projects a decline of \$11 million at the 2009-11 essential budget level or minus 2.24% from the 2007-09 legislatively approved budget (LAB). The DMV response to the changing economy occurs because DMV revenues are driven primarily by demographics rather than the pace of economic activity. The overall outlook for DMV is for about a \$1.7 million, or 0.6%, reduction in annual revenues. Weight-mile use taxes are projected to increase at the 2009-11 essential budget level by \$24 million – about 4.87% more than the 2007-09 LAB. Because many aspects of the national and state economies are predicted to weaken during the next few years, Motor Carrier revenues are expected to be lower than previous long-term projections anticipated. Motor fuels usage taxes are projected to be \$47.8 million more than the 2007-09 LAB, about 5.4% higher.

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 \$8.2 million in the 2009-11 biennium is expected to be available for non-highway uses.

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was enacted August 10, 2005, authorizing federal surface transportation programs for highways, highway safety, and transit for the 5-year period 2005-2009. These funds are received and reported as Other Funds. The total amount of Federal Funds in this category for the 2009-11 biennium is over \$928 million. The amount of Federal Funds projected for the 2009-11 biennium is based on the anticipated payment of contracts eligible under the current SAFETEA-LU legislative authorization. The current federal legislation expires September 30, 2009 and is expected to be renewed by Congress at some point in the next two years. Prior to reauthorization of the program it will likely continue under an extension. In February 2009, Congress adopted an economic stimulus package known as the American Recovery and Reinvestment Act (ARRA) that included funding for “ready-to-go” transportation projects. ODOT identified projects to fund under the state’s \$234 million share of the ARRA highway program funding. Federal Funds received and reported as federal revenue are grants or direct revenue for specific programs such as transit and rail projects.

The Department receives \$2.8 million in Lottery Funds to make the final bond installment payment for the Westside Light Rail Line, construction of which is now complete. The Westside Light Rail bonds are scheduled to retire in 2010. 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 bonds were 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. The 2005 Legislature authorized \$100 million in bonds to fund multi-modal transportation infrastructure projects. The 2007 Legislature authorized the sale of \$250 million in bonds for the Southeast Portland light rail extension project, \$20 million in bonds for the Street Car Grant Program, and another \$100 million for Multi-modal transportation infrastructure grant and loan projects. Bonds for the Southeast Portland light rail extension project are expected to be sold by June 30 2009; and bonds for the Street Car Grant Program are proposed for the 2009-11 biennium. Lottery Funds allocated to pay the debt service on these bonds are estimated at \$85.4 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.

Revenue Source	2007-09 LAB	2009-11 Essential Budget Level	2009-11 Leg. Adopted Budget	Percent of Total Revenue
Beginning Balance	390,710,078	382,132,066	472,733,109	9.94%
General Fund	4,504,713	4,630,845	10,000,000	0.21%
Federal Revenue	79,724,275	82,264,157	87,153,501	1.83%
Federal Revenues as Other	783,754,249	928,115,578	928,115,578	19.51%
Other Funds:				
Charges for Services	2,169,235	9,852,929	9,839,929	0.21%
Drivers' Licenses	77,933,779	72,972,973	89,881,745	1.89%
Interest Income	15,866,881	46,114,079	19,580,730	0.41%
Lottery Funds	46,510,709	86,382,535	85,445,103	1.80%
Motor Vehicle Fuels Tax	881,471,428	929,292,268	951,760,014	20.00%
Other Licenses and Fees	71,637,418	74,663,969	61,380,354	1.29%
Other State and Federal	18,301,733	21,510,148	21,817,497	0.46%
Lottery Bond Proceeds	8,376,960	0	25,000,000	0.53%
Highway Revenue Bond Proceeds	908,614,960	630,339,800	656,000,000	13.79%
Sales Income	19,811,516	21,691,608	25,349,232	0.53%
Vehicle Licenses	423,323,045	417,078,174	560,979,995	11.79%
Weight Mile Tax & Fees	506,071,428	530,064,104	595,030,121	12.51%
Transportation Operating Account	8,300,000	8,236,478	8,457,599	0.18%
Transfers In (Revenue, etc.)	135,019,557	140,670,830	149,334,277	3.14%
Subtotal Revenues	\$4,382,101,964	\$4,386,012,541	\$4,757,858,784	100.00%
Transfers to Other Agencies	(71,909,413)	(76,486,156)	(76,960,672)	
Transfers to Cities and Counties	(607,881,105)	(632,396,282)	(716,887,616)	
Revenues Available for Expenditure	3,702,311,446	3,677,130,103	3,964,010,496	

Budget Environment

According to ODOT's June 2008 Transportation and Economic and Revenue forecast for Fiscal Year 2008 through Fiscal Year 2013, while the current economic downturn in Oregon's jobs and real personal income will result in lower revenues, the expenditures by ODOT that are necessary to maintain, preserve, and modernize the State Highway System will not materially change with weaker travel demands going forward. The funding gap with diminished user tax revenues is compounded by construction cost escalation. 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. 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. The OTIA program is expected to be completed by the end of 2013.

The agency General Fund component partially funds the Willamette Valley Passenger Rail. The essential budget requires \$4.6 million in General Fund to support the passenger rail service. A portion of the budget that had been previously General Fund was offset by the 2007 Legislature's action to dedicate the revenue from custom license plates to fund one round-trip daily between Eugene and Portland.

Essential Budget Level

The 2009-11 essential budget level of \$3,595.4 million total funds is an increase of \$6.8 million, or 0.19%, from the 2007-09 legislatively approved expenditure level and includes 4,607 positions (4,512.72 FTE) as of December 2008. The 2007-09 legislatively approved expenditure level includes \$62.7 million total funds in special session and Emergency Board actions during Fiscal Year 2008 for emergency repair work related to winter storm damage, increased compensation for employees, increased debt service on refinanced bonds, and adjustments for contractor payments. The 2009-11 essential budget level includes a reduction of \$501 million to phase out one-time expenditures related to research, technology projects, and contractor payments and an increase of \$325.7 million to adjust contractor payments for highway projects that are expected to pay out during the 2009-11 biennium. It reflects standard adjustments for personal services costs, inflation, rate increases for the Attorney General, and state government service charges, and includes the removal of 32 positions (19.90 FTE) either limited duration or temporary in nature. The essential budget is increased by \$47.2 million Lottery Fund and \$108.4 million Other Funds to reflect increases in principal and interest payments due to revenue bond sales during the 2007-09 biennium. It also reflects technical adjustments to realign positions across programs resulting in a net zero fiscal impact and a fund shift of \$791,586 from Other Funds to Federal Funds.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$4,070 million is \$475 million, or 13.2%, higher than the 2009-11 essential budget level and includes 4,636 positions (4,537.78 FTE). The budget reflects increases in highway construction programs, including \$120 million funded through increases in vehicle registration and title fees and a six cent increase in state fuel taxes to raise \$300 million annually authorized in HB 2001 for preservation, highway operations, modernization, and local government programs. The budget adds \$31 million out of the increased revenue to support a number of studies and environmental initiatives during the 2009-11 biennium. An additional \$122.3 million in revenue will be distributed to cities and counties from the increased fees and fuel taxes. The budget includes \$25 million in revenue bonds backed by Lottery Funds for multi-modal transportation infrastructure projects from a \$100 million bond issue authorized by the Legislature in HB 2001. The budget shifts \$5 million of flexible federal highway funds previously used to fund highway construction projects to public transit programs and adds \$10 million General Fund for public transit operating grants. The Legislature approved 25 additional positions to address issues related to building technical expertise to sustain core competencies within the organization. These increases will be explained in the programs below. In addition, the Legislature approved \$75 million in revenue bonds backed by highway trust funds for ODOT's share of the Oregon Wireless Interoperability Network (OWIN) project. The Legislature also approved an increase in Custom License Plate Fees to reduce passenger rail's dependence on General Fund resources by

\$3.45 million. The budget reflects \$220 million of revenue bond proceeds backed by Lottery Funds authorized by the Legislature in 2007 to be distributed during the 2009-11 biennium for the street car grant program and Tri-Met light rail project.

ODOT – Highway Division

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	2,005,136,432	2,605,692,356	2,478,189,163	2,526,032,136
Total Funds	\$2,005,136,432	\$2,605,692,356	\$2,478,189,163	\$2,526,032,136
Positions	2,702	2,647	2,641	2,665
FTE	2,649.32	2,596.84	2,589.83	2,610.69

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 Oregon Innovative Partnerships Program has identified possible projects for long-term public-private partnership and has solicited information and statements of interest from potential private sector partners. Agency staff performs much of the maintenance and part of the preservation work for which ODOT is responsible. The categories of the Highway Division budget are Maintenance, Preservation, Bridge, Safety, Operations, Modernization, Special Programs, and Local Government.

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 2003-05. The 2009-11 legislatively adopted budget level includes a total of \$535 million bond financing for the three OTIA programs.

Funds	2003-05 Actual	2005-07 Actual	2007-09 Legislatively Adopted	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Beginning Balance	411,353,739	143,598,974	324,834,197	199,689,704	328,165,553
Federal as Other	643,917,034	651,748,119	730,558,790	874,920,119	874,920,119
State Other	854,235,501	897,217,547	812,316,589	867,711,475	950,922,610
State Revenue Bonds	321,959,221	929,124,507	813,275,160	535,000,000	535,000,000
Total Funds	\$2,231,465,495	\$2,621,689,147	\$2,680,984,737	\$2,450,324,298	\$2,689,008,282

Budget Environment

The Highway Division budget includes the portion of the 2008-11 STIP to be expended during the 2009-11 biennium. The STIP encompasses a four-year construction period based on a federal fiscal year; it is updated every two years. The first two years of the STIP contain the updated projects from the previous two years. The last two years include the new projects that are scheduled to begin in those years. The current STIP covers the period 2008-11. A draft 2010-13 STIP has been prepared and a public review had started on October 1 and was scheduled to continue through the end of November. Changes in the economy over the past year have impacted driving patterns, which has impacted ODOT's revenue estimates. The most recent transportation forecast shows revenues over the 2009-13 time frame that are substantially lower than the estimates used a year ago to set program targets through 2013. 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.

Compounding the declining revenue are increased costs, although in the short term some costs are leveling out, still impacts over the last year make the funding situation worse. ODOT projects a \$230 million deficit by 2013 from previous revenue projections. Increased costs for the State Data Center, personal services costs, and an increase in the estimated costs for renovation of the Transportation Building add another \$85 million over the 2009-13 period raising the deficit to \$315 million by 2013. Due to this uncertainty and to allow for many of the variables to stabilize, the agency decided to suspend work on the 2010-13 STIP until the middle of 2010. By the middle of 2010, variables impacting current economic conditions, the federal transportation stimulus package; congressional reauthorization of federal transportation funding will be known; and the Oregon Legislature's decision to increase fees and fuel taxes revenues will be implemented and revenue levels will be more predictable. Federal regulations require that the STIP include only projects for which the state can reasonably expect adequate funding.

The OTIA program 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. Approximately 43% of these funds have been expended. In addition to OTIA projects, the 2008-11 STIP contains over \$1.4 billion in traditionally funded projects and programs. Approximately 71% of the funding for these additional projects (\$992 million) comes from federal sources. State highway funds contribute \$409 million. In addition, the STIP contains about \$284 million Federal Funds for local government projects.

ODOT operates and maintains nearly 8,147 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 a graveled rural highway. 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 10% of total road and street miles in the state, but carry 61% of the traffic – more than 56 million vehicle miles per day. Even though current economic conditions have changed people's driving patterns, it is anticipated that more people will be driving more cars for more miles over the long term. Roughly 73% of commuters drive alone to and from work. Congestion is worsening, especially on urban freeways. Despite a 24% increase in miles traveled over the past decade, Oregon's road mileage has grown by only 2%. 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.

Essential Budget Level

The 2009-11 essential budget level of \$2,478 million Other Funds is a decrease of \$111.6 million, or 4.3%, from the 2007-09 legislatively approved expenditure level and includes 2,641 positions (2,589.83 FTE). The 2007-09 legislatively approved expenditure level includes \$58.7 million Other Funds in special session and Emergency Board actions during Fiscal Year 2008 for emergency repair work related to winter storm damage, increased compensation for employees, and adjustments for contractor payments. The 2009-11 essential budget level includes a reduction of \$481 million to phase out one-time expenditures related to contractor payments and a one-time payment to counties; and an increase of \$313.5 million Other Funds to adjust contractor payments for highway projects that are expected to pay out during the 2009-11 biennium and includes \$2.1 million to align fleet acquisition with usage. It reflects standard adjustments for personal services costs; including the removal

of 2 positions (2.00 FTE), inflation, rate increases for the Attorney General, and state government service charges. It also reflects technical adjustments to realign positions across programs resulting in an agency-wide net zero fiscal impact, but an \$830,612 Other Funds increase and 7 positions (7.00 FTE) within the Highway Division.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$2,526 million is \$47 million, or 19.3%, higher than the 2009-11 essential budget level and includes 2,665 positions (2,610.39 FTE). The Legislature approved \$125.7 million for maintenance and construction projects under the Jobs and Transportation Act of 2009 (HB 2001). With the new revenues adopted in HB 2001, the Legislature dedicated 68% of the state's share of annual title fee, vehicle registration fee, and plate manufacturing fee increase revenue to maintenance, preservation, and safety projects for maintaining transportation systems and 32% for the state Modernization program. After January 2, 2011, the Legislature dedicated 33% of the state's share of title fee, vehicle registration fee, plate manufacturing fees, gasoline taxes, road use assessments, weight mile tax, and flat fee increases to maintenance, preservation, and safety; 15.75% to state modernization projects; and 51.15% for bond repayments on \$840 million in highway user tax bonds authorized in the measure. The \$125.7 million is the estimated amount ODOT expects to receive during the 2009-11 biennium. HB 2001 allocates the \$840 million to 37 specific projects and 12 counties in specified amounts. The Legislature added 25 positions (25.00 FTE) to be funded by utilizing resources from services and supplies to address the need to sustain core technical competency within Highway Programs. Personal service costs for the 2009-11 biennium would be \$6,058,582. The positions will be funded through redirecting dollars from outsourcing programs. The positions are split across multiple program units to mitigate loss of technical quality due to staff retiring or leaving to pursue employment elsewhere. The budget also includes a reduction of \$78.6 million in technical adjustments to reflect a reduction in contractor payments, internal shifting of positions and expenditure limitations, and decreases in statewide salaries and assessments for state government service charges.

ODOT – Highway/Maintenance and Emergency Relief

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	342,316,126	402,157,893	399,861,521	399,755,412
Total Funds	\$342,316,126	\$402,157,893	\$399,861,521	\$399,755,412
Positions	1,402	1,359	1,364	1,364
FTE	1,364.96	1,322.36	1,325.35	1,325.35

Program Description

The purpose of the Highway Maintenance and Emergency Relief program is to maintain, repair, and extend the service-life of the 8,147-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 of 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 \$44 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.

Essential Budget Level

The 2009-11 essential budget level of \$399.8 million Other Funds is an increase of \$5 million, or 1.3%, from the 2007-09 legislatively approved expenditure level and includes 1,364 positions (1,325.35 FTE). The 2007-09 legislatively approved expenditure level includes \$42.5 million Other Funds in special session and Emergency Board actions during Fiscal Year 2008 for emergency repair work related to winter storm damage, OWIN federal grant match, increased compensation for employees, and adjustments for contractor payments. The 2009-11 essential budget level includes an increase of \$3.6 million Other Funds to adjust contractor payments for construction projects that are expected to pay out during the 2009-11 biennium and includes \$2.1 million to align fleet acquisition with usage. It reflects standard adjustments for personal services costs, inflation, rate increases for the Attorney General, and state government service charges. It also reflects technical adjustments to realign positions across programs resulting in an agency-wide net zero fiscal impact, but a \$74,586 Other Funds increase and 7 positions (7.00 FTE) within the Highway Maintenance Program.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$400 million is \$106,109 less than the 2009-11 essential budget level and includes 1,364 positions (1,324.35 FTE). The Legislature approved \$2 million Other Funds be shifted from the Maintenance services and supplies budget to the Motor Carrier Transportation Division (MCTD) unit to provide resources necessary for MCTD to address deferred maintenance issues at Oregon’s weigh stations.

The budget invests \$13.6 million in the 2009-11 biennium under the “Jobs and Transportation Act of 2009” (JTA-2009) goal to “Take Care of the System” by improving winter driving safety and the condition of the state highway infrastructure. The 2009-11 investment represents 22.6% of the estimated \$60.3 million state share of revenue and would cover approximately 1.5 years of the biennium. The Legislature also approved a reduction of \$4.6 million by shifting \$3 million from Maintenance to Highway Operations to align the Intelligent Traffic Devices (ITS) maintenance with the same program that funds the construction of new devices and \$1.6 million to Central Services to align state government service charges in the correct cost center. An additional reduction of \$7 million was approved to reflect statewide salary adjustments and reductions in various state government service charges.

ODOT – Highway/Preservation

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	2,737,678,739	243,449,915	355,010,301	389,054,507
Total Funds	\$2,737,678,739	\$243,449,915	\$355,010,301	\$389,054,507
Positions	206	199	147	148
FTE	206.00	199.00	147.00	147.87

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 2004 pavement condition rating of 85% “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.

Essential Budget Level

The 2009-11 essential budget level of \$355 million Other Funds is an increase of \$111.5 million, or 4583%, from the 2007-09 legislatively approved expenditure level and includes 1,364 positions (1,325.35 FTE) as of December 2008. The 2007-09 legislatively approved expenditure level includes \$1.3 million Other Funds in special session and Emergency Board actions during Fiscal Year 2008 for increased compensation for employees. The 2009-11 essential budget level includes an increase of \$112.9 million Other Funds to adjust contractor payments for construction projects that are expected to pay out during the 2009-11 biennium. It reflects standard adjustments for personal services costs, inflation, rate increases for the Attorney General, and state government service charges. It also reflects technical adjustments to realign positions across programs resulting in an agency-wide net zero fiscal impact, but a decrease of \$8.9 million Other Funds and a reduction of 50 positions (50.00 FTE) within the Highway Preservation Program.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$389 million is \$34 million, or 9.6%, more than the 2009-11 essential budget level and includes 148 positions (147.87 FTE). The Legislature approved adding one permanent professional engineering position (0.87 FTE) in the Highway Preservation Program funded by utilizing resources from services and supplies to implement a strategy to provide coverage, succession planning, and address recruiting, retention, and workforce planning issues. The cost for the position is \$141,253.

The budget invests \$35 million in the 2009-11 biennium under the “Jobs and Transportation Act of 2009” Goal to “Take Care of the System” by improving the condition of the state highway infrastructure. The investment represents 58.1% of the estimated \$60.3 million state share of revenue. With the proposed new revenues, an

estimated \$12.5 million will be invested annually for pavement in general plus an additional \$5 million annually for high volume highways in urban areas. The agency estimates that an additional \$12.5 million per year will allow ODOT to resurface about 34 more lane miles of state highway at today's high asphalt and fuel costs. ODOT has identified about 85 miles of high volume urban highways that have deteriorated to "poor" and "very poor" condition requiring extensive rehabilitation and reconstruction to restore the highways to "good" condition. The 2009-11 investment would cover 1.5 years of the biennium. The budget is reduced by \$955,794 to reflect reductions in statewide salaries and reductions in various state government service charges.

ODOT – Highway/Bridge

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	505,321,643	900,005,637	698,771,709	670,425,103
Total Funds	\$505,321,643	\$900,005,637	\$698,771,709	\$670,425,103
Positions	161	149	145	150
FTE	160.22	148.50	145.00	149.37

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 address 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. 23% of state-owned bridges are more than 50 years old and require extensive rehabilitation and/or replacement. In 2008, ODOT reported 179 bridges that are "structurally deficient." Of these, 38 bridges are structurally deficient due to just the condition of the deck. An average of 12 bridges are rated as structurally deficient each year.

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.

Essential Budget Level

The 2009-11 essential budget level of \$698.9 million Other Funds is decrease of \$201 million, or 22.3%, from the 2007-09 legislatively approved expenditure level and includes 145 positions (145.00 FTE) as of December 2008. The 2007-09 legislatively approved expenditure level includes a reduction of \$32.3 million Other Funds in special session and Emergency Board actions during Fiscal Year 2008 to reflect contractor payment adjustments and increased compensation for employees. The 2009-11 essential budget level includes a decrease of \$250.6 million Other Funds to adjust contractor payments for construction projects that are expected to pay out during the 2009-11 biennium. It reflects standard adjustments for personal services costs, inflation, rate increases for the Attorney General, and state government service charges. It also reflects technical adjustments to realign

positions across programs resulting in an agency-wide net zero fiscal impact, but an increase of \$151,463 Other Funds and a 0.50 FTE increase within the Highway Bridge Program.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$670.4 million is \$28.3 million, or 4.1%, less than the 2009-11 essential budget level and includes 150 positions (149.37 FTE). The Legislature approved adding five engineering positions (4.37 FTE) in the Highway Bridge program funded by utilizing resources from services and supplies to address the need to sustain core technical competency within Highway Programs. The cost of the positions is \$634,739. The budget is reduced by \$27.4 million to reflect adjustments in contractor payments and \$955,794 to reflect reductions in statewide salaries and reductions in various state government service charges.

ODOT – Highway/Safety

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	58,386,574	70,873,499	62,042,873	71,652,622
Total Funds	\$58,386,574	\$70,873,499	\$62,042,873	\$71,652,622
Positions	37	34	56	56
FTE	37.00	34.00	56.00	56.00

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 these 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 650 high crash locations identified on the state highway system and approximately 1,540 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 2004, 456 reported traffic fatalities occurred. Oregon's highway death rate has declined to 1.25 people killed per 100 million vehicle miles traveled from 2001's rate of 1.4. 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.

Essential Budget Level

The 2009-11 essential budget level of \$62 million Other Funds is a decrease of \$230,626, or 0.37%, from the 2007-09 legislatively approved expenditure level and includes 56 positions (56.00 FTE) as of December 2008. The 2007-09 legislatively approved expenditure level includes an increase of \$10.2 million Other Funds in special session and Emergency Board actions during Fiscal Year 2008 to reflect contractor payment adjustments and increased compensation for employees. The 2009-11 essential budget level includes an increase of \$4.3 million Other Funds to adjust contractor payments for construction projects that are expected to pay out during the 2009-11 biennium. It reflects standard adjustments for personal services costs, inflation, rate increases for the Attorney General, and state government service charges. It also reflects technical adjustments to realign

positions across programs resulting in an agency-wide net zero fiscal impact, but an increase of \$3.2 million Other Funds and an increase of 18 positions (18.00 FTE) within the Highway Safety Program.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$71.6 million is \$9.6 million, or 15.5%, more than the 2009-11 essential budget level and includes 56 positions (56.00 FTE). The Legislature added \$10 million for highway safety projects under the “Jobs and Transportation Act of 2009” representing 16.6% of the estimated \$60.3 million state revenue share for the 2009-11 biennium. The budget is reduced by \$390,251 to reflect reductions in statewide salaries and reduced assessments in state government charges.

ODOT – Highway/Operations

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	50,152,650	69,444,816	69,004,040	71,310,646
Total Funds	\$50,152,650	\$69,444,816	\$69,004,040	\$71,310,646
Positions	151	161	121	128
FTE	147.37	158.62	119.34	125.46

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. Highway Management performs work related to speed zone studies, signal timing, and traffic investigations, including crash sites. 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. 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.

Essential Budget Level

The 2009-11 essential budget level of \$69 million Other Funds is a decrease of \$440,776, or 0.63%, from the 2007-09 legislatively approved expenditure level and includes 121 positions (119.34 FTE) as of December 2008. The 2007-09 legislatively approved expenditure level includes an increase of \$24.8 million Other Funds in special session and Emergency Board actions during Fiscal Year 2008 to reflect contractor payment adjustments and increased compensation for employees. It reflects standard adjustments for personal services costs, inflation, rate increases for the Attorney General, and state government service charges. It also reflects technical adjustments to realign positions across programs resulting in an agency-wide net zero fiscal impact, but a decrease of \$6.9 million Other Funds and a reduction of 39 positions (38.54 FTE) within the Highway Operations Program.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$71.3 million is \$2.3 million, or 3.3%, more than the 2009-11 essential budget level and includes 128 positions (125.46 FTE). The Legislature added seven professional engineering positions (6.12 FTE) in the Highway Operations program funded by utilizing resources from

services and supplies to address the need to sustain core technical competency within Highway Programs. The cost for the positions is \$815,881. The budget adds \$3 million shifted from the Maintenance Program to align the Intelligent Traffic Devices (ITS) maintenance with the same program that funds the construction of new devices. The budget is reduced by \$693,394 to reflect reductions in statewide salaries and reductions in various state government service charges.

ODOT – Highway/Modernization

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	380,872,899	397,475,288	289,026,232	348,192,936
Total Funds	\$380,872,899	\$397,475,288	\$289,026,232	\$348,192,936
Positions	143	133	135	137
FTE	142.50	132.50	135.00	136.75

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; widening bridges to add travel lanes; and administration of the Immediate Opportunity Fund. 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.

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 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. The OTIA added \$200 million in 2001 and 2002 and as well as \$500 million identified in 2003. In order to meet the 20-year need identified in the Oregon Highway Plan, approximately \$390 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.

Essential Budget Level

The 2009-11 essential budget level of \$69 million Other Funds is a decrease of \$108.4 million Other Funds, or 27.3%, from the 2007-09 legislatively approved expenditure level and includes 135 positions (135.00 FTE) as of December 2008. The 2007-09 legislatively approved expenditure level includes an increase of \$920,027 Other Funds in special session and Emergency Board actions during Fiscal Year 2008 to reflect increased compensation for employees. The 2009-11 essential budget level includes a decrease of \$153.6 million Other Funds and an increase of \$37.6 million Other Funds to adjust contractor payments for construction projects that are expected to pay out during the 2009-11 biennium. It reflects standard adjustments for personal services costs, inflation, rate increases for the Attorney General, and state government service charges. It also reflects technical adjustments to realign positions across programs resulting in an agency-wide net zero fiscal impact, but an increase of \$738,527 Other Funds and 6 positions (6.00 FTE) within the Highway Modernization Program.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$348.2 million is \$59.1 million, or 20.5%, more than the 2009-11 essential budget level and includes 137 positions (136.75 FTE). The Legislature approved adding 2 professional engineering positions (1.75 FTE) funded by utilizing resources from services and supplies to address the need to

sustain core technical competency within Highway Programs. The cost for the positions is \$276, 913 for the 2009-11 biennium.

The budget invests \$60.1 million for modernization projects which represents \$28.5 million under the formula requiring 32% of state highway allocation of new revenue be spent on modernization projects established in the “Jobs and Transportation Act of 2009” and another \$31.6 million for specific projects from bond proceeds detailed in HB 2001. The modernization projects will address freight bottlenecks. The Transportation Commission identified 99 modernization projects that are needed to relieve congestion, improve freight mobility and enhance safety. The Legislature reduced the budget by \$947,028 to reflect decreases in statewide salaries and assessments on various state government service charges.

ODOT – Highway/Special Programs

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	179,529,747	261,453,043	213,766,232	184,957,448
Total Funds	\$257,400,553	\$261,453,043	\$213,766,232	\$184,957,448
Positions	567	595	632	641
FTE	556.27	584.86	621.14	628.89

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.
- The *Surplus Property Unit* (7.00 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.
- *Administration* (50.65 FTE), *Materials Testing Lab* (19.50 FTE), and *Indirect Services* (162.43 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 Program Office, and Major Projects Branch* (28.20 FTE) include Deputy Director and support staff (1.00 FTE) for the Highway program Executive Deputy Director; financial support staff (20.00 FTE) for budget, funds, and grant tracking, financial coordination for regions, report writing, and financial analysis; and headquarters project delivery staff (7.20 FTE) responsible for ensuring efficient and consistent statewide delivery of all transportation projects.
- *Innovative Private Partnerships* (4.00 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* (123.55 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.
- Through the realignment process, *Systems Management* (135.00 FTE) 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* (45.35 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.
- *Reimbursables* (36.00 FTE) contains ODOT services that are paid by other parties including damage to structures and outside billings allowing ODOT to bill private citizens and businesses for services provided.

Essential Budget Level

The 2009-11 essential budget level of \$213.8 million Other Funds is a decrease of \$47.37 million Other Funds, or 18.24%, from the 2007-09 legislatively approved expenditure level and includes 632 positions (621.14 FTE) as of December 2008. The 2007-09 legislatively approved expenditure level includes an increase of \$4 million Other Funds in special session and Emergency Board actions during Fiscal Year 2008 to reflect personnel adjustments and increased compensation for employees. The 2009-11 essential budget level includes a decrease of \$76.7 million Other Funds to phase out a one-time special payment to Counties to offset a reduction in federal timber receipts, and an increase of \$12.3 million Other Funds to adjust contractor payments for construction projects that are expected to pay out during the 2009-11 biennium. It reflects standard adjustments for personal services costs, inflation, rate increases for the Attorney General, and state government service charges. It also reflects technical adjustments to realign positions across programs resulting in an agency-wide net zero fiscal impact, but an increase of \$738,527 Other Funds and 35 positions (34.00 FTE) within the Highway Special Programs.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$185 million is \$28.8 million, or 13.5%, less than the 2009-11 essential budget level and includes 641 positions (628.59 FTE). The Legislature approved adding 10 professional engineering positions (8.75 FTE) funded by utilizing resources from services and supplies to address the need to sustain core technical competency within Highway Programs. The cost for the positions is \$1,309,101 for the 2009-11 biennium.

The budget invests \$1,705,000 for highway projects, of which \$705,000 represents safety projects including rest area recharging stations for plug-in hybrid vehicles, hazmat safety, and asset management projects and \$1 million for an Urban Trails Grant Program under the "Jobs and Transportation Act of 2009." The \$705,000 investment represents 1.1% of the estimated \$60.3 million state share of revenue. Under the Act, a revenue transfer of \$48.9 million will be made to cities, \$73.3 million to counties, and \$6 million to the Travel Information Council from the new revenue. The budget is reduced by \$27.4 million to reflect a technical adjustment to contractor payments for construction projects to balance within projected revenues and anticipated construction contract payments during the biennium.

The budget adds \$1.9 million for Department of Energy grants expected to be expended by the end of 2010 and reduces the budget by \$317,784 and one position (1.00 FTE) to move a Fiscal Analyst 2 position and state government service charges to the appropriate cost center in the Central Services program. The Legislature reduced the budget by \$4,665,799 to reflect decreases in statewide salaries and assessments on various state government service charges.

ODOT – Highway/Local Government Programs

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	213,191,783	260,832,265	390,706,255	390,683,462
Total Funds	\$213,191,783	\$260,832,265	\$390,706,255	\$390,683,462
Positions	23	17	41	41
FTE	23.00	17.00	41.00	41.00

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. The program represents only the federal highway funds passed through to local agencies; it does not include the state bond-funded OTIA program.

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.

Essential Budget Level

The 2009-11 essential budget level of \$390.7 million Other Funds is an increase of \$129.9 million Other Funds, or 49.8%, from the 2007-09 legislatively approved expenditure level and includes 41 positions (41.00 FTE) as of December 2008. The 2007-09 legislatively approved expenditure level includes an increase of \$131,754 Other Funds in special session and Emergency Board actions during Fiscal Year 2008 to reflect increased compensation for employees. The 2009-11 essential budget level includes an increase of \$118 million Other Funds to adjust contractor payments for construction projects that are expected to pay out during the 2009-11 biennium. It reflects standard adjustments for personal services costs, inflation, rate increases for the Attorney General, and state government service charges. It also reflects technical adjustments to realign positions across programs resulting in an agency-wide net zero fiscal impact, but an increase of \$4.2 million Other Funds and 23 positions (23.00 FTE) within the Highway Local Government Program.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$390.7 million is \$22,793 less than the 2009-11 essential budget level and includes 41 positions (41.00 FTE). The Legislature approved an increase of \$280,200 to support projects related to the Connect Oregon grant program. The Legislature reduced the budget by \$302,993 to reflect decreases in statewide salaries and assessments on various state government service charges.

ODOT – Utility Permits

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	1,686,271	0	0	0
Total Funds	\$1,686,271	\$0	\$0	\$0
Positions	12	0	0	0
FTE	12.00	0	0	0

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. The 2007 Legislature combined this program with the Maintenance Program as a result of an Oregon Supreme Court ruling allowing use of Highway Trust Funds for the activity. Consolidating the activity in Maintenance simplified financial tracking for the Department.

ODOT – Driver and Motor Vehicles Services

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	132,850,110	151,067,266	159,058,764	157,684,979
Federal Funds	324,186	2,569,638	945,713	2,545,006
Total Funds	\$133,174,296	\$153,636,904	\$160,004,477	\$160,229,985
Positions	867	883	870	874
FTE	833.50	842.75	838.67	842.17

Program Description

Driver and Motor Vehicles (DMV) licenses and registers over 2.8 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 51,000 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 2007-09 DMV gross revenue collections (\$573 million). Revenue in excess of amounts needed to cover DMV operating costs and OTIA debt 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

Several different factors currently impact DMV services. These include:

- **Demographic Changes** – Oregon is becoming more ethnically diverse and older. Both factors are important to DMV from a customer service and workforce perspective.
- **Eligibility for Driver Licenses and ID Cards** – Eligibility for an Oregon driver license or identification card is becoming more difficult as standards for proving identity and legal status are tightened. Fewer documents are accepted from applicants, and more electronic systems for verifying the data contained on some documents are now being used. The Oregon Legislature adopted a legal presence standard in February 2008 (SB 1080) with provisions phased in by January 2010. Federal Real ID regulations call for full compliance with new driver license issuance standards by May 2011, or else the state-issued credentials will not be accepted for federal identification purposes.
- **Identity Theft/Fraud** – State-issued driver licenses and ID cards are used widely as identity documents to conduct business with public agencies and private companies. Increasing concern about identity theft has created the need for a robust fraud prevention program at DMV.

- **Service Delivery** – DMV field offices will evolve as we anticipate changes in the way services are delivered and what services are available. Driver licenses and ID cards are no longer issued over-the-counter at field offices, and facial recognition software is used to avoid issuing multiple cards under different names to the same person and to check previous photos on file.
- **Aging Infrastructure** – The computer systems and facilities that DMV relies upon are aging and expensive to maintain and operate. The large mainframe systems were first developed in the mid-1960s, with some additions and enhancements throughout the years; but the major applications are old and difficult to support.
- **Economy** – A depressed economy leads to fewer new and used vehicle sales, and deferred purchases for items such as driver licenses and reinstatement of driving privileges. Vehicle title and registration transactions have decreased, and fewer accident reports are filed as people reduce their vehicle miles traveled with higher fuel costs.

Essential Budget Level

The 2009-11 essential budget level of \$160 million total funds is an increase of \$6.4 million, or 4.1%, from the 2007-09 legislatively approved expenditure level and includes 870 positions (838.67 FTE). The 2007-09 legislatively approved expenditure level includes an increase of \$5.9 million total funds in special session and Emergency Board actions during 2007-09 to reflect receipt of federal grants to implement portions of SB 640 that comply with the federal Real ID mandate and increased compensation for employees. The 2009-11 essential budget level includes \$2.9 million Other Funds for continued work on the Facial Recognition Project; and phases out one-time costs of \$464,319 Other Funds and \$624,196 Federal Funds for implementation of legal residence legislation and a federal grant for updating the commercial drivers license information system. It reflects standard adjustments for personal services costs, inflation, rate increases for the Attorney General, and state government service charges.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$160.2 million is \$225,508 more than the 2009-11 essential budget level and includes 874 positions (842.17 FTE). The Legislature approved an increase of \$839,666 to provide resources to replace aging microfilm equipment with a digital imaging system; \$314,141 Other Funds to absorb additional workload associated with the facial recognition process and Federal motor carrier safety administration regulations in DMV field offices and headquarters; and \$382,315 Other Funds and four permanent positions (3.50 FTE); a half time position to conduct medical case reviews previously handled by the Department of Human Services (DHS); and 3 full-time permanent positions (3.00 FTE) to perform case management hearings work previously handled by the Office of Administrative Hearings in the Employment Department. The action includes eliminating a \$73,909 payment to DHS for medical case review services that will no longer be provided. The Legislature also approved \$435,851 for additional work to strengthen information system security (e.g., employee access, audit logs, etc.) to further reduce the risk of unlawful release of sensitive data. An additional \$1 million was approved to implement provisions of HB 2001 related to vehicle title and registration fee increases, ID card fee increases, and merchant fees on bank card transactions. One time costs of \$308,300 will be phased out in the 2011-13 biennium. The Legislature approved a technical adjustment reducing the budget by \$452,284 to shift expenses related to state government service charges to the appropriate cost center in Central Services and increased the Federal Funds expenditure limitation by \$1.6 million to reflect the award of a federal grant for changes required in work processes and computer systems for commercial driver licenses. The Legislature reduced the budget by \$3.9 million to reflect decreases in statewide salaries and assessments on various state government service charges.

ODOT – Motor Carrier Transportation

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	47,508,087	53,782,842	55,703,315	56,095,128
Federal Funds	4,480,455	5,400,148	5,561,876	5,539,691
Total Funds	\$51,988,542	\$59,182,990	\$61,265,191	\$61,634,819
Positions	315	316	313	313
FTE	315.00	316.00	313.00	313.00

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 issue 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. The Motor Carrier Transportation Division's Green Light Program increases weigh station capacity by weighing trucks on the highway and sending a green light signal to those with transponders if they do not need to stop at a weigh station. Also, the Division offers an Internet service for permit processing, road-use tax reporting and payment, and other transactions to save motor carrier companies time and money.

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 88% of revenue collected, is transferred to the State Highway Fund. Over \$5.5 million in Federal Funds is projected to be received in the 2009-11 biennium for commercial vehicle safety enforcement efforts under the Motor Carrier Safety Assistance Program (MCSAP). MCTD coordinates the work of the Department of State Police (OSP), 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

Increased construction activity around the state requires staff to assist in mitigating travel delays. Staff identify key routes and types of loads that may be operating in/around construction projects, provides feedback regarding clearances for freight loads, helps find detours and alternate routes, and timely communicates project impacts to the trucking industry.

Motor carriers based outside the state are required to obtain a permit and file proof of liability insurance, as well as cargo insurance, if necessary. Oregon also issues an Oregon Weight Receipt and Tax Identifier to each truck subject to the weight-mile tax as a means for reporting tax, for tracking miles over Oregon highways, and verification to fuel providers that the truck is exempt from fuel tax. With passage of SAFETEA-LU, states are prohibited from registering interstate carriers, imposing insurance requirements, and requiring the display of any form of commercial motor vehicle identification on or in the vehicle, except the forms specifically named in the SAFETEA-LU act. Oregon's requirements are not allowed. The 2007 Legislature passed SB 222 to address the statutes that are in conflict so that Oregon may participate in a new Unified Carrier Registration System for purposes of verifying that carriers are registered and have proof of insurance on file.

Essential Budget Level

The 2009-11 essential budget level of \$61.3 million total funds is an increase of \$2 million, or 3.5%, from the 2007-09 legislatively approved expenditure level and includes 313 positions (313.00 FTE) as of December 2008. The 2007-09 legislatively approved expenditure level includes an increase of \$1.7 million total funds in special session and Emergency Board actions during Fiscal Year 2008 to reflect position adjustments and increased compensation for employees. It reflects standard adjustments for personal services costs, inflation, rate increases for the Attorney General, and state government service charges.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$61.6 million is \$369,628 more than the 2009-11 essential budget level and includes 313 positions (313.00 FTE). The Legislature approved an increase of \$2 million Other Funds to address deferred maintenance issues at Oregon's weigh stations. Once managed within Highway District Operation budgets, the function was transferred to MCTD without funding to perform major or routine maintenance of scales, weigh station buildings, truck inspection buildings, entry and exit ramps, and parking lots. The Legislature reduced the budget by \$1.6 million Other Funds and \$22,185 Federal Funds to reflect decreases in statewide salaries and assessments on various state government service charges.

ODOT – Transportation Development

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	82,662,765	172,081,737	172,469,138	220,012,943
Federal Funds	192,187	214,720	210,710	204,949
Total Funds	\$82,854,952	\$172,296,457	\$172,679,848	\$220,217,892
Positions	217	224	222	222
FTE	207.90	215.40	212.72	212.72

Program Description

Transportation Program Development operates through five program areas:

- *STIP Development* (19.00 FTE) coordinates identification and prioritization of the Department’s four-year 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 identifying the scheduling and funding of transportation projects.
- *Technical Assistance and Coordination* (5.40 FTE) is provided to local governments on updates to periodic comprehensive plan reviews, and 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.
- *Freight Mobility* (4.00 FTE) collects data to support transportation planning, programming, and policy at the local regional statewide and national levels on freight mobility issues. Staff support the Oregon Freight Advisory Committee.
- *Statewide and Regional Studies* (75.00 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. Development of these various planning efforts requires a variety of analytical services from traffic analysis to public transit. Other sources of information used include federal legislation on clean air, water, and energy acts, state benchmarks, and land use planning goals.
- *Transportation Analysis and Research* (113.32 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. This also includes the agency’s research program that emphasizes new technologies to help the transportation system operate better and more efficiently.

Revenue Sources and Relationships

General planning activities are funded from federal planning grants and state and federal highway funds. 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 to help support 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. 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. Many local Transportation System Plans are over ten years old and in need of updates. Agency staff and resources will be directed to assist local governments in these plans. The reauthorization of SAFETEA-LU includes a number of revisions to planning. Increasing emphasis on freight mobility is reflected in the reauthorization of SAFETEA-LU.

Essential Budget Level

The 2009-11 essential budget level of \$172.7 million total funds is an increase of \$383,391, or 0.22%, from the 2007-09 legislatively approved expenditure level and includes 222 positions (212.72 FTE) as of December 2008. The 2007-09 legislatively approved expenditure level includes an increase of \$4.9 million total funds in special session and Emergency Board actions during Fiscal Year 2008 to reflect bridge inspection needs, earmarks, and internal position adjustments and increased compensation for employees.

The 2009-11 essential budget level includes a \$5.9 million reduction to phase out costs associated with the Integrated Transportation Information System data base and ODOT's features inventory data base and an increase of \$1 million Other Funds for STIP projects expected to pay out during the 2009-11 biennium. It reflects standard adjustments for personal services costs, inflation, rate increases for the Attorney General, and state government service charges.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$220.2 million is \$47.5 million, or 27.5%, more than the 2009-11 essential budget level and includes 222 positions (212.72 FTE). The Legislature approved an increase of \$26.5 million to provide resources to continue the Multi-modal Transportation Program initiated by the Legislature in the 2005-07 biennium. The Legislature reduced the budget by \$9.3 million to reflect technical adjustments to correct duplicated expenses for Connect Oregon and an additional reduction of \$1.5 million to reflect decreases in statewide salaries and assessments on various state government service charges.

Under the "Jobs and Transportation Act of 2009", the Legislature authorized \$100 million in Lottery-backed revenue bonds to be used for ConnectOregon III improvement projects selected by the Transportation Commission. Debt issuance costs are estimated to be \$2.3 million and the principal and interest payment would be \$5 million for the 2009-11 biennium and is reflected in the Debt Service Program expenditure limitation. Debt service costs for the 2011-13 biennium are estimated to be \$15 million.

The budget invests \$31.8 million to implement provisions of HB 2001 requiring task forces and studies to develop congestion pricing pilot programs in the Portland area, conduct an Efficient Fee Study, and develop a least-cost planning model for decision making. It also provides direction to the interim legislative committees on transportation to review state and local responsibilities for the state highway system resources available for each level of government of the state highway allocation of new revenue to be spent on maintenance, preservation, and safety. All but \$1.4 million of the \$31.8 million comes from the Federal Highway Administration (FHWA). A major share of the FHWA money, \$26 million, is for multi-modal transportation programs. The \$1.4 million is \$500,000 from bond proceeds for ConnectOregon III, and \$900,000 from Highway Trust Funds, a one-time amount for the efficient fee study, modeling, and safety studies, and STIP development.

ODOT – Public Transit Division

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
General Fund	0	0	0	10,000,000
Other Funds	20,275,615	20,911,919	20,541,760	51,918,094
Federal Funds	30,730,910	42,310,738	44,338,305	47,782,192
Total Funds	\$51,006,525	\$63,222,657	\$64,880,065	\$109,700,286
Positions	13	15	15	15
FTE	13.50	15.00	15.00	15.00

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 grants.
- **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, 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** (3.50 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 six Federal Transit Administration Programs from which the state receives formula grants:

- Section 5303 – Metropolitan Planning at approximately \$2.6 million per biennium.
- Section 5310 – Elderly Persons and Persons with Disabilities Capital Program at approximately \$3.8 million per biennium.
- Section 5311 – Rural and Small Urban Areas Program Grants for approximately \$16.7 million per biennium.
- Section 5313b – Statewide Transit Planning at approximately \$300,000 per biennium.
- Section 5316 – Job Access Reverse Commute for \$1.9 million per biennium.
- Section 5317 – New Freedom Program at approximately \$1 million per biennium.
- In addition, the Division receives \$16 million in flexible Federal Surface Transportation Program (STP) funds to improve transportation for the elderly and disabled (\$7 million), to replace urban buses (\$2 million), mass transit (\$4 million) and for innovative marketing for transportation options (\$3 million).

State funds make up the remaining 33% of the Division's revenue. Public Transit is allocated these funds from three main sources:

- Cigarette Tax – \$7.5 million per biennium. Includes 3.45% (\$0.02 per pack) apportionment of all moneys received by the Department of Revenue from certain cigarette tax revenues.
- DMV Photo ID – \$4.9 million per biennium. Includes any excess 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 – \$6.4 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 accessible public transit services for the elderly, people with disabilities, and rural communities. Oregon's population is growing, with the fastest growing segments of the population including our oldest residents. Providing mobility that continues their opportunity to participate independently in the community helps to defer or avoid the higher costs of additional dependence on support services. Rural communities are particularly affected. In the southern coast area, 27% of the population includes seniors above the age of 65 compared to 12% statewide. By 2015, it is estimated that 15% of the population will be over 65. Oregon's urban traffic congestion is becoming more severe. Oregon's land use and environmental policies challenge the transportation community to provide modern transit alternatives for urban commuters.

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 cost of fuel. When fuel costs rise, there are more people in need of an alternate to their auto use, putting demand on the system to increase trip capacity and hours of service. 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. Current estimates indicate there is a gap of \$10 million annually to meet this need. Support to preserve the urban fleet helps providers to maintain service levels and protects the existing public investment in these successful systems. Fuel costs and long-term availability are an issue for the transit industry. 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.

Essential Budget Level

The 2009-11 essential budget level of \$64.9 million total funds is an increase of \$1.6 million, or 2.62%, from the 2007-09 legislatively approved expenditure level and includes 15 positions (15.00 FTE) as of December 2008. The 2007-09 legislatively approved expenditure level reflects and increase of \$105,766 in special session and Emergency Board actions during Fiscal Year 2008 to reflect increased compensation for employees. The 2009-11 essential budget level includes a reduction in personal services of \$821,613 Other Funds and an increase in the Federal Funds expenditure limitation by \$791,586 to provide administration and program support for the asset management integration initiative within ODOT. It also reflects standard adjustments for personal services costs, inflation, rate increases for the Attorney General, and state government service charges.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$109.7 million is \$44.8 million, or 69.1%, more than the 2009-11 essential budget level and includes 15 positions (15.00 FTE). The Legislature approved an increase of \$11.4 million to implement provisions in HB 2001 related to Public Transit including shifting \$10 million flexible federal transportation funding to support non-highway capital transit project grants and \$1.4 million to for transit operating grants from increased fee revenues on personal ID cards.

The Legislature also approved a \$10 million General Fund increase to support Senior and Disabled Transportation operating grants, and a \$20 million Other Funds increase to distribute bond proceeds in the 2009-11 biennium for a street-car grant program authorized by the 2007 Legislature.

A technical adjustment to add \$3.5 million Federal Funds limitation was approved to reflect revised federal apportionment for the federal Section 5311 – Rural and Small Urban Areas Program Grants. The Legislature reduced the budget by \$96,744 total funds to reflect decreases in statewide salaries and assessments on various state government service charges.

ODOT – Rail Division

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
General Fund	8,626,167	4,504,713	4,630,845	0
Other Funds	50,810,621	25,928,802	21,521,737	279,415,349
Federal Funds	1,365,249	15,862,746	16,306,903	16,306,903
Total Funds	\$60,802,037	\$46,296,261	\$42,459,485	\$295,722,252
Positions	24	24	24	24
FTE	24.50	24.00	24.00	24.00

Program Description

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

- **Division Administration** (1.00 FTE) provides leadership and support, defines state rail policies, and insures rail interests are adequately addressed.
- **Railroad Safety** (10.00 FTE) ensures compliance with federal and state safety regulations for track, locomotive and rail cars, hazardous materials transport and rail operating practices through inspections. Staff also inspects railroad walkways and sidings, loading docks and yards to insure safety of railroad workers. This section is also responsible for overseeing the safety plans for light rail and fixed rail guideway operations mandated by the Federal Transit Administration.
- **Crossing Safety** (8.00 FTE) enforces federal and state regulations related to public highway-rail crossings, authorizes the construction, alteration or elimination of public highway-railroad crossings, inspects all public crossings, and manages crossing safety improvement projects.
- **Rail Planning, Projects and Operations** (5.00 FTE) develops and implements freight and passenger rail plans, and manages freight and passenger rail improvement projects. The section manages the state supported Cascades inter-city passenger rail operations and related Thruway bus services; this program area also enforces laws related to crossing blockages, manages state owned rail right of way and represents the state on railroad merger and abandonment and other rail service issues.

Revenue Sources and Relationships

The programs operate with dedicated federal (16.3 million) and state (\$21.5 million) revenue.

Federal revenues at the essential budget level include:

- Federal Railroad Administration (FRA) – \$16.3 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 at the essential budget level include:

- General Fund – \$4.6 million. Partially funds one roundtrip train daily between Eugene and Portland, with continuing service to Seattle and Vancouver, British Columbia, funded by the State of Washington.
- Custom License Plate Fees – \$4.6 million was approved by the Legislature to offset General Fund resources to fund one round trip train between Eugene and Portland.
- Rail Gross Revenue Fee – \$4.5 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) – \$1.4 million. Generated from driver license and vehicle registration fees. Used for crossing safety regulation and improvement projects at public railroad crossings.
- Transportation Operating Fund (TOF) Non-Highway Fuels Tax – \$1.2 million. Helps fund one round trip train between Eugene and Portland.
- Other biennial revenues include \$275,000 from interest, \$225,000 from Crossing Blockage Penalties, \$100,000 from Railroad Right of Way Lease Fees, and \$100,000 from the Fixed Guideway Fee and \$251.4 from lottery-backed bonds for a TriMet light rail project.

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 put 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.

Essential Budget Level

The 2009-11 essential budget level of \$44.5 million total funds is a decrease of \$3.8 million, or 8%, from the 2007-09 legislatively approved expenditure level and includes 24 positions (24.00 FTE) as of December 2008. The 2007-09 legislatively approved expenditure level reflects an increase of \$6.9 million total funds in special session and Emergency Board actions during Fiscal Year 2008 to reflect expenditure authority to complete projects authorized under the Industrial Rail and Short Line Bond programs and increased compensation for employees. The 2009-11 essential budget level includes a reduction of \$1 million to reflect the one-time expenses related to the rail multi-modal study and the \$4.5 million payment to Union Pacific for rail improvements required under the operating agreement. It reflects standard adjustments for personal services costs, inflation, rate increases for the Attorney General, and state government service charges.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$295.7 million is \$253.3 million, or 596.5%, more than the 2009-11 essential budget level and includes 24 positions (24.00 FTE). The Legislature approved an increase of \$251.4 million to distribute Lottery-backed bond proceeds to Tri-Met for a light rail project approved by the 2007 Legislature and added \$1 million to carry-over payments for rail project work obligated in 2007-09 but expected to pay out in the 2009-11 biennium. The Legislature reduced the budget by \$176,517 to reflect decreases in statewide salaries and assessments on various state government service charges.

The Legislature also approved, in JTA-2009, an increase in the custom plate fee by \$25 per year from \$25 to \$50 to generate approximately \$2.3 million per year. This revenue would be used to reduce General Fund support for passenger rail service during the 2009-11 biennium and replace it during the 2011-13 biennium. A shift of \$4.6 million General Fund to Other Funds is reflected in the legislatively adopted budget resulting in eliminating all General Fund support for passenger rail service.

ODOT – Transportation Safety Division

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	10,061,809	13,355,412	13,809,901	13,699,375
Federal Funds	13,592,782	14,678,993	15,116,662	15,057,411
Total Funds	\$23,654,591	\$28,034,405	\$28,926,563	\$28,756,786
Positions	24	26	26	26
FTE	24.00	26.00	26.00	26.00

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 to provide statewide public education and information programs, and reimburse public schools that provide Division-approved driver education programs.

Further duties include 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 5 2% of the Safety program funds are Federal Funds; the other 48% 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.

Essential Budget Level

The 2009-11 essential budget level of \$29 million total funds is an increase of \$892,158, or 3%, from the 2007-09 legislatively approved expenditure level and includes 26 positions (26.00 FTE) as of December 2008. The 2007-09 legislatively approved expenditure level reflects an increase of \$909,670 million total funds in special session and Emergency Board actions during Fiscal Year 2008 to reflect increased compensation for employees and increased funding for impaired driving efforts. The 2009-11 essential budget level reflects standard adjustments for personal services costs, inflation, rate increases for the Attorney General, and state government service charges.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$28.7 million is \$169,777 less than the 2009-11 essential budget level and includes 26 positions (26.00 FTE). The Legislature reduced the budget to reflect decreases in statewide salaries and assessments on various state government service charges.

ODOT – Board of Maritime Pilots

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	208,742	0	0	0
Total Funds	\$208,742	\$0	\$0	\$0
Positions	1	0	0	0
FTE	0.71	0.00	0.00	0.00

Program Description

The Board of Maritime Pilots was 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 at least \$276,500 based upon the payment of up to \$1,500 annual license fee by each of the 67 licensed pilots and from miscellaneous other revenues. Workload on licensing activities will be reduced throughout 2005-07 due to

declining revenues. License revenue is no longer sufficient to support current activities. A proposal to increase license fees to restore expenditures to the current activity level was approved by the Legislature in HB 2277.

Essential Budget Level

The 2007 Legislature determined that the Board of Maritime Pilot’s mission and responsibilities aligned better with the Public Utility Commission (PUC) resulting in transferring the budget and functional responsibilities to PUC. Discussion of the agency’s budget will be under the PUC budget analysis.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget is reflected in the Public Utility Commission budget.

ODOT – Central Services

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	125,206,667	163,296,527	178,745,370	257,112,309
Federal Funds	4,793	29,959	30,797	30,797
Total Funds	\$125,211,460	\$163,326,486	\$178,776,167	\$257,143,106
Positions	495	504	496	497
FTE	476.97	496.63	493.50	494.50

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* (34.50 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* (84.00 FTE) provides the Department with accounting and financial services including accounting, collections, budget, payroll, fuels tax revenue, debt, and financial analysis.
- *Human Resources* (51.00 FTE) provides professional advice and leadership on employee labor relations, classification, recruitment and retention, 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* (14.00 FTE) is charged with administering 12 federal and state regulatory Civil Rights programs, handling compliance issues for the Department, and promoting workforce development and small business support.
- *Information Systems* (227.50 FTE) includes planning, developing and supporting business application systems; technology infrastructure; and supporting telephone and electronic mail to enable ODOT business to be conducted efficiently, comply with laws and regulations, and support the mission of ODOT.
- *Audit Services* (10.50 FTE) is responsible for an internal audit program assuring that effective management controls are in place and functioning properly to help management achieve its objectives and supports performance measures. External audit provides assurance on financial data submitted by external entities.
- *Business Services* (68.00 FTE) provides a variety of services to all ODOT programs including purchasing and contract management, records management, reprographic, and photo video 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.

Essential Budget Level

The 2009-11 essential budget level of \$178.8 million total funds is an increase of \$15.4 million, or 9.4%, from the 2007-09 legislatively approved expenditure level and includes 496 positions (493.50 FTE) as of December 2008. The 2007-09 legislatively approved expenditure level includes an increase of \$6 million total funds in special session and Emergency Board actions during Fiscal Year 2008 to implement SB 1080 relating to legal presence; reflect agency-wide positions adjustments, increased costs for the state data center, and employee compensation. The 2009-11 essential budget level includes a reduction of \$7.1 million Other Funds to phase out the one-time costs associated with the integrated Human Resource and financial information system and implementation of facial recognition costs under SB 640. It reflects standard adjustments for personal services costs, inflation, rate increases for the Attorney General, and state government service charges.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$257.1 million is \$78.4 million, or 43.8%, more than the 2009-11 essential budget level and includes 497 positions (494.50 FTE). The Legislature approved the following:

- \$334,192 to support DMV’s initiative to replace aging microfilm equipment with a digital imaging system and conduct an evaluation of current information system to determine viability of a systems replacement project;
- \$301,182 to support DMVs ongoing administration of the legal presence standard now required for Oregon Driver Licenses and Identification Cards;
- \$87,000 to provide resources to make improvements in lighting, security, and landscaping in the parking lot at the Mill Creek Office Building.
- \$76 million to provide \$75 million Highway Revenue Bonds repaid from Highway Trust Funds for ODOT’s share of the Oregon Wireless Interoperability Network (OWIN) communication system to comply with the Federal Communication Commission’s mandate that all land mobile radio systems complete the transition from broadband to narrowband by January 1, 2013;
- \$950,575 to implement provisions of the JTA-2009 for an Efficient Fee Study, changing economic models used to determine the revenue to be distributed to counties and cities, support increased procurements associated with pilot programs and initiative development, and fuel tax refunds and forms;
- \$4 million for increased contract work for Emerging Small Businesses;
- \$177,903 and one position (1.00 FTE) to add a Fiscal Analyst 2 positions from Highway Special Programs to Central Services;
- \$2.3 million technical adjustment to reflect the appropriate allocation of charges across program cost centers, corresponding with reductions in other agency cost centers netting the action to zero; and a
- \$5.7 million reduction to reflect decreases in statewide salaries and assessments on various state government service charges.

ODOT – Nonlimited Loan Fund

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds (NL)	9,025,939	17,663,632	18,158,214	18,158,214
Total Funds	\$9,025,939	\$17,663,632	\$18,158,214	\$18,158,214

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. *Oregon Transportation Infrastructure Bank (OTIB)* remains is the only Nonlimited budget category. 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 2009-11 biennium are estimated to be \$18 million.

Revenue Sources and Relationships

The program operates with dedicated Highway Trust Funds.

Essential Budget Level

The 2009-11 essential budget level of \$18 million total funds is an increase of \$494,582, or 2.8%, from the 2007-09 legislatively approved expenditure level. The increase reflects the standard inflation rate applied to all agency budgets.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget is equal to the essential budget level.

ODOT – Debt Service

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Lottery Funds	22,819,711	46,559,957	92,782,785	85,445,103
Other Funds	99,391,271	185,530,173	293,975,776	303,986,550
Other Funds (NL)	211,298,886	24,013,628	0	0
Total Funds	\$333,509,868	\$256,103,758	\$386,758,561	\$389,431,653

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.

Essential Budget Level

The 2009-11 essential budget level of \$386 million total funds is an increase of \$46.2 million Lottery Funds, or 99%, and an increase of \$91.5 million Other Funds, or 45%, from the 2007-09 legislatively approved expenditure level. The 2007-09 legislatively approved expenditure level includes an increase of \$17 million Other Funds in special session and Emergency Board actions during Fiscal Year 2008 to pay increased debt service on refinanced bonds. The increase reflects the principal and interest payments for bond sales and sales on certificates of participation incurred through the current biennium.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$389.4 million is \$2.7 million, or 0.7%, more than the 2009-11 essential budget level. The Legislature approved an increase of \$5 million Lottery Funds to provide debt service for the \$100 million in Lottery-backed bond proceeds to continue the multi-modal transportation program initiated in 2005 approved by the Legislature in HB 2001. For 2009-11, the principal amount is estimated at \$1,875,000 and interest is estimated at \$3,130,778. The debt service on the bonds for ConnectOregon III in 2011-13 is estimated to be \$15 million. The Legislature increased the Other Funds expenditure limitation by \$2.3 million for debt issuance costs. The Legislature also approved \$75 million in Highway revenue bonds for the Oregon Wireless Interoperability Network (OWIN). Debt service on the Highway revenue bonds for the 2009-11 biennium are estimated to be \$7.7 million. This cost will roll-up to \$19.8 million in the 2011-13 biennium. The Legislature reduced the budget by \$12.3 million to reflect a technical adjustment reducing the Lottery Fund debt service on existing bonds resulting from refunding of debt in the 2007-09 biennium.

ODOT – Capital Improvements

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	2,544,263	3,171,000	3,259,788	3,259,788
Total Funds	\$2,544,263	\$3,171,000	\$3,259,788	\$3,259,788

ODOT – Capital Construction

	2005-07 Actual	2007-09 Legislatively Approved	2009-11 Essential Budget Level	2009-11 Legislatively Adopted
Other Funds	2,200,000	19,488,645	0	1
Total Funds	\$2,200,000	\$19,488,645	\$0	\$1

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 transfer of State Highway Funds.

Essential Budget Level

The 2009-11 essential budget level for of \$3.3 million total funds for Capital Improvements is an increase of \$88,788, or 2.8%, from the 2007-09 legislatively approved expenditure level as of December 2008. The 2009-11 essential budget level reflects the standard adjustment for inflation.

The 2009-11 essential budget level of zero dollars for Capital Construction reflects a reduction of \$15.1 million for costs associated with capital projects approved by the 2007 Legislature. The 2007-09 legislatively approved expenditure level reflects an increase of \$3,999,999 total funds in special session and Emergency Board actions during Fiscal Year 2008 to reflect cost estimates to replace the Sister's maintenance station.

Legislatively Adopted Budget

The 2009-11 legislatively adopted budget of \$3.3 million total funds for Capital Improvements is equal to the essential budget level. The 2009-11 essential budget level reflects the standard adjustment for inflation.

The 2009-11 legislatively adopted budget of \$1 for Capital Construction reflects a place-holder to allow the Emergency Board to increase expenditure limitation if an opportunity presented itself to take advantage of co-locating or consolidating maintenance stations with local government or other existing maintenance stations.

The Legislature's adoption of HB 2001 provides authority for the co-location of highway maintenance stations with county, city, and state transportation facilities. The measure requires ODOT to include a capital construction placeholder in any budget request that it submits to facilitate consideration of proposals that might arise outside the two-year capital construction budget development cycle to develop administrative offices, maintenance facilities, or other facilities where ODOT and a unit or units of local government might jointly locate.