

Financial Services Update

Vol. 1-No.2

February 2006

Greetings from Financial Services:

This is the second in the series of updates on financial and economic topics of interest to ODOT managers and stakeholders. The focus of this update is on the Department's budget through the first two quarters of this biennium (through December, 2005).

This budget status report, as explained on the sidebar on the second page, is a first of a kind for ODOT.

The information and analysis presented here was compiled by Financial Services' Budget and Financial Analysis Unit, a consolidation of the old Budget Services and Cost Allocation and True Product Cost Units.

As always, we welcome your comments and suggestions on these and other financial issues of importance to the Department. Please email me at:

dennis.strachota@odot.state.or.us

*Dennis Strachota,
Chief Financial Officer*



Historical Comparison of Budget vs. Actuals for ODOT

This overview presents a summary of budget results for major revenues and expenditures through the first six months of the 2005-07 biennium. A more detailed report is available at the Financial Indicators tab at <http://intranet.odot.state.or.us/fsb> and will be updated periodically.

To provide some insight into whether the Department is running ahead or behind historical patterns for revenue-raising or spending, this report compares actual revenues and expenditures for the first six months of this biennium with actual revenues and expenditures for same period for the last two biennia – 2001-03 and 2003-05.

To compare “apples to apples,” Financial Services has calculated the first six months' actuals as a percentage of total biennial budget for each of the three biennia. If ODOT revenues or spending are running ahead of that for the last two biennia, then the percentage of

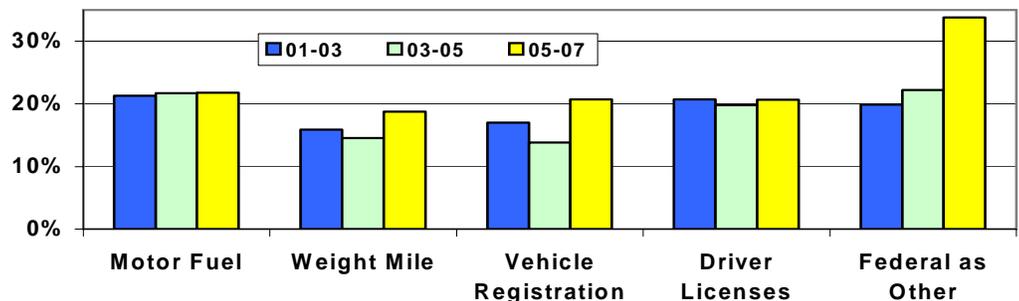
actuals to budget will be greater. Conversely, if revenues or spending are running behind, then the percentage of actuals to budget will be less.

These percentages of actuals to budget are key indicators of budgetary health. Aside from project finances, revenues that outpace historical revenue patterns and spending that falls short of historical spending patterns are positive signs. The opposite scenario, of course, could be a bellwether of budgetary concern unless it is a positive reflection of new initiatives or accelerated project delivery.

Revenues Are Running Ahead

Revenues come from five main sources: fuels tax, weight mile tax, vehicle registration, driver licenses, and federal funds. Although bond proceeds are classified as revenues in the state budget, they are an “other financing source” repaid with interest to bondholders.

Revenue Through Second Quarter
Percent of Budget



New Budget Comparisons

Typical budget to actual comparisons use percent of the budget period (e.g., biennium) completed as the basis for comparison. If revenue collections and spending follow an even and predictable pattern, use of that basis for comparison is meaningful. Financial activities, however, do not always conform to those patterns.

Seasonal variations such as in construction spending can vary markedly from one time period to another (e.g, winter vs. summer). To correct for these and other variations, Financial Services compared this biennium's budget to actuals with those of the two prior biennia as explained on the preceding page.

Financial Services is a branch of ODOT's Central Services Division. Financial Services provides centralized accounting, financial reporting, payroll and benefits, budget development, economic and financial analysis, business planning, debt administration, cash management, the Oregon Transportation Infrastructure Bank, tax collection and auditing, revenue forecasting, tax policy analysis and cost allocation services.

ODOT Financial Services
 355 Capitol Street NE
 Room 434
 Salem, OR 97301-3872
 Phone: 503-986-3900
 Fax: 503-986-3906

Through the first two quarters (ending December 2005, 25% of the biennium) each of the five main revenue streams is higher than the revenue received through the end of the second quarter in the prior two biennia. Overall, when compared to the previous biennium through the second quarter, revenue is up \$91.5 million (16.6%).

When compared to the prior two biennia, the five main sources as a percentage are above the prior averages. Total combined revenue received for the second quarter of this biennium is 23.8% of budget compared with 19.3% and 19.4% of budget for the two prior biennia through the second quarter.

Current Spending Pace is Faster

Expenditures through the end of the second quarter for all limitations as a percent of budget are greater than the average spent through the end of the second quarter over the previous two biennia.

The agency as a whole has spent 21.5% of the budget through the end of the second quarter, compared to the average of 18.2% spent through

the end of the second quarter in the prior two biennia.

For almost all limitations, personal services expenditures as a percent of budget are running at a rate higher than the average over the prior two biennia. With the exception of the Board of Maritime Pilots, actual expenditures for personal services are higher than for the previous biennia.

The increase in the rate of spending results from the reinstating of step increases, the first of two cost of living increases and higher PERS rate. Budget increases for personal services budgets are anticipated to occur at the April Emergency Board.

The single largest expenditure category for the Department is services and supplies which includes design and construction contracts. ODOT spent about 21.8% of the budget for Highway services and supplies or 2 to 2.5% more than that for the previous two biennia. This higher spending rate may reflect increased construction activity in this biennium.

The graph below compares expenditures through the second quarter as a percent of budget.

**Expenditures Through Second Quarter
 Percent of Budget**

