

# Structural Revenue Issue

## Driving Deep Potential Budget Cuts

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ODOT is facing a structural revenue issue. This is due to three main causes:

- **Flattening and declining gas tax revenue:** Oregonians are driving increasingly fuel-efficient vehicles and switching to electric vehicles at a high rate. With increased fuel efficiency and more EVs, Oregon sees lower tax revenues and less money available to maintain the transportation system.
- **High inflation:** Inflation has made maintaining the transportation system more expensive. Unlike many other states, Oregon's gas tax is static and isn't tied to inflation. Our vehicle and freight hauler fees are also not tied to inflation. With every year that passes, the same dollar purchases fewer materials and less service.
- **Restrictions on available funding:** Only a small share of the funding that comes into ODOT can be used to maintain the state's transportation system and run the agency. State law directs almost half of total state highway fund dollars to cities and counties and then dedicates over half of what's left to pay back bonds for past projects and invest in new projects, leaving only about 20% of every dollar available for state highway maintenance.

This structural revenue issue means ODOT faces a \$354 million imbalance between the funds that are expected to be available to operate the agency in the 2025-2027 biennium and the cost to maintain current staffing and service levels.

Every state agency is required to model what services could be provided based on expected available funding. The purpose of this budget modelling exercise is to help the governor and Oregon lawmakers understand the impacts of an available budget and decide on whether additional funding is necessary.

ODOT has completed this budget exercise every biennium for decades, but because the structural revenue issue is now so severe, the model for the first time includes a list of potential service reductions, office closures and position cuts to bring the agency's budget into balance. This budget would be devastating to ODOT's ability to maintain and operate Oregon's transportation system safely and reliably.

### Service Reductions for Oregonians

Balancing the budget would require cutting nearly 1,000 employee positions across the agency.

That level of staffing reduction would involve the consolidation of the agency's maintenance stations, closing 17 of ODOT's 88 maintenance stations.

Such a reduction in staffing would require reductions in services for Oregonians.

- Increased crash response times and longer highway closures.
  - Longer response times to emergency events like flooding, wildfires and winter storms.
  - More potholes, rougher roads and lower speed limits.
  - Higher risk of water on the roadway with increased risk of erosion damage and pavement failure.
  - Higher fire risk and reduced visibility from a reduction in mowing and other vegetation management.
  - Reduced camp cleanup by two thirds from current levels, reduce graffiti removal and reduced litter pickup in urban areas – eliminating it entirely in rural areas.
  - Fewer edge line markers on low volume roads.
  - More frequent signal failures.
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- The elimination of bridge painting or washing.
- Reduced illumination on roadways and paths to lower utility costs.
- Eliminated fleet equipment replacement resulting in reduced reliability and increased repair costs.

One major impact would be a reduction in winter service levels beginning in late 2025. The agency would only be able to purchase roughly 50% of the winter materials (e.g. salt, deicer, abrasives) that it has traditionally purchased. This would result in reduced service levels on interstates and major highways and little to no service on less traveled roads.

In addition to cuts in maintenance and operations, other parts of the agency would be affected. Oregonians can expect slower DMV customer service if this budget is adopted. They can also expect fewer improvement projects and for those projects to take longer to be completed due to fewer staff available to plan and build them. Contracting with the agency will take longer as procurement staff are reduced. There will be an increased risk of digital systems failure as IT staff are stretched thin. Oregonians seeking information from the agency will face longer wait times on public record requests and other inquiries.

## **There is Reason for Optimism**

Because the consequences of these cuts are so drastic, ODOT leadership is hopeful that Governor Kotek and the Oregon Legislature will identify funding in the 2025 legislative session to prevent the agency from having to make these cuts. Legislative leadership and the governor are strongly supportive of addressing this budget shortfall.

This budget will next go to the Governor's Office, where Governor Kotek will analyze similar budget modeling documents from every state agency and release her Governor's Budget in December. That document will be delivered to the Oregon Legislature for their 2025 session. At the end of that session in July of 2025, the legislature will adopt, and Governor Kotek will sign, a binding budget document to guide ODOT's work in the 2025-2027 biennium.

If the Oregon Legislature adopts a budget in July 2025 without providing additional revenue, ODOT leadership would conduct another reduction modeling exercise to reflect the staffing situation of that moment. That means that while this list of reductions is instructive to understand the consequences of underfunding our transportation system, it is not a binding list of service reductions.



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