

Closing ODOT's budget gap

The Oregon Legislature passed House Bill 5204 and Senate Bill 1601 during the 2026 short session to address ODOT's budget gap for operations and maintenance. These solutions include making further budget reductions and a one-time redirection of state funds from a variety of programs. This will cover the agency's current \$242 million funding gap and provide roughly \$54 million in addition to support maintenance and operations budget into the next budget cycle.

Closing this gap prevents more than 450 layoffs and deep service reductions that would impact the safety of all travelers in Oregon. This is a critical step forward for Oregon's transportation system. Long-term, sustainable, and reliable solutions are still needed to preserve and maintain this system into the future.

Budget Reductions

The amendment to [HB 5204](#) reduces ODOT's legislatively approved budget by \$78.2 million in State Highway Fund resources across operations and maintenance functions. This builds on more than \$150 million in reduced spending this budget cycle. These reductions will be met by holding more than 130 vacancies and reducing spending on services and supplies.

Redirection of Funds

The amendment to [SB 1601](#) temporarily redirects state funds from a number of programs within ODOT's budget to provide \$218 million in additional funding for operations and maintenance for the 2025-2027 budget cycle.

For grant programs, only funds that haven't been identified for specific projects are impacted. If a project has received approval for grant funds, those funds are protected and not impacted by redirection.

Funding Source	Amount Redirected	Program/Project Impacted
House Bill 2017 ODOT Highway Funds	\$91 million	Named projects
	\$35 million	Fix-It projects
Safe Routes to School	\$17 million	Safe Routes to School construction projects
Vehicle Privilege Tax	\$42 million	Connect Oregon
	\$8 million	Oregon Community Paths
Transportation Operating Fund	\$8 million	Community Charging Rebates Program
	\$5 million	Innovative Mobility Program
	\$3 million	Passenger rail operations
	\$2 million	Passenger rail grant match
	\$2 million	Transportation Operating Fund reserves
Student Driver Training Fund	\$5 million	Student driver training provider reimbursement
TOTAL	\$218 million	

HB 2017 Named Projects: \$91 million

House Bill 2017 was passed in 2017 to invest in Oregon's transportation system. Projects across the state were identified in the bill.

- Redirects \$6 million from a Highway 58 passing lane project that proved infeasible.
- Redirects \$85 million in state funds from projects that can be replaced by federal funds from the Federal Highway Administration's annual redistribution of remaining funds. The Oregon Transportation Commission has already provided direction to ODOT to use redistribution for other purposes, so redirecting these funds will impact our ability to use these funds for those purposes.

HB 2017 Fix-It Funding: \$35 million

House Bill 2017 was passed in 2017 to invest in Oregon's transportation system. "Fix-it" funding is designated for projects that preserve bridges, pavement, and culverts.

- Redirects \$35 million from bridge, seismic, paving, and other funds.
- ODOT will seek to replace these funds with unallocated HB 2017 funds rather than delay these projects.

Safe Routes to School: \$17 million

Provides grants for communities to build sidewalks, safe crossings, and bikeways near K-12 schools to allow students to walk and roll to school safely. Funded at \$15 million annually from the State Highway Fund.

- Redirects a one-time amount of \$17 million.
- The next round of grants will be delayed by a year, and the funding amount will be reduced.
- Education grants and technical assistance are federally funded and will continue this year.
- There will be no impacts to projects that have already been selected.

Connect Oregon: \$42 million

Funds aviation, rail, and marine projects via competitive grants and matching funds for federal grant programs. Funded by the vehicle privilege tax paid on the sale of new vehicles in Oregon.

- Redirects \$42 million balances and future revenue not promised to projects.
- The current grant solicitation will be reduced in size.
- There will be no impacts to projects that have already been selected.

Oregon Community Paths: \$8 million

Provides grants to build paved paths for bicyclists and pedestrians that are separated from car traffic. Funded in part by vehicle privilege tax paid by auto dealers when selling new vehicles in Oregon.

- Redirects \$8 million, eliminating existing balances not promised to projects, of the vehicle dealer privilege tax revenue.
- This will reduce funding for the Oregon Community Paths program, but funding remains from federal dollars and the bike excise tax.
- There will be no impacts to projects that have already been selected.

Transportation Operating Fund: \$20 million

Fund supports ODOT-authorized functions that can't constitutionally be paid for by the State Highway Fund. Funded by gas tax used in off-road equipment such as lawnmowers.

- **Redirects \$8 million from Community Charging Rebates Program.** This will eliminate state funding for rebates to construct charging stations for this budget cycle. Federal grant funds to support this program still exist and will fund future cycles, in addition to NEVI (National Electric Vehicle Infrastructure) dollars that support EV fast-charging station construction statewide. There will be no impacts to projects that have already been selected.
- **Redirects \$5 million from Innovative Mobility Program.** This will reduce grants to improve access to public and active transportation for historically underserved communities. Limited state and federal funds are still available. There will be no impacts to projects that have already been selected.
- **Redirects \$3 million from passenger rail.** This will have no impact on Amtrak Cascades service due to budget adjustments and other available funds.
- **Redirects \$2 million from passenger rail grant match.** These funds were no longer needed because the match for federal grants was shifted to the new Connect Oregon match program.
- **Redirects \$2 million from reserves.** This will limit ODOT's ability to cover unexpected costs for non-highway programs.

Student Driver Training Fund: \$5 million

Enhances transportation safety through the education of teen drivers before they get their license.

Sweeping a portion of the balance will reduce funding available for reimbursements to student driver training providers in the coming years.