Major Projects

Report to the Rebuilding Our Transportation Vision Workgroup

October 2026

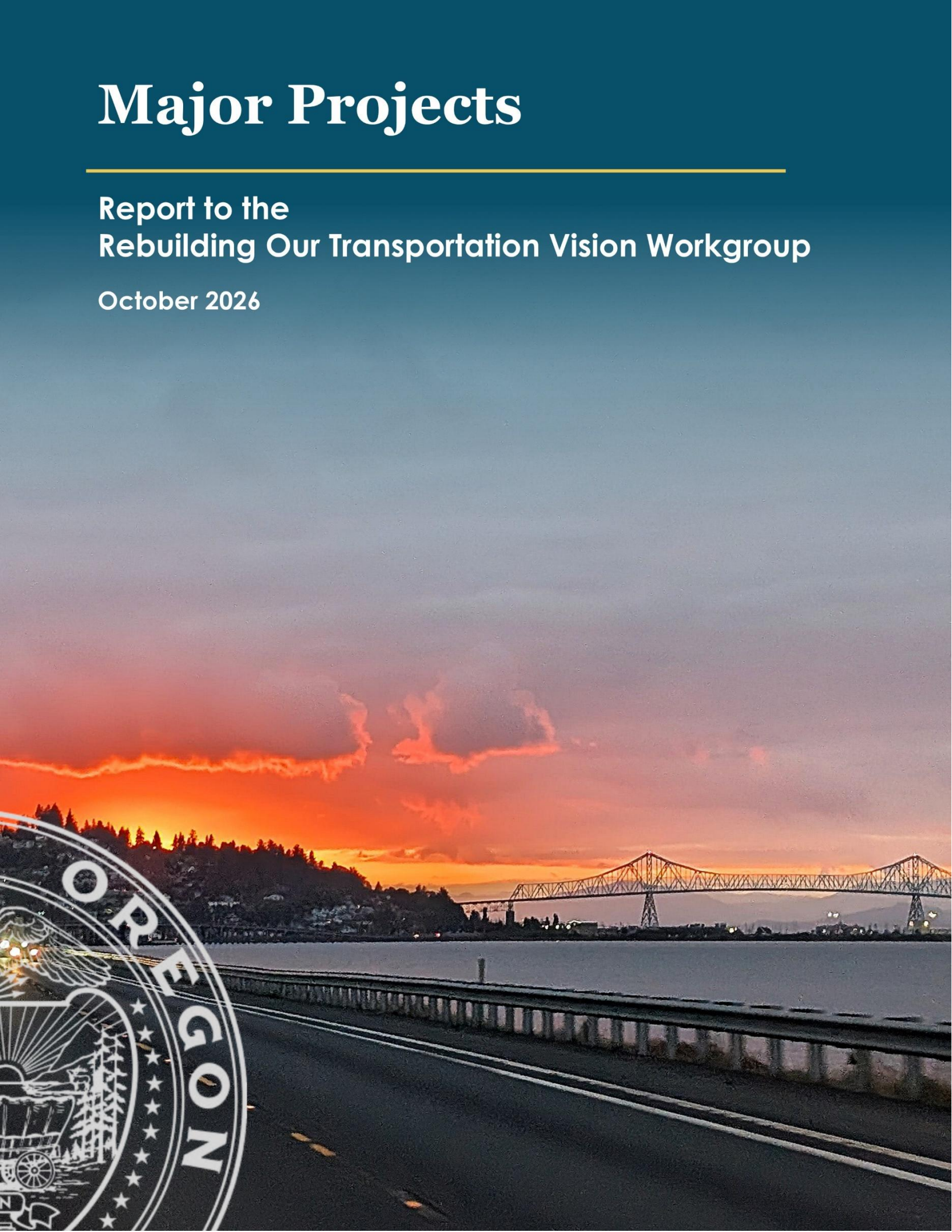


Table of Contents

03 Major Projects in Oregon Today

08 Funding Today

11 Major Projects in Oregon Tomorrow
Scenario 1

12 Additional Funding Needs
Scenario 2
Scenario 3

20 Funding in the Future

26 Policies, Regulations and Other Efficiencies

30 Overall Recommendations

32 Subgroup Members

Major Projects in Oregon Today

Complex and Expensive Projects

Major projects are those with significant cost (which Oregon Revised Statutes ORS 184.655 and 171.861 currently define as $250 million), complexity, impacts and timelines.

Typical attributes of major projects include:

- Significant funding complexity with multiple funding sources.
- Complex politics and multiple stakeholders (and potentially opponents).
- Decades-long timeframes to develop, fund, design and construct.
- Considerable impacts on the public, including property acquisition as well as construction and traffic impacts.
- Require extensive analysis, including development of an Environmental Assessment or Environmental Impact Statement under the National Environmental Policy Act (NEPA).

Oregon's transportation policies as outlined in the Oregon Transportation Plan (OTP Policy MO.2.1 and Oregon Highway Plan Policy 1G.1) focus on preserving the system and making operational improvements before adding significant highway capacity. As a result, the state considers major projects only after making other investments, such as multimodal investments or smaller-scale investments like auxiliary lanes. Oregon has undertaken a limited number of major projects in recent years.

Addressing Congestion and Bottlenecks in the System

The Oregon Department of Transportation (ODOT) often programs major projects to increase highway capacity when smaller-scale investments cannot address major highway bottlenecks.

Major projects can be highly effective at resolving congestion; for example, the Newberg-Dundee Bypass: Phase 1 project has reduced congestion on OR 99W in Yamhill County, despite being just a small portion of

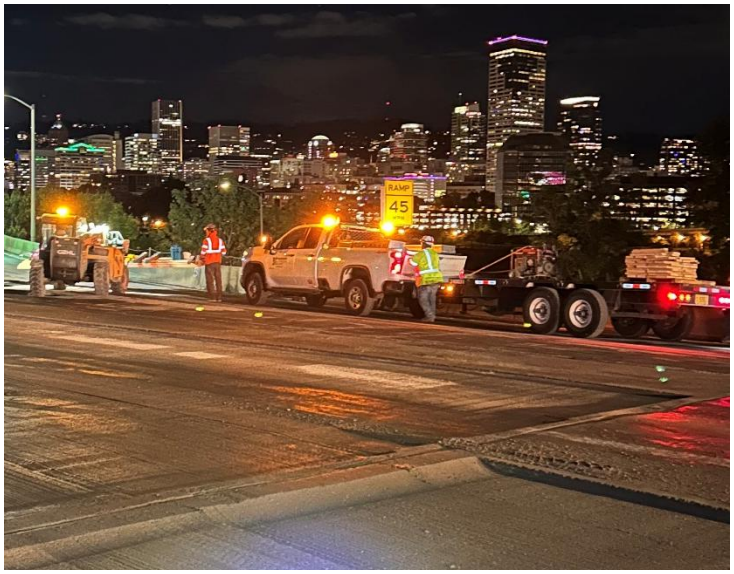


Figure 1 - Construction workers remove the bridge deck as part of the Rose Quarter Project in Portland. *Photo by Oregon Department of Transportation*

the originally envisioned project (though problem areas remain on the northern and southern legs of the project area).

Across Oregon, congestion is growing and has returned to pre-pandemic levels.

As of 2024, 500 state highway lane miles—primarily in the Portland metropolitan area—are congested.[i] Oregon is home to three of the nation's top 100 truck bottlenecks: Interstate Bridge; Interstate 5 Rose Quarter; and Interstate 5: Interstate 205 through Boone Bridge.[ii]

Evaluation is Crucial for Success

In the last decade or more, ODOT has delivered several major projects, including:

- OR 217 Auxiliary Lanes.
- U.S. 97 Bend North Corridor.
- U.S. 20 Pioneer-Mountain to Eddyville highway realignment.
- Newberg-Dundee Bypass: Phase 1.
- Sunrise Corridor: Phase 1.
- I-5 Willamette River Bridge in Eugene/Springfield.

These projects have produced positive outcomes for communities and the transportation system, including enhanced safety, reduced congestion and more reliable travel conditions. In addition, each project has contributed valuable insights on how to undertake major projects successfully. Some projects, particularly the U.S. 20 realignment, have also yielded important cautionary lessons that continue to inform ODOT's strategies.

Congestion in Oregon causes **over 86 million vehicle hours of delay** annually, costing Oregonians over **$3.2 billion** in delay time.

Trucks account for **7 million hours of delay each** year, at an annual delay cost of over **$480 million.**

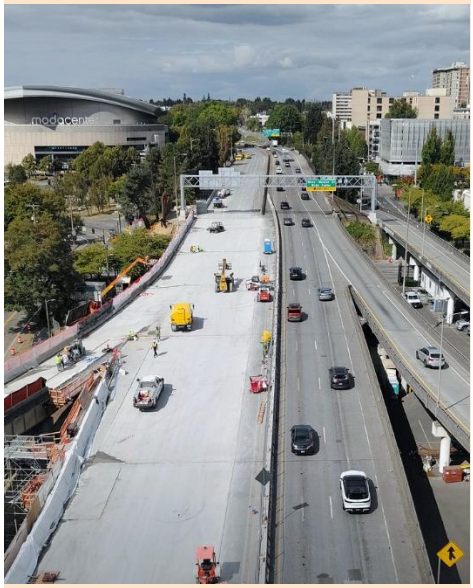


Figure 2 - Work on Interstate 5 in the Rose Quarter, near the Moda Center, during a five-week closure of the southbound lanes as part of Phase 1. *Photo by Oregon Department of Transportation*

Table 1 – The current ODOT and local government major projects along with their phase, scope, status and rough cost. *Cost estimates are subject to significant uncertainty, particularly for projects in planning or early design that do not have clear scopes, schedules or costs. The estimates provide only an order-of-magnitude indication.*

Project/Phase	Scope	Status	Cost
Interstate Bridge Replacement (Oregon and Washington Transportation Departments and TriMet)	Replace I-5 bridge over Columbia River, extend light rail to Vancouver and improve roadways and interchanges	Phase 1 in design Future phases in planning	$13.5 billion-$15.2 billion (total project cost)
I-205 Abernethy Bridge	Seismically retrofit and widen Abernethy Bridge	In construction	$815 million
I-205: Phase 2	Widen I-205 between Stafford Rd and Abernethy Bridge and replace or retrofit several bridges	In planning	>$500 million
I-5 Rose Quarter	Add auxiliary lanes on I-5 and improve connections across freeway, including building cover over freeway	Phase 1A in construction Phase 1B in design	$3.2 billion-$3.6 billion
OR 22 Center Street Bridge	Seismically retrofit OR 22 bridge over Willamette River	Phase 1 in design Phase 2 in planning	$315 million-$470 million
Newberg-Dundee Bypass	Build new highway alignment adjacent to OR 99W	Phase 2A in construction Phase 2B in design Phase 3 in planning	>$500 million
I-5 Boone Bridge	Replace Boone Bridge with seismically resilient and wider structure	In planning	>$250 million
Sunrise Corridor: Phase 2	Extend Sunrise Corridor to SE 172nd Ave to improve safety, operations and connectivity	In planning	>$500 million
Burnside Bridge Replacement (LOCAL: Multnomah County)	Replace Burnside Bridge with seismically resilient structure	Design complete	$1.6 billion-$1.8 billion
Hood River-White Salmon Bridge Replacement (LOCAL: Hood River-White Salmon Bridge Authority)	Replace bridge with a safe, modern, seismically resilient structure	In design	$1.12 billion

Experience has shown that major projects need to follow a recipe for success that includes several critical factors.

Strong, Sustained Support and Alignment

Major projects require durable coalition support and strong stakeholder alignment over long periods, often spanning decades, from early concept development through funding, design and final delivery.

- This requires strong engagement with the public and local governments from early in the project to get buy-in on the solution and get participation in the project.
- Strong owner buy-in and commitment is also essential, as the owner will need to prioritize staff and financial resources and maintain alignment with external partners to complete the project.

Right-Sized Scope and Phasing

Major projects need an appropriate scope that fits within available funding.

- This may mean reducing the scope from what planners initially envisioned or building projects in multiple manageable phases over time when funding cannot support the full project at once.
- The Newberg-Dundee Bypass Project moved forward only after ODOT divided it into three phases and the Sunrise Corridor also advanced after ODOT divided the project into phases and built an initial segment.

Multiple Funding Sources

Successful major projects rely on diverse funding streams beyond routine state and federal formula funding for preservation and safety in ODOT's budget and the Statewide Transportation Improvement Program.

Problem Statement

Prioritizing, funding and delivering major transportation projects present significant challenges.

The Legislature has often directed the Oregon Transportation Commission (OTC) and ODOT to deliver projects at defined costs before the agencies clearly define project scope and before the agencies accurately estimate project costs based on sufficient design.

- The Legislature provides funding episodically.
- The Legislature, the OTC and ODOT use no consistent process to define, prioritize and sequence projects.
- ODOT has limited projects capacity and capabilities to deliver major projects.
- The agencies lack consistent, well-developed accountability systems.

As a result:

- Actual construction costs have regularly grown beyond preliminary estimates that ODOT provided to the Legislature.
- Funding for major projects has crowded out basic system needs.
- The public and legislators have lost trust.
- Without a change in approach, major projects will remain underfunded, and ODOT will not deliver them on time and on budget.

- This includes federal grants, statewide funding and local or regional contributions; tolling may also be an element of some projects, such as the Interstate Bridge or the Hood River Bridge Replacement.
- For example, the U.S. 97 Bend North Corridor Project was funded through an allocation in House Bill (HB) 2017, a federal Infrastructure for Rebuilding America (INFRA) grant, federal and state formula funding in the Statewide Transportation Improvement Program (STIP) and local contributions. The Newberg-Dundee Bypass also relied on a combination of state and local funding.

Both the **Newberg-Dundee Bypass: Phase 1 and the U.S. 97 Bend North Corridor Project** took more than two decades from initial concept to completion of construction; stakeholders remained engaged and provided support and funding throughout the process for both projects.

Appropriate Delivery Method

The owner needs to select the appropriate delivery method. In many cases this will be the traditional design-bid-build approach, but it may also include alternative delivery methods to more appropriately allocate risk or speed project delivery.

- Alternative delivery methods include design-build, progressive design-build and construction manager/general contractor (CM/GC), in which the contractor advises during design before managing construction.
- ODOT used the CM/GC method successfully on the I-5 Willamette River Bridge in Eugene/ Springfield.
- On the other hand, use of design-build on U.S. 20 proved problematic. The design-build firm exited the project half-completed and ODOT ultimately completed construction through a traditional design-bid-build process.

Agency Capacity

ODOT needs to have the internal capacity and expertise to effectively manage complex projects.

- While consultants with major project expertise are a necessary component of the project team, consultants cannot substitute for owner capacity.
- ODOT developed significant capacity to deliver projects during the Oregon Transportation Investment Act (OTIA) III era, including use of alternative contracting, but this capacity diminished after the program concluded and ODOT shuttered the Major Projects Branch with staff gradually retiring over time.



Figure 3 – Setting beams at night for the Newberg-Dundee Bypass: Phase 2 Project. *Photo by Oregon Department of Transportation*

Funding Today

How Oregon Funds Major Projects

To pay for major projects, Oregon has historically bonded State Highway Fund dollars, supported primarily by motor vehicle-related user fees such as the fuels tax, vehicle registration and title fees and heavy truck taxes.

- While the Legislature has occasionally supplemented these resources with other funding sources, these contributions have been limited.
- Oregon has also periodically secured federal grants for major projects; in recent years these grants have primarily benefited the Interstate Bridge Replacement and Hood River Bridge Replacement.

In addition, local governments have made substantial contributions to major projects. For example, Multnomah County raised county vehicle registration fees to pay for a significant portion of the Sellwood Bridge and most of the design for Burnside Bridge and the Hood River-White Salmon Bridge Authority has approved increased toll rates to help pay for the bridge replacement.

Other Revenue Sources Used Across the United States

In contrast, other states with more extensive portfolios of major projects make use of a broader and more diversified set of funding tools.



Figure 4 - The OR 22 Center Street Bridge over the Willamette River in Salem, which needs to be seismically retrofitted to keep our capital functioning after an earthquake. *Photo by Oregon Department of Transportation*

Tolling in Oregon and Other States

Oregon has historically used tolling to pay for all Columbia River bridges except the I-205 Glenn Jackson Bridge.

More recently, many major projects across the country have relied on toll revenue.

- The Washington State Department of Transportation has used tolls to help fund the Tacoma Narrows Bridge, the State Route 520 bridge and the State Route 99 tunnel.
- Similarly, regional toll revenue solely funds the Newark Bay Bridge in New Jersey, though the bridge itself is not tolled.

- Virginia has deployed tolling to support bridge and tunnel facilities in the Hampton Roads region and Texas relies heavily on tolling to pay for highway expansion projects. For context, in 2024 alone, the Hampton Roads region generated $270 million in toll revenue,[iii] while Texas collected nearly $2.9 billion from tolling.[iv]

Sales Taxes and Other State Revenue Sources

Some states have other funding sources for major highway projects.

- Utah uses a portion of automobile-related sales tax receipts for major highway expansion projects.
- Texas transfers multiple significant revenue streams, including about $5.1 billion from oil and gas severance taxes in fiscal 2026-27, $5.1 billion from the statewide sales tax and $1.33 billion from motor vehicle sales tax revenue—to the State Highway Fund, which is then used in part to finance major highway projects.[v]

Regional Funding Mechanisms

Many major projects rely on region-specific revenue tools.

- Virginia's I-81 Corridor Improvement Program is funded in part through a 9-cent-per-gallon, corridor-specific regional fuel tax.
- Maricopa County, Arizona, uses a countywide sales tax to finance planned highway expansion projects and other transportation investments across the region.

Broader and more robust funding mechanisms have enabled other states to advance major projects more effectively and at a larger scale than Oregon. Oregon's limited funding options have constrained its ability to finance and deliver major projects consistently.

The Legislature authorized **$1 billion in general obligation bonds** for the Interstate Bridge Replacement Project and **$125 million in general obligation bonds** for the Hood River Bridge Replacement.

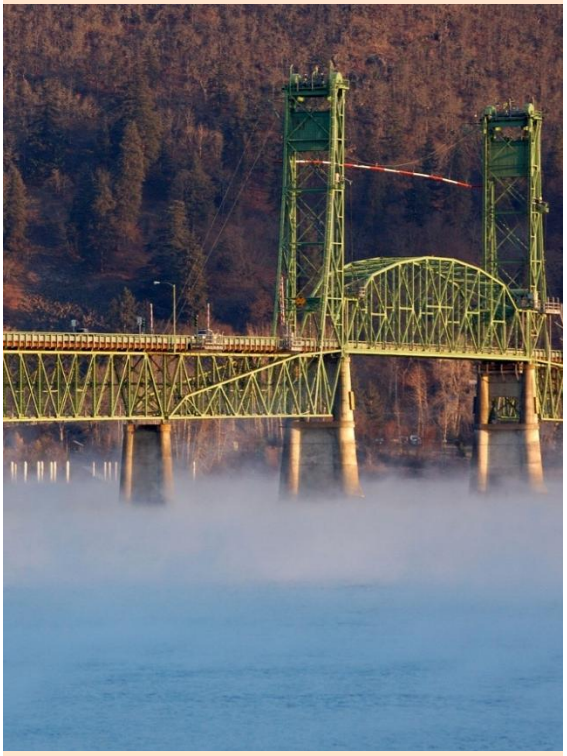


Figure 5 - Hood River Bridge is currently tolled by the Hood River-White Salmon Bridge Authority. *Photo by Ken Reaves*

There Are No Funds Currently Dedicated to Major Projects

The state has allocated all available state and federal transportation funding for major projects, leaving no ongoing, dedicated source of funding available for continued investment going forward.

- ODOT has programmed or spent all HB 2017 legislative allocations.
- ODOT has committed existing federal and state funds in the STIP to safety, preservation, local government and multimodal programs. Making existing STIP funding available for major projects requires reducing funding for these programs. While ODOT may draw small amounts of funding from the STIP for project development, these amounts will not be significant enough to advance construction.
- ODOT previously intended tolling to provide significant funding for major projects in the Portland metro region, including I-5 Rose Quarter, I-205 and I-5 Boone Bridge, but ODOT now plans to use tolling only for the Interstate Bridge Replacement.
- With the federal surface transportation authorization operating on a short-term extension through December 2026, federal discretionary grant funding is uncertain and unlikely to fill significant gaps in project funding.

As a result, multiple major projects or phases of major projects have no funding source. This includes, but is not limited to, work on the Interstate Bridge Replacement Program beyond the initial first phase, completion of the remainder of the Rose Quarter, additional lanes on I-205, the Newberg-Dundee Bypass and replacement of the I-5 Boone Bridge. With no additional dedicated funding, these projects will stall.

If the state allows these projects to stall:

- **Congestion** will worsen.
- Oregon's **traded-sector economy** will face increasing challenges moving goods to market.
- Communities will face increasing challenges to **development and maintaining livability.**
- Furthermore, the cost of delivering these projects **continues to grow** every day.



Figure 6 - Traffic on Interstate 5 at Boones Bridge, is a major bottleneck, causing freight delays as well as travel delays for people living and working in the Willamette Valley. *Photo by Oregon Department of Transportation*

Major Projects in Oregon Tomorrow

The Statewide Funding Need Surpasses the Available Revenue

Funding needs for major projects across the state are massive.

ODOT major projects currently in planning, design, or construction (Interstate Bridge Replacement, I-205, I-5 Rose Quarter, Center Street Bridge, Newberg-Dundee Bypass, I-5 Boone Bridge and Sunrise Corridor: Phase 2) represent a total unmet funding need that exceeds $10 billion. This does not include local projects like the Burnside Bridge Replacement or Hood River Bridge Replacement, or other projects across the state that are still in the conceptual phase, such as the I-5 Medford Viaduct or South Stage Road Overcrossing.

If Oregon were to undertake all of these projects in the near future, issuing $10 billion in bonds to fill the existing funding gap would translate into about $700 million in annual debt service, which would require increasing State Highway Fund revenue by about 40% to pay interest and principal on this debt over a 25-year period. This example relies on early cost-estimate ranges drawn from limited information, leading to significant uncertainty in the total funding shortfall/need.

With this significant funding gap, Oregon will not be able to build everything everywhere at once. Instead, the state will need a long-term approach that provides sustained funding, advances projects in manageable phases and uses a rigorous process to build a pipeline of projects that ODOT can deliver over time as resources become available. The Legislature will need to determine which projects to prioritize for funding and construction.

Scenario 1: No Additional Funding

Without additional funding, no projects move forward beyond work supported by existing allocations.

- **The Interstate Bridge** will complete its initial funded phase (replacing the Columbia River Bridge) but will not complete additional freeway and interchange work in Oregon or extend light rail into Washington.
- **I-5 Rose Quarter** will complete construction of Phase 1A and 1B but not construct anything beyond these initial phases, though ODOT will design Phase 1C using available federal funds.

- **I-205 will wrap up construction of Abernethy Bridge** but not widen the freeway between Stafford Road and Abernethy Bridge.
- **The Center Street Bridge** project will complete Phase 1, while Phase 2 will remain in planning unless the state provides additional funding.
- **Newberg-Dundee Bypass** will complete construction of the Phase 2A interchange at OR 219 and complete design of the northern leg of the project but won't be able to construct it and ODOT will make no progress on the southern leg of the project (Phase 3).
- **Projects in planning**—like Sunrise Corridor Phase 2 and I-5 Boone Bridge—will make no further progress, and no other projects will enter planning or move through design.

Local governments also have significant unmet funding needs for major projects, including the Burnside Bridge and Hood River-White Salmon Bridge replacement projects, that existing funding will not meet.

Shifting Funding Sources

Because of the loss of anticipated toll revenue and increases in estimated project costs, the I-205 Abernethy Bridge and Center Street Bridge projects will now use HB 2017 funding that the Legislature originally intended for smaller bridge and seismic projects. Without additional funding, the Bridge and Seismic programs will need to repay bond financing that cover the shortfall for these two bridges, diverting an estimated $50 million to $75 million per year for 25 years. This would substantially constrain the programs' ability to preserve and maintain bridges statewide.



Figure 7 – Construction taking place on the Abernethy Bridge project in 2026. *Photo by Oregon Department of Transportation*

Additional Funding Needs

To illustrate what additional funding might make possible, the scenarios below assume robust resources—$100 million or $200 million per year in dedicated revenue.

The state could draw this funding from a variety of sources rather than a single source. These purely illustrative scenarios show the possibilities and limitations of project funding; they do not recommend specific funding levels or projects.

To prevent inflation from eroding purchasing power over time, the state should index the funding sources.

In both scenarios, ODOT would likely use a mix of cash flow and bonds to complete projects. In the early years, as projects complete design and expenditures remain lower, annual cash flow would likely cover funding needs. Once projects enter construction, they would need large blocks of upfront funding that only debt financing could generate, so ODOT would begin issuing bonds, likely in multiple tranches over time. Eventually, ODOT would bond all funds, committing the revenue stream for 20 to 30 years.



Figure 8 – Construction ground-breaking and completion/opening events are two times to bring together the variety of agency and community partners that help make a major project a reality. *Photo by Oregon Department of Transportation*

Scenario 2

$100 million per year

Advance a limited number of major projects or the next phases of existing major projects.

Scenario 3

$200 million per year

Advance multiple major projects over time or finish the existing major projects.

Scenario 2: $100 Million Annual Allocation to Major Projects

At this funding level, like the amount proposed in HB 2025 during the 2025 legislative session, ODOT could advance a limited number of major projects. The Legislature would need to sequence investments because available funding would support only one or two significant phases. The Legislature could choose one of the following options or select another set of projects to fund:

- **Fully fund the I-205 Abernethy and Center Street bridge projects** to avoid having to draw significant funding from ODOT's Bridge and Seismic programs. Some remaining funding would likely be available for another small major project.

OR

- **Complete I-5 Rose Quarter: Phase 1C** (not the full Rose Quarter project).

OR

- **Advance other major projects identified by the Legislature,** such as Newberg-Dundee Bypass: Phase 2B, I-205: Phase 2, or I-5 Boone Bridge. Funding at this level would likely support only one or two project phases.

Scenario 3: $200 Million Annual Allocation to Major Projects

With $200 million per year, ODOT could advance multiple major projects over time, but the Legislature would still need to make prioritization decisions as funding would not be sufficient to complete all major projects currently underway. The Legislature could choose one of the following, or select another set of projects to fund:

- Fully fund the **I-205 Abernethy and Center Street bridge projects** to avoid having to draw significant funding from ODOT's Bridge and Seismic programs, and direct remaining funding toward a **combination of other major projects** such as those named in HB 2017 and other locally significant major projects.

OR

- Complete the remainder of the **I-5 Rose Quarter Project, including Phase 1C and Phase 2.**

Using Resources Effectively

Each scenario allows a variety of project investment combinations. However, even with the robust investment levels envisioned in these two scenarios, ODOT could not undertake all major projects currently in planning, design, or construction.

The Legislature would need to make hard choices about which projects to advance first and which projects must wait. The subgroup offers two considerations for prioritizing projects.

Fulfill Existing Project Commitments

HB 2017 made funding commitments to several major projects, and the state has invested a significant amount to design these projects and begin construction. However, major funding gaps remain due to cost increases and loss of anticipated toll funding. The Legislature should focus on finishing work that has already started before funding construction on projects that are still early in the development process. Projects should receive consideration based on their stage of development and readiness for construction.

- Provide funding to complete construction on HB 2017 projects with remaining funding gaps.
- Select projects to move into construction from among those that have advanced far enough through design to have a stable scope, good cost estimate and understanding of risks.
- Projects that are early in the project development process should complete that process to have a defined scope and sufficient design to establish a cost estimate range. Once projects complete this critical step, the Legislature can decide whether to invest significant resources in design and construction.

Use a Rigorous Project Selection Process to Select the Highest Value Projects

Given the cost of major projects and the inability to advance all projects, decision-makers should direct funding to the highest-value projects to maximize return on investment through a rigorous decision-making process. In this process, decisions to invest tens of millions of dollars in final design and hundreds of millions of dollars in construction should occur only after a project completes development (including environmental review and up to 30% design) to generate consensus on a proposed scope, a cost estimate and an understanding of risks to schedule and budget. Using a rigorous process that ensures decision-makers do not act until the agency and stakeholders agree on the scope and the project team completes the design and a cost and schedule risk analysis at multiple points throughout the project lifecycle will help mitigate the risk of cost overruns.

The following sections discuss the factors that decision-makers should use to prioritize major projects and move projects forward the decision-making process after scope, costs and risks are well-understood.

Prioritizing Among Major Projects

With billions of dollars in major projects under development and limited funding available to complete them, the state should make investments strategically to maximize return on investment and advance multiple statewide goals for the transportation system, communities and economy.

The state should prioritize major project investments based on two primary benefits.

1. **Safety**, including:
- Roadway safety for travelers.
- Community safety such as emergency response and disaster resilience.
2. **Economic benefits,** including:
- Reduce costs for Oregon's trade-dependent industries by relieving freight bottlenecks.
- Opportunities to create jobs.
- Fostering urban development or housing production.

Beyond these, the state should prioritize multiple transportation and community goals, including:

- Criticality of infrastructure, including volume of passenger and freight movement and degree to which the route is a critical connection without alternative routes.
- Asset condition, including risk of failure and potential consequences to the public if failure occurs.
- System resilience, including seismic resilience.
- Multimodal mobility.
- Community livability.
- Environmental sustainability, including mitigating climate change.
- Strong stakeholder support for the problem, solution and finance plan.

Projects may not rate highly in all these areas, but decision-makers should judge them on the totality of their benefits across these areas.

Among projects that rate highly in these areas, the state should prioritize construction funding for projects based on factors such as:

- Readiness to move to construction on a meaningful phase of the project with independent utility, including completion of design (through the 60% design milestone).
- Other sources of revenue, including contributions by local governments, willingness of local communities to use tolling as a project funding tool and ability to leverage federal investment.



Figure 9 – OTC meeting was held in Klamath Falls in 2016. *Photo by Oregon Department of Transportation*

Project Pipeline Process

The current process by which the Oregon Transportation Commission (OTC) and Legislature select major projects to develop and fund is ad hoc and

episodic. The Legislature and the OTC often decide to fund projects through construction well before a project's scope has been set and sufficient design has been completed to understand project costs and risks well; this has led to notable issues with cost increases on major projects. For example, in HB 2017 the Legislature funded the OR 22 Center Street project for $60 million based on a preliminary ODOT cost estimate developed after early project scoping before ODOT had completed any design. Additional design has shown the cost of the project could now reach $470 million, so to complete the project ODOT's Bridge program will have to cover the additional cost.

To improve project delivery and mitigate the risk of cost overruns and other problems, the OTC is developing a more rigorous process for advancing major projects. The OTC will make decisions to advance projects through each stage based on design and analysis to ensure that the state makes strategic investment decisions based on sufficient information about scope, costs, risks, construction timeframe and benefits.

The OTC will advance projects through three stages, with official approval at each step.

- **Initiating Project Development -** The Commission would require development of a project purpose and need, likely scope, cost range and timeframe for completing development before approving a project to begin the development process. During project development robust public engagement would help develop consensus on the design, including with local governments, before moving into the design stage.
- **Moving Into Design -** The OTC would decide whether to spend tens of millions of dollars to move a project into design after completing project development (up to 30% design), once the project has a stable scope and establishes a cost range based on an understanding of risks.
- **Construction -** The Commission would approve projects for construction based on 60% design. At this milestone the Commission would be able to make the decision to move a project into construction based on final scope and schedule, analysis of risks, a risk-based cost estimate, a benefit-cost analysis, a finance plan and phasing strategy.



Figure 10 - Senior Engineer Martin Matejsek, Roadway Designer Jakki Carter and Senior Hydraulic Engineer Wade Coatney look over plans together. *Photo by Oregon Department of Transportation*

To ensure effective decision-making this process would incorporate rigorous analysis on several fronts throughout the project

development and design process. This would start at project initiation, to ensure that ODOT launches major projects only after significant thought and continue throughout the design process. Elements would include:

- Analysis of alternative options for addressing the transportation problem, including local road and multimodal transportation investments.
- Benefit-cost analysis to ensure that projects offer a strong return on investment.
- Value engineering to identify opportunities, eliminate unnecessary costs and enhance value.
- Rigorous risk-based cost analysis completed at multiple steps in the project's life cycle to better understand costs and risks.
- Analysis and documentation of changes in costs due to modifications to the project's purpose or scope generated through community engagement, local government requests, or other outside factors.
- Analysis of phasing options to determine how a project could be broken up based on available funding or to maximize opportunities for local contractors.
- Development of financial plans showing the sources of funds to cover expected costs, including risks and contingency.

This effort will build on the Legislature's direction in HB 2017 to require "cost to complete" studies by ODOT on I-205 and I-5 Rose Quarter early in their development and provide an ongoing, systemic process of estimating project costs based on risks and schedule.

Funding Projects Through the Legislative Budget Process

The decision-making framework being developed by the OTC recognizes and respects the foundational role of the Legislature in allocating state resources to projects for design and construction.

The framework envisions providing the Legislature the analysis of project costs, benefits and risks for the portfolio of major projects, along with the OTC's analysis and recommendations, to inform legislative decisions about allocating funding at the appropriate time after design and analysis has been completed.

The Legislature could allocate money to advance projects into design after completing the project development process and developing a stable scope and cost range and construction, after completing substantial design and developing a good cost estimate and understanding of risks. Rather than selecting projects once a decade or so in a transportation funding package, the Legislature should build this process into the regular biennial legislative budget process to allow for greater responsiveness and flexibility. A regular and dedicated funding source for major projects that can be allocated in each budget cycle will facilitate this approach.

Funding in the Future

To be successful, major projects must be supported by multiple funding sources beyond the existing sources in ODOT's budget.

Sharing Costs Between Agencies

Given their substantial costs and broad benefits, multiple levels of government should share major project costs to align funding with those who benefit and ensure sufficient revenue from diverse sources.

- **Federal -** The nation benefits from removing bottlenecks to the movement of freight. ODOT should seek opportunities to apply for federal discretionary grant opportunities for major projects.
- **Statewide -** Major projects provide benefit to the state as a whole and thus merit funding on a statewide basis.
- **Regional -** Major projects have disproportionate benefits for the region in which they're located, and most major projects are in the Portland metro region and Willamette Valley. To align benefits with contributions, regions that benefit the most from a project should contribute a share of project funding.
- **Direct User Fees -** Given the significant benefit major projects provide to those who drive on the facilities, particularly in congestion relief and reduced travel times, having users pay a direct user fee through tolling should be considered where appropriate. Tolls and regional funding may complement or substitute for each other.

Funding Sources to Consider

With these considerations in mind, the Legislature should consider the following sources to fund major projects.

Federal Discretionary Grants

The U.S. Department of Transportation awards discretionary grants to some major projects.

For example, the Interstate Bridge Replacement Program received $2.1 billion from two grant programs. Other projects have received much smaller awards, including $50 million for the U.S. 97 Bend North Corridor project and $450 million for the I-5 Rose Quarter; Congress rescinded most of the Rose Quarter's award, leaving $67.5 million.

However, the Infrastructure Investment and Jobs Act expires later this year, creating significant uncertainty about future federal discretionary grant funding, and administration priorities could limit Oregon's success in securing grants in the next several years.

In addition, federal agencies typically award grants as the "last dollar in" to fill a gap after project sponsors secure the remainder of state and local funding. Developing a funding source for major projects and a pipeline process for advancing them will help projects prepare to leverage federal resources when they become available.

Statewide Funding

Today, most funding for major projects comes from direct legislative allocations for major projects, either from the State Highway Fund in a transportation funding package approximately once a decade, or from the General Fund or other sources as part of the biennial budget process.

Under this model, funding is ad hoc, episodic and subject to availability of resources each biennium or in an occasional transportation funding package.

Some funding also comes through existing federal and state resources allocated by ODOT and the OTC in the STIP. While these funds will not cover a substantial portion of a major project's costs, particularly for construction, STIP funding could be used for early phases, particularly project development, to get projects ready for legislative funding allocations. In allocating funds from the STIP, the OTC should ensure that major projects do not crowd out other investment needs, particularly preservation of bridges and pavement.

To avoid affecting maintenance and preservation, the Legislature should fund major projects through sources other than current State Highway Fund revenues. The Legislature should provide ongoing funding dedicated specifically to major projects through either a new revenue source or the dedication of an existing revenue source.

- One option would have the Legislature establish a dedicated Major Projects Fund and direct new revenue into it.
- HB 2017 used this model by creating a fund for several major projects in the Portland metro region and supporting it with $30 million in annual State Highway Fund resources.
- Lawmakers considered a similar fund in HB 2025 but did not pass it into law.
- As with current direct legislative allocations, the Legislature could authorize projects and direct funding to them during each biennial budget cycle as projects move through the development pipeline and reach key milestones.

Regional and Local Contributions

Each project is unique in terms of local conditions, including local support and willingness and capacity to contribute financially. Local governments have contributed to many of the state's major projects in recent years, from the first phase of the Newberg-Dundee Bypass to the U.S. 97 Bend North Corridor.

Given that most of the major projects in the state lie within the Portland metro region and Willamette Valley and will offer significant benefits to residents of these areas, this approach could be systematized by creating a regional funding mechanism that could fund projects in the region. For example, the region could levy a registration fee or gas tax to ensure that those who benefit disproportionately pay more of the cost of major projects—and conversely, minimize statewide tax increases that fall on people outside of the primary affected regions.

In addition, the state could ask local governments who request additions to the project scope to contribute to a portion of the additional costs, particularly for locally focused elements of the project. The parties should negotiate this during the project development phase as consensus on scope is developed and local buy-in is achieved.

Tolling

Tolling has been used in Oregon to pay for all of the crossings over the Columbia River, other than the I-205 Glenn Jackson Bridge.

The Legislature turned to tolling in HB 2017 to help pay for I-205 and the Rose Quarter as well as other investments. However, the end of the tolling program and HB 3991's repeal of direction to toll created significant funding gaps in the major projects, preventing many from moving forward. Without tolling as a funding tool Oregon will struggle to complete major projects.

Federal law allows tolling to pay for bridge replacement and reconstruction projects and for adding highway capacity, but it limits tolling beyond these purposes.

Tolling all lanes to raise revenue or manage congestion without investing the revenue in the highway improvement projects on the corridor generally requires special approval by the Secretary of Transportation. Within these federal strictures, many states use tolling to pay for a portion of major capital projects, particularly bridges and highway expansions. Tolling typically offers the greatest funding opportunity on freeways with high traffic volumes and significant congestion that a bottleneck-relief project can address, because people and communities may be more willing to pay a toll for a project that significantly reduces travel time, particularly if the project could not otherwise be built.

Tolling can have both positive and negative impacts on the public and the transportation system.

To minimize and mitigate negative impacts, the Legislature and Oregon Transportation Commission (the state's toll authority) should consider the following when considering the use of tolling.

- Should be relied on to **fund only a portion of a project's cost**, supplementing federal, state and regional funding, to avoid over-reliance on tolls and pushing toll rates too high.
- Should only be used **when the benefit to the public** (in travel time savings, safety and other areas) **exceeds the additional cost** of tolls.
- Rates should be kept at a reasonable level, so they **don't overly burden household budgets.** A low-income toll program would help limit the impact on those with limited means to pay.
- Rates should consider the **impact on trucking and freight,** as trucks must typically travel defined routes at specific times and thus have limited opportunity to avoid tolls; truck toll rates should be fair and proportional and seek to avoid significant or disproportionate impacts.
- In setting toll rates, the **potential for diversion to other routes should be weighed** to avoid worsening congestion and safety issues; the impacts of diversion should be mitigated.
- **After bonds are paid off, tolls should be reduced** to a level that covers infrastructure repair, rehabilitation and maintenance needs.

Use of Debt Financing

Major projects typically need various debt financing mechanisms such as short-term borrowing, long-term bonds and loans through the federal Transportation Infrastructure Finance and Innovation Act (TIFIA) program.

Congestion Pricing

Tolling—a revenue source for projects—needs to be distinguished from congestion pricing, which is designed to improve traffic flow by managing demand or improving highway operations and does not generally raise significant revenue for infrastructure investments. While Oregon has significant experience with tolling bridges, the state has not implemented congestion pricing.

Policymakers and transportation agencies need to be clear and direct about the difference between tolling and congestion pricing and clearly lay out their intentions about how and when they will utilize either or both tools.

These financing mechanisms convert relatively small amounts of annual cash, whether from new or existing tax revenue, tolling or other sources, into a lump sum available to fund construction faster than saving dollars on a pay-as-you-go basis.

For example, ODOT has sold billions of dollars in Highway User Tax Revenue bonds that leverage State Highway Fund resources to repay bonds over 20 to 30 years, and the state has also issued general obligation bonds for several projects.

Debt issuance can be a valuable tool to advance projects, but the state should use it reasonably and prudently to protect its credit. The state also should issue bonds against new revenue to avoid borrowing against existing revenue streams and affecting other investments.



Figure 12 - I-5 Widening Project: Kuebler Boulevard to Delaney Road. This photo shows the three completed southbound lanes of I-5, the Wiltsey Street SE roundabout and the new Battle Creek Bridge over I-5. *Photo by Oregon Department of Transportation*

Table 2 – The potential for a variety of funding sources, where they are currently used and additional considerations

Funding Source	Where Currently Used	Considerations
Federal discretionary grants	A handful of major projects, including U.S. 97 Bend, I-5 Rose Quarter and the Interstate Bridge Replacement; amounts range from tens of millions to $2.1 billion for the Interstate Bridge	Usually provide gap funding after state/local funds are identified. Availability depends on congressional action on surface transportation bill and Administration priorities.
Major Projects Fund	Created in HB 2017 and used for the I-5 Rose Quarter and I-205	Requires dedicated funding source, preferably from new revenue source outside State Highway Fund.
Legislatively Directed Allocations	Made in HB 2017 from the State Highway Fund and for the Interstate Bridge Replacement, Hood River Bridge, Newberg-Dundee Bypass and other projects from other funding sources through the biennial budget process	Would affect preservation and maintenance if allocations are made from the State Highway Fund. Other fund allocations would depend on availability of the General Fund and capacity to issue general obligation bonds.
State and Federal Formula Funds (STIP)	Used for project development and to supplement project-specific legislative allocations for construction	Could be focused on initial development of major projects; state and federal funds in the STIP are prioritized for preservation, safety and multimodal programs.
Regional and local contributions	Used for some projects such as U.S. 97 in Bend and Newberg-Dundee	Could include regional/county gas tax, regional/county registration fee, local contributions to cover additional scope, etc.
Tolling	Planned only on Interstate Bridge and Hood River Bridge Replacement	Could be significant funding source for projects on high-volume routes, particularly bridges.

Policies, Regulations and Other Efficiencies

Maximizing successful outcomes with major projects requires implementing a comprehensive set of policies related to major projects.

Fund Maintenance and Preservation Before Major Projects

The Legislature should first prioritize funding for maintenance and preservation of roads and bridges to prevent the system from decaying.

Only after basic needs are met to a reasonable extent should major projects be funded, and the Legislature should draw funding from separate sources that don't take money away from maintenance and preservation.

Project Alternatives Analysis and Right-Sizing

In alignment with the OTP Policy MO.2.1 and Oregon Highway Plan Policy 1G.1, ODOT should evaluate and prioritize alternatives to highway expansion before adding capacity.

Before launching a major highway expansion project, ODOT should analyze whether smaller scale road improvements, demand management, transit, or other investments may allow a highway investment to be right sized to reduce its cost.

In major urban areas—particularly the Portland metro region—public transportation investments may help reduce the scope and cost of highway investments. This project alternatives analysis is built into the OTC's proposed decision-making process.

Contracting for Major Projects

Once the state selects and funds major projects, public agencies should ensure that they provide an opportunity to grow Oregon small businesses through contracting and supply chain opportunities.

Without intentional efforts, large national firms are likely to be more successful in winning contracts for these projects. However, public agencies can take steps—such as breaking up major projects into phases or smaller pieces and implementing workforce development and small business subcontracting requirements—that allow Oregon-based businesses to compete effectively and participate fully. With intentional efforts, major projects can leave behind stronger businesses and a more skilled workforce.

Contracting efforts should include specific efforts that seek to:

- Break projects into phases or smaller pieces to allow Oregon firms to compete.
- Increase participation of Oregon-based small businesses and disadvantaged firms.
- Expand workforce development, apprenticeships and career pathways.
- Use flexibility provided by alternative delivery methods where appropriate to build in workforce and business development opportunities.
- Build long-term capacity so small businesses can compete on increasingly larger projects.
- Strengthen local supply chains by keeping more project dollars circulating within Oregon.
- Create measurable economic mobility for historically underutilized businesses.
- Foster innovation through collaboration between owners, contractors, labor and community organizations.

Speeding up Delivery

When it comes to projects, time is money and delays can be costly.

On major projects costing hundreds of millions of dollars, annual construction cost inflation averaging 4% to 6% means a one-year delay can add tens or even hundreds of millions of dollars. Project sponsors need to move projects forward expeditiously.



Figure 11 – Inspectors examine the newly constructed Newberg-Dundee Bypass before it opens to the public. *Photo by Oregon Department of Transportation*

Oregon Department of Justice Role in Contracting

Oregon's contract review process creates a lengthy and costly review bottleneck at the Oregon Department of Justice (DOJ), which must review contracts and contract changes for legal sufficiency.

- This is particularly true for projects using alternative delivery methods, where state law and administrative rules require department approval of every contract change order.
- These processes go well beyond basic legal sufficiency review, leading to delays and increased costs and risks for major projects.
- ODOT should work with DOJ to streamline this process, including establishing clear and limited roles for legal review, developing contract templates and language that can be reused across projects, and setting specific process and timeline expectations to make contract and change-order execution more efficient.
- In addition, the Legislature should consider raising dollar thresholds that trigger department review for ODOT contracts. Oregon Revised Statute ORS 291.047 set this threshold at $75,000 in

1997, and the Legislature has not adjusted it; the Legislature could raise this amount to a significantly higher level for ODOT projects that use standard statements of work.

Land Use Process

State and federal environmental and land use laws help protect the things Oregonians value, including farmland, clean water and clean air.

- At the same time, these requirements can impact the timeline for delivery of projects. Oregon's land use process allows multiple opportunities to slow down major projects and appeal them through the courts and Land Use Board of Appeals.
- Streamlining decision points and appeals rather than offering multiple opportunities to challenge a project could reduce delay and costs while preserving meaningful opportunities for the public to engage in projects.

Accountability and Oversight

Legislators and the public have called for greater accountability and oversight of major projects after significant project cost increases and delays. In HB 3991, the Legislature modified the membership of the Continuous Improvement Advisory Committee (CIAC) to focus it on major projects.

ODOT has developed a Major Projects Quarterly Report for the CIAC, OTC and Legislature. This report is a valuable tool, and ODOT should continue refining it to ensure decision-makers have the information necessary to provide effective oversight and make informed decisions.

The Legislature could strengthen the CIAC's accountability and oversight role by completing its transformation into a major projects oversight committee. This change would require the Legislature to modify the committee's statutory charge to focus on major projects and align it with the membership change. For example, the Legislature could direct the CIAC to:

- Advise the commission on ways to improve the delivery of major projects.
- Review audits related to project delivery and advise the committee on implementation of audit findings.
- Review the status of all major projects and report on them to the OTC and Joint Committee.
- Perform after-action reviews after completion of major projects to identify success factors and opportunities for improvement.
- Review key performance measures for on-time and on-budget delivery of projects.

Project Labor Agreements

Project labor agreements (PLAs) are sometimes used by governments to outline terms and conditions for construction projects. PLAs are then negotiated with building trade unions; some communities have also included other trade organizations and community stakeholders. Once finalized, all contractors

and subcontractors must follow the agreed-upon terms. PLAs are more likely to be used on major projects that require a large labor force over multiple years. The Legislature will need to work through the benefits and costs to determine whether PLAs should be applied to projects.

ODOT Capacity

Without a consistent pipeline of funding for system modernization, ODOT has struggled to establish a stable team of technical experts to oversee and deliver complex, high-risk and long-duration projects and programs.



Figure 13 - Civil Engineer David Fletcher at work in Region 5, eastern Oregon. *Photo by Oregon Department of Transportation*

While ODOT has established major project delivery programs in the past, these programs ended without a long-term plan to retain technical competence, lessons learned and the organizational discipline needed to continue the work.

After ODOT completed the third Oregon Transportation Investment Act (OTIA III) State Bridge Program, it closed the Major Projects Branch and dispersed its staff, many of whom have since retired. As a result, ODOT lacks staff experienced in major project delivery, a scalable project-controls program to support major project delivery, well-established practices for risk assessment and cost-risk analysis, and an organizational structure that fosters growth and success.

ODOT faces significant staffing constraints in project delivery. The Legislature eliminated 59 project delivery jobs in the 2025-2027 budget and directed ODOT to hold an additional 95 jobs vacant. The Legislature may choose to eliminate these positions to help close ODOT's budget gap in the 2027-2029 biennium. These shortfalls make it challenging for ODOT to develop the capacity to deliver major projects. Based on current funding levels for both projects and positions, ODOT anticipates that most major projects will continue to utilize a mix of in-house work by ODOT staff and work outsourced to consultant partners. Even when major project design work is outsourced, ODOT needs sufficient in-house expertise to manage major project delivery, oversee outsourced deliverables, verify quality, implement alternative delivery methods and maintain accountability for project outcomes.

ODOT is also developing tools, processes and best practices, including cost-estimating requirements and project controls, to strengthen delivery outcomes and improve regular financial reporting and transparency.

The legislative review mandated under HB 3991 as a follow up to the 2025 legislative management review will offer recommendations for how ODOT can improve its ability to deliver major projects.

Overall Recommendations

Table 3 – The Major Projects Subgroup recommendations to the Vision Workgroup.

Recommendation	Description	Potential Action
Protect maintenance and preservation before funding major projects	Major projects should not compete with core maintenance and preservation needs. Funding for major projects should come from separate or additional sources once the state prioritizes basic system needs.	The Governor recommends to the Legislature.
Create a dedicated, multi-source funding approach for major projects	Completing major projects will require securing funding from multiple sources—from federal grants to statewide funds to regional and local contributions and possibly tolling.	Governor recommendation for legislative action on the funding framework, including any new revenue, dedicated fund and/or tolling direction.
Use a consistent and rigorous process to advance major projects	Major projects should move through clear development, design and construction decision points, with better information on scope, cost, risk, timeframe for construction, benefits, alternatives, phasing and financing and early buy-in from local communities before the state commits additional funding.	Request workgroup support for the Oregon Transportation Commission's major project decision-making framework and continued implementation by ODOT.
Use major projects to support Oregon's economy, businesses and workforce	Prioritize projects that provide significant economic benefits and address other transportation and community goals. Structure project delivery and contracting to increase opportunities for Oregon small businesses, disadvantaged firms, apprenticeships and workforce development, while strengthening local supply chains.	Support for OTC/ODOT implementation.
Strengthen major project accountability and oversight	ODOT should improve project controls, cost and risk management, reporting and oversight while building sustained capacity to manage large, complex projects.	• Request Workgroup support for OTC/ODOT implementation • Recommend legislative action to update the Continuous Improvement Advisory Committee's statutory charge to focus on major project oversight and enhance ODOT's capacity to deliver projects, based on the upcoming HB 3991 legislative review.

Recommendation	Description	Potential Action
Expedite project delivery to save money	Streamline alternative contracting and Oregon DOJ contract review to save time and money.	• Request Workgroup support for ODOT/DOJ work to streamline processes. • Recommend legislative action to evaluate statutory changes needed to streamline DOJ review, including increasing dollar thresholds for DOJ review.

Subgroup Members

ODOT and the Governor's Office would like to thank the Major Project Subgroup for dedicating their time and expertise to this memo.

Subgroup Chair: Lee Beyer, Oregon Transportation Commission Vice Chair

Vision Workgroup Liaison: Tyler Frisbee, Institute of Metropolitan Studies, Portland State University

Subgroup members:

Margi Bradway, Multnomah County

Marc Butorac, Kittleson

Angi Dilkes, Eames Consulting

JT Flowers, Albina Vision Trust

Larry Gescher, HP Civil

Mark Gibson, Oregon Trucking Association

Indi Namkoong and Cheyenne Holliday, Verde

Nate McCoy, National Association of Minority Contractors Oregon

John Olson, McMinnville Chamber of Commerce

Annette Price, PacifiCorp

Greg Remensperger, Oregon Auto Dealers Association

Karen Scott, Association of Engineering Employees

Duke Shepard, Oregon Business and Industry

ODOT Liaison: Travis Brouwer, ODOT Deputy Director

ODOT Staff: Omar Ahmed, Tova Peltz, Susan Peithman and Kat Silva

Consultant Support: Brandy Steffen, JLA Public Involvement

[i] ODOT, Traffic Congestion Key Performance Measure, www.oregon.gov/odot/PerformMang/One%20pagers/Traffic%20Congestion%20One%20pager.pdf.

[ii] American Transportation Research Institute, The Nation's Top Truck Bottlenecks 2026, www.truckingresearch.org/2026/02/top-100-truck-bottlenecks-2026

[iii] Hampton Roads Transportation Planning Organization, The State of Transportation in Hampton Roads, www.hrpdcva.gov/DocumentCenter/View/15070/T26-01-State-of-Transportation-in-Hampton-Roads-2025-PDF?bidId=.

[iv] Federal Highway Administration, Receipts of State-Administered Toll Road and Crossing Facilities 2024, www.fhwa.dot.gov/policyinformation/statistics/2024/pdf/sf3b.pdf.

[v] Texas Comptroller of Public Accounts, Transfers to ESF and SHF, comptroller.texas.gov/about/media-center/infographics/2025/bre26-27/transfers.php