LSC Greenbook

Analysis of the Enacted Budget

Transportation Budget Bill
(H.B. 2 of the 128th General Assembly)

Part I:
Department of Transportation
Public Works Commission
Department of Development
Ohio Turnpike Commission

Jason Phillips, Budget Analyst
Brian Hoffmeister, Budget Analyst

Legislative Service Commission

May 2009

TABLE OF CONTENTS

Department of Transportation

- Total budget of $5.7 billion with focus on system preservation
- Resumption of typical GARVEE bonding levels
- Increased focus on non-highway modes

OVERVIEW

Agency Overview

The Ohio Department of Transportation's (DOT) primary function is to plan, design, construct, and maintain the state's network of highways and bridges. The Department also provides financial and technical assistance to the state's public transit systems, general aviation airports, and railways. DOT's primary funding sources include state and federal motor fuel taxes and bonds. The Department also receives funding from the GRF for nonhighway programs, such as rail, transit, and aviation. These GRF appropriations are provided in the main operating budget bill.

The Department has a staff of approximately 5,600 full-time permanent employees located in 12 districts throughout the state, as well as a central office in Columbus. In addition to its permanent staff, the Department also employs hundreds of temporary, seasonal, and intermittent employees at any given time. Overall, DOT is the state's second largest agency in terms of employees by headcount.

An ongoing effort is to restructure its staff to reflect the emphasis placed on multi-modal planning, a goal the Department intends to complete by the end of FY 2009. This will involve merging the Division of Local Programs with the Division of Planning to create a new Division of Multi-modal Planning. The focus of this Division will be to (1) direct statewide multi-modal planning efforts, (2) coordinate activities in rail, public transit, aviation, maritime, roadway and bridges, and safety and other services with appropriate federal, state, and local partners, and (3) conduct research in these areas.

Appropriation Overview

The budget for DOT is approximately $2.9 billion in FY 2010, a 6.2% decrease over the adjusted FY 2009 appropriation of $3.1 billion. The FY 2011 appropriation is $2.8 billion, a decrease of 2.3% from FY 2010. Overall, these appropriations amount to a biennium total of $5.7 billion. The Highway Operating Fund Group (made up primarily of motor vehicle fuel and highway use taxes) provides about 91% of all the operating and capital support for the agency's programs. The Infrastructure Bank Obligations Fund Group and the Highway Capital Improvement Fund Group receive state and federal bond proceeds. These amounts account for about 9% of total appropriations over the biennium. Lastly, the State Special Revenue Fund Group supports rail and aviation projects.

Table 1. Appropriations by Fund Group, FY 2010-FY 2011 Am. Sub. H.B. 2					
Fund Group	**FY 2009***	**FY 2010**	**% Change, FY 2009-FY 2010**	**FY 2011**	**% Change, FY 2010-FY 2011**
Highway Operating	$2,551,255,982	$2,596,108,872	1.8%	$2,566,678,728	(1.1%)
Hwy. Capital Improvement	$100,000,000	$194,000,000	94.0%	$163,000,000	(16.0%)
Infrastr. Bank Obligations	$400,000,000	$71,000,000	(82.3%)	$65,000,000	(8.5%)
State Special Revenue	$3,445,000	$3,494,100	1.4%	$3,495,800	<0.1%
Federal Special Revenue	$10,000	$0	(100.0%)	$0	(100.0%)
TOTAL	**$3,054,710,982**	**$2,864,602,972**	**(6.2%)**	**$2,798,174,528**	**(2.3%)**

* Adjusted appropriations

Funding Distribution

By Functional Category

Most of DOT's budget goes to programs in the Highway Construction Program series. As always, pavement and bridge construction will account for the biggest outlay over the biennium. Table 2 below shows DOT's budget by functional category, mirroring the line item groupings found in the Analysis of the Enacted Budget section.

Table 2. FY 2010-FY 2011 Budget by Functional Category (in millions)				
Functional Category	**FY 2010**	**% of Total Budget**	**FY 2011**	**% of Total Budget**
Planning and Research	$45.0	1.6%	$45.7	1.6%
Highway Transportation	$2,616.0	91.3%	$2,546.5	91.0%
Public Transportation	$35.7	1.2%	$35.7	1.3%
Rail Transportation	$17.9	0.6%	$17.9	0.6%
Aviation	$15.5	0.5%	$15.7	0.6%
Program Management	$134.5	4.7%	$136.7	4.9%
Total	**$2,864.6**	**100%**	**$2,798.2**	**100%**

By Priority

Another way to view the budget is by funding priorities. As in prior biennia, paying debt service and supporting routine operations are the chief priorities for the FY 2010-FY 2011 biennium. Major/New construction continues to be DOT's last funding priority. Table 3 below outlines DOT's seven major funding priorities for the upcoming biennium.

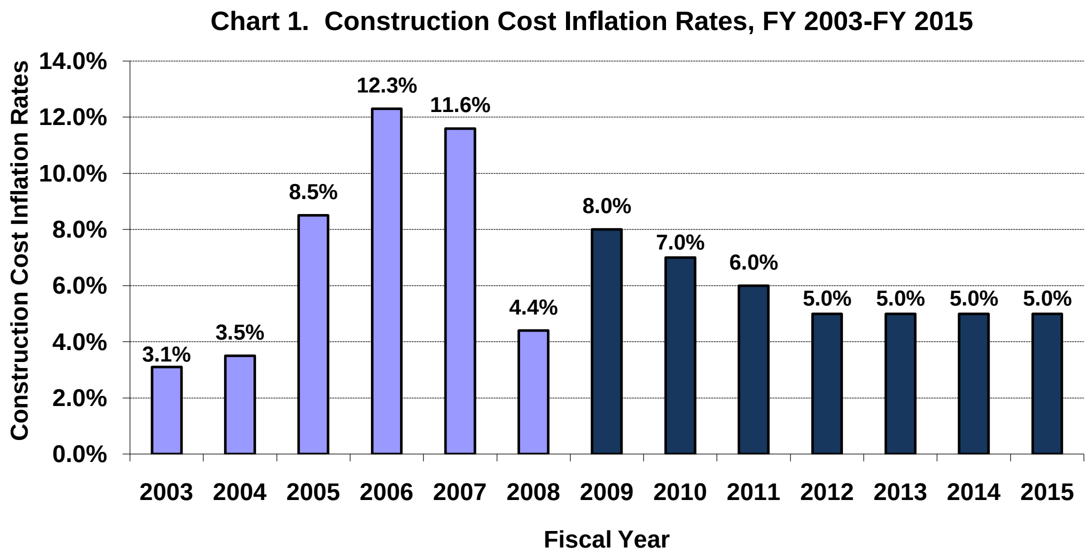
Table 3. FY 2010-FY 2011 Budget by Priority		
Priority	**Function**	**Function Description**
#1	Debt Service	Debt service payments on state and federal bonds
#2	Routine Operations	Payroll, routine roadway maintenance, signal maintenance, guardrail repair, pavement marking, sign replacement, snow and ice control
#3	System Preservation	Pavement resurfacing, bridge repair and replacement
#4	Safety	Intersection improvements, traffic signal updates, turn lanes, other roadway modifications
#5	Miscellaneous Statewide	Railroad warning devices, rest areas, noise walls, Amish buggy lanes, and park road paving projects
#6	Local Programs	Allocation to Metropolitan Planning Organizations, county bridge and paving projects
#7	Major/New Construction	Highway capacity additions

Transportation Budget Environment

Major factors that were taken into account in developing the budget were construction cost inflation and declining state motor fuel tax revenue and uncertain future federal investment. As a result, the Department has adopted a "Fix It First" approach that emphasizes system maintenance. In addition, to augment federal and state funding for projects, the budget provides DOT with tolling authority for projects that add capacity to the transportation system.

Highway Construction Cost Inflation

Adjusting to construction cost inflation continues to be the Department's primary challenge. Both national and DOT construction cost indices began to show sharp increases in calendar year 2005. These indices reflected the growth of the global economy through the dramatic increase in the price of oil and increased demand for energy, steel, and raw materials. Such inflation has significantly reduced the buying power of the Department and, thus, fewer projects are able to be funded with the same amount of money. As Chart 1 below shows, construction cost inflation was above 10% in both FY 2006 and FY 2007, but moderated to 4.4% in FY 2008. Inflation rates for FY 2009 and beyond are based on estimates included within DOT's most recent Business Plan.



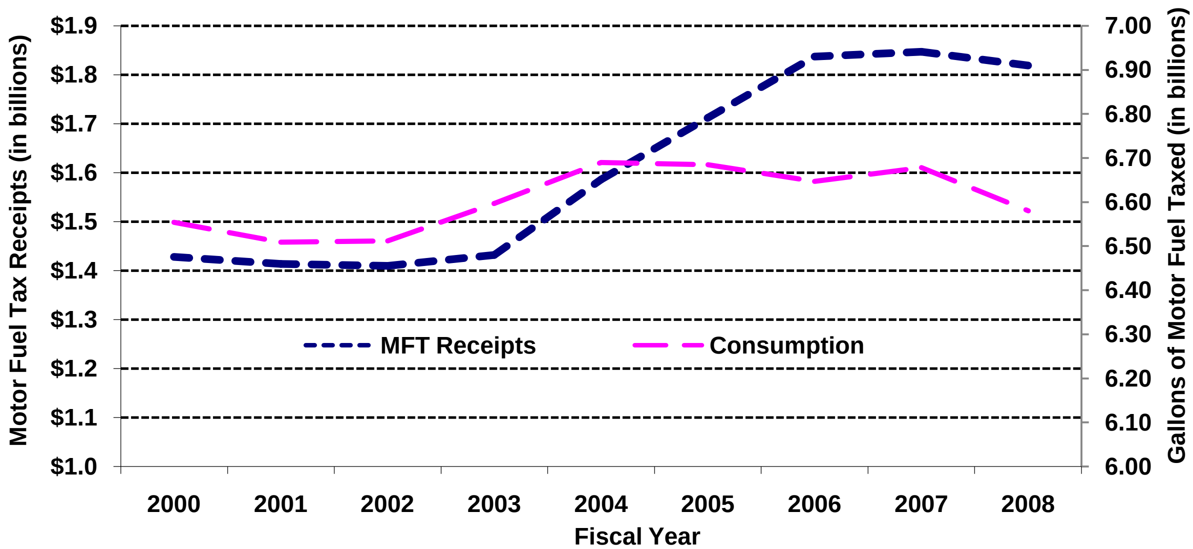
Although inflation slowed in FY 2008, DOT is continuing with the forecasted rates in the Department's 2008-2009 Business Plan because of the volatility in global commodity prices. This uncertainty makes transportation planning difficult and causes project cost estimates to be continually re-evaluated. As a result, DOT has begun adjusting its financial forecasting methods as described in the 2008-2009 Business Plan. For example, the Division of Contract Administration now updates its construction cost database on a monthly basis so that trends in major construction bid items can be identified. The Division also produces an updated five-year inflation forecast twice a year. Program managers can use this information to update project construction estimates and program budgets. Furthermore, the Division of Planning and Local Projects will not recommend a project for TRAC Tier I construction until the project has been sufficiently developed and its cost has been appropriately estimated.

Decline in State Motor Fuel Tax Revenues, Uncertain Federal Revenue

Reduction in State Motor Fuel Tax Receipts

Coupled with high inflation rates that increase the cost of construction and preservation projects, DOT's project funding capabilities have also been hampered by a decline in one of the primary sources of revenue used to pay for those projects, state motor fuel tax revenue. The 28-cent state motor fuel tax (MFT) comprises about 87% of the total state revenue DOT receives. DOT's portion of the tax, about 17 cents, provides roughly $1.0 billion in revenue for the Department each year (receipts are also dedicated to highway bond retirement, local governments, and certain state agencies). While DOT originally assumed zero growth for FY 2008-FY 2009, motor fuel consumption actually declined by 1.5% in FY 2008. FY 2009 MFT revenue is expected to decline an additional 1.0% to 1.5% and remain flat in FY 2010 and FY 2011. Chart 2 below illustrates total state motor fuel tax receipts between FY 2000 and FY 2008. The large increase in receipts is due to the cumulative six-cent increase in the gasoline tax earlier this decade. Notice, however, that consumption has remained relatively flat over the period, hovering between 6.5 billion and 6.7 billion gallons taxed.

Chart 2. Motor Fuel Tax Revenue vs. Gallons Taxed, FY 2000-FY 2008



DOT primarily attributes the decline in motor fuel tax receipts in FY 2008 to higher gasoline prices, little growth in Ohio's population, and increasingly fuel-efficient vehicles. Declines in MFT revenue not only impact DOT programs, but also have a ripple effect on the other recipients of the MFT, such as local governments and other state agencies like the Public Works Commission, which operates the Local Transportation Improvement Program using one cent per gallon of the MFT.

Uncertainty of Federal Funding

DOT also relies heavily upon its share of the federal motor fuel tax, which is assessed at the rate of 18.4 cents per gallon for gasoline and 24.4 cents per gallon for diesel. These taxes are deposited into the federal Highway Trust Fund (HTF). Ohio's share of this revenue is approximately $1.2 billion each year. However, a major concern is that federal gas tax receipts in the Trust Fund are declining. In federal fiscal year (FFY) 2008 (October 2007 to September 2008), the Federal Highway Administration (FHWA) reported that the HTF took in $31 billion, $3 billion less than FFY 2007, largely because Americans drove less in the face of high fuel prices. Highway Trust Fund spending, meanwhile, increased by $2 billion during that same period.

Congressional debate on reauthorization for the surface transportation program will begin this year, creating some uncertainty in planning for the state's transportation budget for the FY 2010-FY 2011 biennium. Therefore, while DOT is advocating for a significant increase in core federal highway programs as well as a greater share of federal motor fuel tax revenue that is generated by Ohio motorists, the Department is planning conservatively for only 1% growth in federal revenue.

Major Features of the Budget

Bonding in the Highway Construction Program

Resumption of Normal GARVEE Bonding

DOT's budget reduces bond appropriations for the FY 2010-FY 2011 biennium. The reductions come in the form of fewer Grant Anticipated Revenue Vehicle (GARVEE) bonds, which are retired with future federal revenues. The budget reduces the appropriation of GARVEE bond proceeds to a maximum of $136 million for FY 2010-FY 2011 (compared to appropriations of $850 million in the current biennium). The high appropriation in the current biennium was part of a short-term strategy of bonding record amounts to expedite construction projects and counter the effects of construction cost inflation in recent years. The rationale was that the interest rate on the bonds would be lower than construction cost inflation. The budget returns GARVEE bond funding to a more typical level.

Increased State Highway Bonding

The budget also contains $352 million in state bonding authority over the biennium. The $352 million in issuance authority is related to state bonds only, not GARVEE bonds. Included within this issuance authority is $200 million that allows DOT to recoup the money that will be transferred to the Public Works Commission's Local Transportation Improvement Program (LTIP) to fulfill a funding requirement for LTIP found in H.B. 554 of the 127th General Assembly, the Jobs Stimulus Bill. The additional debt service resulting from the added bonding will be offset through the transfer of certain net interest earnings credited to the state's GRF-backed bond funds to the Highway Operating Fund (Fund 7002).

Reduction in Major/New Program

In contrast to prior budgets, DOT will use its FY 2010-FY 2011 bond appropriations primarily for pavement and bridge preservation projects that align with the Department's Fix It First mandate, assuming program allocations go forward in the upcoming biennium as indicated during budget deliberations. Prior budgets have allocated bonding to the Major/New construction program to add new capacity. Total appropriations allocated to the Major/New Program for FY 2010-FY 2011 are reduced from around $500 million annually to $167.2 million in FY 2010 and $76.7 million in FY 2011. In the current biennium, the Major/New Program funded 52 construction projects totaling $1.08 billion. For FY 2010-FY 2011, there are currently 25 projects programmed for construction totaling $615 million in addition to project development costs. The total program amount is the result of the FY 2010-FY 2011 appropriations in the bill and funds carried forward into FY 2010 from FY 2009.

Motor Fuel Evaporation Discount for Fuel Dealers/Retailers

For the FY 2010-FY 2011 biennium, a temporary law provision in the bill establishes the motor fuel tax evaporation and shrinkage allowance at 1% (less 0.5% of the gallonage sold to retail dealers) of gallons handled for dealers and 0.5% of gallons handled for retail dealers. This is in contrast to the transportation budget for FY 2008-FY 2009, which allows dealers to subtract 1.9% of those gallons as an allowance for shrinkage, while retail dealers, with some exceptions, may apply for a refund of 0.5% of the gallons that they handle.

Tolling Authority for New Capacity Projects

The budget provides the authority for the Department of Transportation to use tolling on new capacity projects and certain interchanges constructed for economic development purposes. DOT would not be able to use tolls for existing roadway infrastructure. Toll revenues would be deposited into the Ohio Toll Fund with the requirement that money generated by toll projects be used for tolled projects and other highway projects within one mile of a tolled project. Furthermore, the budget act requires toll projects to become toll-free when all bonds and related interest for a toll project have been paid or a sufficient amount for the payment of all bonds and interest has been set aside in trust for the benefit of bondholders.

Any toll project must first be approved by the Transportation Review Advisory Council (TRAC) and then by the Ohio Transportation Finance Commission (OTFC), which the budget act creates, with the affirmative vote of four of the six OTFC members.

Passenger Rail

The budget takes the initial steps to bring start-up passenger rail service to Ohio's "3-C Corridor" of Cleveland, Columbus, and Cincinnati and nearby cities, such as Dayton and Springfield. In addition to including planning and research moneys for development and advance planning of high-speed rail, the budget act provides specific authority for DOT or the Ohio Rail Development Commission (ORDC) to apply for federal funds for passenger rail through the American Recovery and Reinvestment Act of 2009.

The bill also contains a number of requirements on DOT and ORDC in regard to passenger rail, such as:

- Including all federally designated high-speed rail corridors in Ohio and all passenger rail corridors in the Ohio Hub study in any overall programmatic environmental impact study or other comprehensive high-speed rail project development study;

- Working with Amtrak to examine methods to improve existing service between Toledo and Cleveland;
- Examining the financial and economic feasibility of developing a passenger rail system between Toledo and Columbus; and
- Requiring proposed expenditures for capital improvements for the development of passenger rail to be approved by a supermajority of the Controlling Board.

ORDC is working with Amtrak to produce detailed estimates of passenger rail operating and capital costs, ridership, and fare revenue, all of which will help to determine the extent of the first phase.

Selected Items Vetoed by the Governor

Speed Transition Zones

This provision would have required DOT to establish speed transition zones on state highways at locations where the posted speed limit decreased by 20 or more miles per hour.

Continuing Annual Overweight Vehicle Permits

This provision would have required DOT to authorize in rule the issuance of a continuing annual overweight vehicle permit over routes reported to the Director. The rules would have required the recipient of the annual permit to submit quarterly reports to DOT with information as specified by the Director.

Oversize Vehicle Permit Fee Increases

This provision would have set DOT permit fees for the movement of oversize vehicles at the rates established by rule that took effect March 1, 2009. Those rates would have remained in effect until July 1, 2010. The legislative action was in response to rules filed by DOT that took effect in October 2008 that updated the special hauling permit process for oversize or overweight loads. The updates, which will remain in effect as a result of the veto, include a revised fee schedule that increases permit fees in three increments between October 2008 and July 2009.

Guardrails

This provision would have prohibited DOT from erecting a guardrail or any other barrier that blocks or otherwise interferes with the only right-of-way to a parcel of real property.

Diesel Emissions Reduction Grant Program

This provision would have established a $20 million Diesel Emissions Reduction Grant Program using Congestion Mitigation and Air Quality (CMAQ) program funds available through DOT's Highway Operating Fund (Fund 7002). Public entities, small businesses, and disadvantaged business enterprises would have been eligible for the program, which was to be administered by the Department of Development in consultation with the Ohio Environmental Protection Agency and DOT. However, in the veto message, the Governor directed DOT to dedicate $5 million toward a program consistent with the intent of this provision.

Lancaster Museum/Historical District Signs

This provision would have required DOT to erect and maintain one sign each in the rights-of-way of the northbound and southbound roadways of the State Route 33 bypass approaching each exit to the city of Lancaster that read "Historic Downtown Lancaster Museum District" and the approximate distance. Nevertheless, such signs were recently installed.

Curb Cut on State Route 91 in Lake County

This provision would have required the Director of Transportation to permit the construction of a curb cut on State Route 91, near Vine Street, in Lake County.

Reimbursement for Utility Facilities Relocated by Highway Projects

This provision would have required that the state or local governments reimburse utilities for the cost of relocation if a relocation of utility facilities is necessary for the construction, reconstruction, improvement, maintenance, or repair of a road, highway, or bridge financed in whole or in part by federal economic stimulus funds. The amount of the reimbursement would have been in proportion to the percentage of federal funds that were expended on the project and as otherwise provided in existing utility facility relocation law.

Analysis of Enacted Budget

Introduction

This section provides an analysis of the funding enacted for each non-GRF appropriation item in DOT's budget. GRF appropriations are provided in the main operating budget bill. In this analysis, DOT's line items are grouped into six major categories. For each category a table is provided listing the appropriation in each year of the biennium. Following the table, a narrative describes how the appropriation is used. If the appropriation is earmarked, the earmarks are listed and described. The six categories used in this analysis are as follows:

1. Highway Construction;
2. Transportation Planning and Research;
3. Public Transportation;
4. Rail Transportation;
5. Aviation; and
6. Administration.

To aid the reader in finding each item in the analysis, the following table shows the category in which each appropriation has been put, listing the line items in order within their respective fund groups and funds. This is the same order the items appear in the transportation budget act.

Categorization of DOT's Appropriation Line Items for Analysis of the Budget				
Fund	**ALI**	**ALI Name**	**Category**	
Highway Operating Fund Group				
2120	772426	Highway Infrastructure Bank – Federal	1:	Highway Construction
2120	772427	Highway Infrastructure Bank – State	1:	Highway Construction
2120	772429	Highway Infrastructure Bank – Local	1:	Highway Construction
2120	772430	Infrastructure Debt Reserve Title 23-49	1:	Highway Construction
2120	775408	Transit Infrastructure Bank – Local	3:	Public Transportation
2120	775455	Title 49 Infrastructure Bank – State	3:	Public Transportation
2130	772431	Roadway Infrastructure Bank – State	1:	Highway Construction
2130	772432	Roadway Infrastructure Bank – Local	1:	Highway Construction
2130	772433	Infrastructure Debt Reserve – State	1:	Highway Construction
2130	775457	Transit Infrastructure Bank – State	3:	Public Transportation
2130	775460	Transit Infrastructure Bank – Local	3:	Public Transportation
2130	777477	Aviation Infrastructure Bank – State	5:	Aviation
2130	777478	Aviation Infrastructure Bank – Local	5:	Aviation
7002	770003	Administration – State – Debt Service	6:	Administration
7002	771411	Planning and Research – State	2:	Transportation Planning and Research
7002	771412	Planning and Research – Federal	2:	Transportation Planning and Research
7002	772421	Highway Construction – State	1:	Highway Construction
7002	772422	Highway Construction – Federal	1:	Highway Construction
7002	772424	Highway Construction – Other	1:	Highway Construction
7002	772437	GARVEE Debt Service – State	1:	Highway Construction
7002	772438	GARVEE Debt Service – Federal	1:	Highway Construction
7002	773431	Highway Maintenance – State	1:	Highway Construction
7002	775452	Public Transportation – Federal	3:	Public Transportation
7002	775454	Public Transportation – Other	3:	Public Transportation
7002	775459	Elderly and Disabled Special Equipment	3:	Public Transportation
7002	776462	Grade Crossings – Federal	4:	Rail Transportation
7002	777472	Airport Improvements – Federal	5:	Aviation
7002	777475	Aviation Administration	5:	Aviation
7002	779491	Administration – State	6:	Administration
State Special Revenue Fund Group				
4N40	776663	Panhandle Lease Reserve Payments	4:	Rail Transportation
4N40	776664	Rail Transportation – Other	4:	Rail Transportation
5W90	777615	County Airport Maintenance	5:	Aviation
Infrastructure Bank Obligations Fund Group				
7045	772428	Highway Infrastructure Bank – Bonds	1:	Highway Construction
Highway Capital Improvement Fund Group				
7042	772723	Highway Construction – Bonds	1:	Highway Construction

Category 1: Highway Construction

This category of appropriations includes the major sources of state and federal funding for the design, purchase of right-of-way, building, and rehabilitation of the highway system.

Appropriation Amounts for Highway Construction				
Fund	**ALI and Name**		**FY 2010**	**FY 2011**
Highway Operating Fund Group				
7002	772422	Highway Construction – Federal	$1,091,378,700	$1,065,737,629
7002	772421	Highway Construction – State	$542,801,332	$517,419,558
7002	773431	Highway Maintenance – State	$405,633,542	$425,329,858
7002	772438	GARVEE Debt Service – Federal	$131,814,700	$136,513,200
7002	772424	Highway Construction – Other	$121,377,011	$109,694,836
7002	772437	GARVEE Debt Service – State	$21,778,200	$27,547,900
2120	772429	Highway Infrastructure Bank – Local	$11,499,999	$11,499,999
2120	772427	Highway Infrastructure Bank – State	$10,209,272	$10,209,272
2130	772432	Roadway Infrastructure Bank – Local	$6,000,000	$6,000,000
2120	772426	Highway Infrastructure Bank – Federal	$4,018,649	$4,018,649
2130	772433	Infrastructure Debt Reserve – State	$2,000,000	$2,000,000
2120	772430	Infrastructure Debt Reserve Title 23-49	$1,500,000	$1,500,000
2130	772431	Roadway Infrastructure Bank – State	$1,000,000	$1,000,000
		Highway Operating Fund Group Subtotal	***$2,351,011,405***	***$2,318,470,901***
Highway Capital Improvement Fund Group				
7042	772723	Highway Construction – Bonds	$194,000,000	$163,000,000
		Highway Capital Improvement Fund Group Subtotal	***$194,000,000***	***$163,000,000***
Infrastructure Bank Obligations Fund Group				
7045	772428	Highway Infrastructure Bank – Bonds	$71,000,000	$65,000,000
		Infrastructure Bank Obligations Fund Group Subtotal	***$71,000,000***	***$65,000,000***
Total Funding: Highway Construction			**$2,616,011,405**	**$2,546,470,901**

Highway Construction and Maintenance (772421, 772422, 772424, and 773431)

Summary

Appropriation items 772421, Highway Construction – State, and 772422, Highway Construction – Federal, provide state and federal dollars for pavement and bridge preservation, local government road projects, major new construction, road safety, special discretionary programs, construction and rehabilitation of public access roads, and construction of grade crossing separations. Appropriation item 772424, Highway Construction – Other, provides for local highway and bridge design, resurfacing, restoration, replacement, and upgrading, new construction, noise walls and barriers, and pedestrian/bicycle facilities. Highway construction funding from state and federal sources comes primarily from the state and federal motor fuel taxes. An average of $350 million per year (about 85%) of appropriation item 773431, Highway Maintenance – State, funds a portion of the Highway Operating Program and the balance funds the Department's maintenance contracts, both of which are discussed in greater detail below.

These four line items total approximately $2.1 billion to $2.2 billion in each fiscal year and form the majority of the agency's budget. These levels are consistent with FY 2009 appropriations. The majority of funding in these lines items is devoted to system preservation and operating expenses. Major/New construction, which covers projects involving $5 million or more and that add capacity, reduce congestion, or provide connectivity, which had been funded around $500 million or more per year in past biennia, will be funded at a much lower level for the current biennium. DOT issued bonds during the FY 2008-FY 2009 biennium to accelerate projects as a hedge against inflation in construction material costs.

The table below summarizes how the appropriations will be used by program, if program allocations go forward in the biennium as indicated during budget deliberations. Please note that the figures listed in the table below may represent only a portion of the total for that program if it is funded by other line items. The figures do not include any federal stimulus funding.

Highway Construction and Maintenance Programs (ALIs 772421, 772422, 772424, 773431) (in millions)		
Program	**FY 2010**	**FY 2011**
Preservation of Pavement and Bridges	$837.2	$832.8
Highway Operating	$509.9	$527.0
Local Government Programs	$386.2	$375.1
Other Construction Programs	$180.7	$167.8
Safety Programs	$94.3	$69.9
Major/New Construction	$89.9	$76.7
Highway Maintenance Contracts	$63.0	$68.8
Total	**$2,161.2**	**$2,118.2**

Program Details

Pavement Preservation and Bridges

This program, also known as "Fix It First," provides funds to DOT districts in order to maintain the existing programs on two-lane state routes (the General System); interstate routes, freeways, and multi-lane roads (the Priority System); and U.S. and state routes within municipal boundaries (the Urban System). In addition, program dollars can be used to remedy deficiencies in bridge paint condition, wearing surfaces, and deck condition. All of the program's funds are budgeted for capital expenditures, such as engineering and design services, right-of-way acquisition, utility relocation, construction, and construction inspection. All of the funding allocated to the 12 districts throughout the state is goal-driven and based on roadway condition indicators.

Within the core highway construction and maintenance line items mentioned above, the budget provides $837.2 million in FY 2010 and $832.8 million in FY 2011. However, the budget also supplements the Fix It First Program with an additional $187.8 million in FY 2010 and $228.0 million in FY 2011 generated from bond proceeds (in line items 772428 and 772723). This brings the total Fix It First allocation to $1.03 billion in FY 2010 and $1.06 billion in FY 2011. The total FY 2010 allocation for the program is 16.6% higher than FY 2009 program estimates of $879.1 million while the FY 2011 allocation is 3.5% higher than that for FY 2010.

Highway Operating

This program covers the operating costs, such as payroll, supplies, and equipment, for all of DOT's highway construction programs. Specifically, this program funds both district and central office personnel that administer DOT operations, such as facilities and equipment management, aerial and geotechnical engineering, real estate management, snow and ice control, special hauling permits, coordination with federal authorities, traffic policies and procedures, chief legal counsel and contract administration, and construction project administration. Over 5,000 FTEs are funded with the allocation of $509.9 million in FY 2010 (compared to $508.0 million in FY 2009) and $527.0 million in FY 2011. FY 2011 appropriations are 3.4% above FY 2010 appropriations. The increase in FY 2011 is attributable to 2.0% growth in payroll and fringe benefits and an increase of 8.4% for supplies, which is primarily driven by increased salt, fuel, and utility prices.

Traffic Generator Sign Program. A provision in the bill requires the Director of Transportation to adopt rules to establish a traffic generator sign program and to develop the specifications for a uniform system of traffic generator signs and the criteria for participation in the program. The Director is to establish, operate, construct, and maintain the program. As part of the program, the Director may set and revise at any time an annual fee to be charged for a qualifying private business to participate in the program. There would be an increase in expenditures from the Highway Operating Fund (Fund 7002) for program operation, to be more than offset by gains in fee revenue from participating businesses.

Speed Limit for Certain Motor Vehicles and Noncommercial Buses. A provision in the budget act increases from 55 to 65 miles per hour (mph) the speed at which motor vehicles weighing more than 8,000 pounds when empty and noncommercial buses are permitted to travel on freeways that are part of the interstate system. As a result, there will be an increase in costs for DOT to remove existing signs posted with a 55 mph speed limit or provide an overlay on the posted speed limit on single signs with two speed limits. There may also be a decrease in speeding ticket fine revenue based on the assumption that the number of speeding citations issued will be reduced.

Collaboration with Local Governments and the Private Sector. A provision of the budget act permits DOT to enter into agreements with utilities for the construction and operation of alternative energy generating facilities on DOT property under certain conditions. Another provision in the budget act includes carbon capture and storage pipelines as eligible for a permit to use or occupy a portion of a road or highway on the state highway system provided that the permit will not impede or inconvenience the traveling public.

Local Government Programs

This program allocates federal funds for metropolitan planning organizations (MPOs) and several local government programs, such as the county bridge and surface program, transportation enhancement projects, small cities, and city bridges. If program allocations go forward in the biennium as indicated during budget deliberations, the enacted budget provides $386.2 million in FY 2010 and $375.1 million in FY 2011 for these programs. These funding levels are generally consistent with those for FY 2009 and will allow current service levels to be maintained.

Monthly Transfers to the Gasoline Excise Tax Fund. Apart from DOT's local government programs, a provision in the budget act requires the Director of Budget and Management to transfer cash in equal monthly increments totaling $183,493,000 in each fiscal year from the Highway Operating Fund (Fund 7002) to the Gasoline Excise Tax Fund. From those proceeds, municipal corporations receive 42.86%, counties receive 37.14%, and townships receive 20% for the construction and maintenance of roadways within their jurisdiction.

Study on State Routes. A provision in the budget act requires DOT to produce a report on the financial and policy implications of DOT assuming the primary responsibility for all state routes throughout Ohio regardless of local government jurisdiction. DOT is required to submit the report no later than December 15, 2009.

Other Construction Programs

There are a number of programs that fall under the Other Construction Program banner, for which the budget provides $180.7 million in FY 2010 and $167.8 million in FY 2011 from state and federal motor fuel tax sources. The programs include (1) the allocation of federally earmarked funds to the appropriate local governments, (2) Appalachian corridor highway development, (3) geological site management,

(4) emergency funds for the repair or reconstruction of federal aid highways and roads on federal lands that have suffered serious damage because of a natural disaster or external cause, (5) replacement and rehabilitation of roadside rest areas, (6) railroad grade crossing separations, (7) construction, reconstruction, and maintenance of public access roads to and within facilities owned or operated by the Department of Natural Resources and within the boundaries of metropolitan parks (8) retrofitting roadways with noise barriers, and (9) transportation improvement projects on priority state routes and off-road trails adjacent to priority state routes that improve safety for motorists and horse-drawn vehicles.

Safety Programs

This program provides funding for safety projects that contribute to improving safety and reducing the severity, frequency, and rate of crashes on the state highway system and local roads. The program's goals are to reduce the state's 2007 crash fatality rate from the 1.13 fatalities per 100 million vehicle miles traveled (mvmt) to 1.0 fatality per 100 mvmt. The national average for 2007 was 1.37 per 100 mvmt. Long-term program goals include a 10% decline in the number of serious crashes by 2015. Eligible projects include signing, striping, clearing brush, traffic signal coordination, two-way left-turn lanes, additional lanes, and other roadway modifications. The budget provides $94.3 million in FY 2010 and $69.9 million in FY 2011 for these purposes.

Highway Maintenance Contracts

These contracts provide for the maintenance of the state highway system, including keeping the system in a safe and attractive condition, providing tourist information and clean rest areas for the motoring public, and maintaining DOT facilities and equipment. Line item 773431, Highway Maintenance – State, provides $63.0 million in FY 2010 and $68.8 million in FY 2011 for these activities.

A provision in the budget act permits DOT to contract with local authorities and private entities to maintain and operate highway rest areas and other appropriate facilities in exchange for a fee or concession rights.

Major/New Construction

This program provides funding for projects that increase mobility, provide connectivity, increase the accessibility of a region for economic development, increase the capacity of a transportation facility, and reduce congestion throughout the state. These projects must have costs of $5 million or more. Funds are dedicated to Major/New construction only after DOT assures it is meeting basic system maintenance and operational needs. Once a Major/New project is approved by the Transportation Review Advisory Council (TRAC), the project moves through a series of phases before completion. These phases include planning and engineering, design, right-of-way acquisition, and construction. Since the Major/New Program is funded last on DOT's list of funding priorities, the program ends up absorbing the brunt of the impact if state and federal revenue decreases or if other program costs increase.

The budget scales back appropriations allocated to the Major/New Program to $167.2 million in FY 2010. This is down nearly 67% from the FY 2009 program allocation of about $507 million. For FY 2011, the Major/New allocation is further reduced to $76.7 million, a decrease of over 54% compared to the FY 2010 amount. The reduction means that fewer large-scale projects will be funded. For instance, the Major/New Program funded 52 construction projects totaling $1.08 billion in FY 2008 and FY 2009. For FY 2010 and FY 2011, there are currently 25 projects programmed for construction totaling $615 million in addition to project development costs. The total FY 2010-FY 2011 Major/New Program includes the appropriations allocated to the program in the bill and funds carried forward from FY 2009.

In FY 2010, $89.9 million (53.8%) of the Major/New appropriations come from state and federal motor fuel taxes while bond proceeds make up the remaining portion, $77.2 million. In FY 2011, all of the Major/New appropriations will be derived from state and federal motor fuel taxes.

Design-build contracts. A provision in the budget act increases the total dollar value of DOT design-build contracts to $1 billion through June 30, 2011. After this date, the total dollar value would revert to the current law maximum of $250 million. If design-build contracts are used more frequently, this change may increase project delivery efficiencies and reduce overall design and construction costs for the state.

Tolling authority. The budget provides the authority for the Department of Transportation to use tolling on new capacity projects and certain interchanges constructed for economic development purposes. DOT would not be able to use tolls for existing roadway infrastructure. Toll revenues would be deposited into the Ohio Toll Fund with the requirement that money generated be used for tolled projects and other highway projects within one mile of a tolled project. Furthermore, the budget act requires toll projects to become toll-free when all bonds and related interest for a toll project have been paid or a sufficient amount for the payment of all bonds and interest has been set aside in trust for the benefit of bondholders.

Under the act, any toll project must be developed and submitted for selection using the major new capacity selection policies and procedures of the Transportation Review Advisory Council (TRAC). Once TRAC has selected a toll project, the Director of Transportation must submit a toll proposal for the project to the Ohio Transportation Finance Commission (OTFC), which the budget act creates. OTFC is required to review the toll proposal and either approve it, disapprove it, or suggest modifications to it. The affirmative vote of four of the six OTFC members is required for a toll project to be approved.

Motor Fuel Evaporation Tax Credit

The budget makes a change to the tax base under the motor fuel tax (MFT). Specifically, the bill establishes the motor fuel tax evaporation and shrinkage allowance at 1% (less 0.5% of the gallonage sold to retail dealers) for dealers and 0.5% for retail dealers in temporary law for the FY 2010-FY 2011 biennium. Recent budgets have temporarily reduced the amount of this credit, which is statutorily set at 3% of the gallons handled for dealers (except that only 2% could be claimed for fuel sold to a retail dealer) and 1% for retailers. For example, the transportation budget for FY 2008-FY 2009 allows dealers to subtract 1.9% of those gallons as an allowance for shrinkage, while retail dealers, with some exceptions, may apply for a refund of 0.5% of the gallons that they handle. Retail dealers in motor fuel do not pay the MFT directly, but they purchase fuel from wholesalers who have paid the tax. The price that retailers pay to wholesalers therefore includes the MFT.

Based on FY 2008 receipts, this change would generate revenue of about $36 million per year, the majority of which would be deposited into the Highway Operating Fund (Fund 7002). Other state funds, such as the Local Transportation Improvement Program Fund (Fund 7052), the Waterways Safety Fund (Fund 7086), the Wildlife Boater-Angler Fund (Fund 5P20), and the Motor Fuel Tax Administration Fund (Fund 5V70), and local governments would gain revenue in proportion to their allocations of motor fuel tax receipts.

Earmarks

Green Transit Vehicles

The budget earmarks $7.5 million in each fiscal year out of appropriation item 772422, Highway Construction – Federal, to provide grants to local transit authorities to purchase or improve public transit vehicles. New transit vehicles purchased and improvements made to a local transit authority's existing fleet must foster the goals of increasing fuel efficiency, reducing emissions, and using alternative fuels, as appropriate.

Natural Resources/Metro Parks/Expositions Commission Roads

The budget earmarks $5 million in each fiscal year from appropriation item 772421, Highway Construction – State, for the construction, reconstruction, or maintenance of public access roads to and within state facilities owned or operated by the Department of Natural Resources.

Similarly, the bill earmarks approximately $2.2 million in each fiscal year from appropriation item 772421, Highway Construction – State, for the construction, reconstruction, or maintenance of park drives or park roads within the boundaries of metropolitan parks.

The bill also allows appropriation item 772421, Highway Construction – State, to be used to perform such roadwork on behalf of the Ohio Expositions Commission at the state fairgrounds. All of these earmarks have been included in past transportation budgets.

Diesel Emissions Reduction Pilot Project

The bill earmarks $600,000 in FY 2010 from appropriation item 772422, Highway Construction – Federal, for a truck stop electrification pilot project to reduce diesel emissions from commercial vehicles. Truck stop electrification enables heavy duty trucks to operate heating, ventilation, and air conditioning systems and other appliances without idling the engine. Instead, electrical connections at the truck stop power these systems. This reduces diesel emissions and saves fuel costs. The U.S. Department of Energy reports that there are more than 130 truck stops nationwide equipped with idle reduction facilities.

GARVEE Debt Service (772437 and 772438)

Appropriation items 772437, GARVEE Debt Service – State and 772438, GARVEE Debt Service – Federal, provide the annual debt service for the $863 million in federal grant anticipated revenue vehicle bonds (GARVEEs) outstanding as of January 2009. GARVEE bonds are a financing tool that leverages federal motor fuel tax revenues appropriated from the federal Highway Trust Fund. Limited growth in both state and federal motor fuel tax revenues and the rising costs of construction materials and fuel has led DOT to use the proceeds from GARVEE bonds to offset a portion of the cost of increased construction materials as well as to cover Major/New construction projects and other program needs. The rationale for this strategy was that the overall inflation rate for construction materials was likely to exceed the interest rate of bond debt.

The budget appropriates $153.6 million in FY 2010 and $164.1 million in FY 2011 for these line items. Debt service costs for the upcoming biennium are generally consistent with FY 2009 appropriations of $158.3 million for this purpose.

State Infrastructure Bank (772426, 772427, 772429, 772430, 772431, 772432, and 772433)

These line items support the State Infrastructure Bank (SIB) revolving loan program. The program provides direct loans to public entities for local highway projects in order to accelerate projects and spur economic development. Funds can be used for final design, right-of-way, and construction of a project. Local governments may pledge their gas tax revenues as loan repayments. The availability of dollars is dependent upon SIB activity and loan repayments. The SIB may also issue bonds on behalf of the borrower. There is no set limit and 100% financing is available. Loans range in size from $100,000 to $20 million and require the borrower to pay closing costs. Since the SIB was created, 115 loans totaling over $354 million have been issued. Loans are offered to projects that typically do not qualify for federal or state funds. Currently, there are 72 active highway SIB loans amounting to $206 million.

The various line items that support the SIB are comprised of first generation federal dollars that require a 20% state match, second generation funds, which are nonfederal funds used to pay back original loans financed with federal funds and do not require a state match, or appropriations that would be used in case DOT sells a project on behalf of a local government and must pay the contractor directly. In that instance, DOT would request the cash from the trustee to support the payment.

The budget flat funds these SIB line items based on FY 2009 appropriations with combined funding of approximately $36.2 million annually.

Highway Construction – Bonds (772723)

This line item is used for pavement preservation and Major/New construction projects. Bond sales are dependent on cash needs from project expenditures. The debt service on the state bonds is paid from state motor fuel tax revenues from the Highway Operating Fund (Fund 7002). The budget authorizes the state to issue up to $352 in general obligation bonds to finance highway projects. Similar to GARVEE bonds, DOT uses state highway bonds to finance large construction projects to prevent the tying up of cash.

The issuance of these bonds is constitutionally restricted to no more than $220 million in any fiscal year and no more than $1.2 billion can be outstanding at any one time. The budget provides bond appropriations of $194 million in FY 2010 and $163 million in FY 2011 for a biennium total of $357 million, the difference between bond issuing authority and bond appropriations being the consideration of interest income on the bond proceeds.

The amount appropriated for FY 2010 is 94% higher than FY 2009 appropriations of $100 million and FY 2011 appropriations are 16.0% lower than those for FY 2010. The increase in bonding is to make DOT whole for the $200 million transfer of Highway Operating Fund moneys over the biennium to the Public Works Commission for the Local Transportation Improvement Program (LTIP). Those transfers fulfill the $200 million in additional LTIP appropriations granted in H.B. 554 of the 127th General Assembly. The table below illustrates how FY 2010-FY 2011 biennium bond appropriations are apportioned.

ALI 772723, Highway Construction – Bonds, Program Allocation (in millions)				
Program	**FY 2010**	**Percent**	**FY 2011**	**Percent**
Pavement and Bridge Preservation	$142.8	73.6%	$163.0	100.0%
Major New	$51.2	26.4%	$0.0	0.0%
TOTAL	**$194.0**	**100.0%**	**$163.0**	**100.0%**

Highway Infrastructure Bank – Bonds (772428)

This line item funds system preservation projects and Major/New Construction with GARVEE bonds, which are issued against and retired with DOT's federal highway revenues. The debt service on these bonds is paid out of the Highway Operating Fund (Fund 7002). Also, note that though the fund group and appropriation item reference the "Infrastructure Bank," they actually have nothing to do with the State Infrastructure Bank Bond and Loan Program.

For the current biennium, GARVEE bond appropriations amount to $850 million. For FY 2010 and FY 2011, the budget reduces GARVEE bond appropriations to $136 million. Taking a look at the budget by fiscal year, these appropriations are set at $71 million in FY 2010 and $65 million in FY 2011. The amount appropriated for FY 2010 is 82.3% lower than FY 2009 appropriations of $400 million and FY 2011 appropriations are 8.5% lower than those for FY 2010. The table below illustrates how the bond appropriations are apportioned for the FY 2010-FY 2011 biennium.

ALI 772428, Highway Infrastructure Bank – Bonds, Program Allocation (in millions)				
Program	**FY 2010**	**Percent**	**FY 2011**	**Percent**
Pavement and Bridge Preservation	$45.0	63.4%	$65.0	100.0%
Major New	$26.0	36.6%	$0.0	0.0%
TOTAL	**$71.0**	**100.0%**	**$65.0**	**100.0%**

Category 2: Transportation Planning and Research

The appropriations encompassed within this category fund the Transportation Planning and Research Program.

Appropriation Amounts for Transportation Planning and Research				
Fund	ALI and Name		FY 2010	FY 2011
Highway Operating Fund Group				
7002	771411	Planning and Research – State	$21,044,516	$21,463,169
7002	771412	Planning and Research – Federal	$23,970,770	$24,214,310
Total Funding: Transportation Planning and Research			**$45,015,286**	**$45,677,479**

Planning and Research – State (771411)

Approximately 75% of this line item provides all of the funding for payroll, supplies and equipment for the 143 FTEs involved in planning and research operations. Activities include the collection, analysis, and maintenance of various data, such as traffic information, the state's official road inventory, pavement condition ratings, environmental, geotechnical, travel demand models, and geographic information systems. The line item also funds the coordination and the state-match for the State Planning and Research Program, described in more detail under appropriation item 771412, Planning and Research – Federal, below as well as the Local Technical Assistance Program (LTAP), which assists local government personnel in understanding and adopting the latest data concerning roads, bridges, safety regulations, and transportation.

The budget appropriates $21.0 million for this line item in FY 2010 and $21.5 million for FY 2011. The FY 2010 appropriation is 3.2% lower than that for FY 2009 while the FY 2011 appropriation is 2.0% higher than FY 2010.

Planning and Research – Federal (772412)

This line item provides the federal dollars to support planning and research operations. The most recent federal highway program reauthorization, SAFETEA-LU, requires that states set aside 2% of their federal-aid highway program apportionments for planning and research. Within this set aside, states must use at least 25% for research, development, and technology transfer. Most research and development requires a 20% state match, the funding for which is provided in the line item above. The federal government also requires that DOT support urban transportation planning programs in each of Ohio's metropolitan planning organizations (MPOs), which cover 30 urban counties. Those programs are 80% federally funded with 10% state and 10% local matches.

Planning and research funds can be used for transportation planning for highways, transit (intercity passenger rail, urban passenger rail, and other transit services), and rail freight. In fact, the budget includes $7.5 million from this line item in FY 2010 for a high-speed rail study. Planning operations include traffic and roadway monitoring, roadway inventory, local road mileage certification, computer mapping and database development, air quality monitoring, special planning projects, updates to the long-range plan, coordination with MPOs, and review of traffic congestion and travel demand.

The budget appropriates $24.0 million in FY 2010 and $24.2 million in FY 2011 for this line item. The amount for FY 2010 is 21% lower than FY 2009 appropriations of $30.3 million while the amount for FY 2011 is 1.0% higher than FY 2010. The lower appropriation amounts are due to a change in how MPO construction dollars used for planning purposes are accounted for. According to DOT, MPOs may use some of their construction funds for planning purposes. Historically, they have requested to use about $6 million per year, which was budgeted from this line item. For FY 2010 and FY 2011, DOT has shifted the MPO construction funds for planning purposes to line item 772422, Highway Construction – Federal.

Category 3: Public Transportation

This category of appropriations funds the state's capital, operating, technical, and planning assistance to 60 transit systems serving portions of 60 counties. Of the 60 transit systems, 24 systems are in urban areas and 36 are in rural areas. The majority of assistance funds is from federal dollars and is used for grants to transit systems – both for operating assistance and capital purchases. Funding is also provided from the General Revenue Fund and the Highway Operating Fund (HOF). Like the federal dollars, GRF dollars and other HOF dollars also provide operating and capital grants to public transit systems. The capital assistance grants allow transit systems to purchase transit vehicles, computer equipment, and build transit facilities.

DOT reports that over 143 million passenger trips were provided by state's transit systems during CY 2007. Approximately 60% of public transit trips in urban areas are work-related. In rural areas, many public transit services are used heavily by senior citizens and the disabled. In general, public transit agencies are dealing with declining revenues from dedicated sources such as sales taxes as well as from the state. In the current biennium, transit budgets have been hampered by the rise in fuel prices. Because many transit systems purchase fuel on fixed price contracts that last anywhere from three to 12 months, many transit systems are paying above market prices. This is contributing to projected deficits and the possibility of service cuts and/or fare increases.

Appropriation Amounts for Public Transportation				
Fund	**ALI and Name**		**FY 2010**	**FY 2011**
Highway Operating Fund Group				
7002	775452	Public Transportation – Federal	$27,060,785	$27,060,785
7002	775459	Elderly & Disabled Special Equipment	$4,730,000	$4,730,000
7002	775454	Public Transportation – Other	$1,500,000	$1,500,000
2130	775460	Transit Infrastructure Bank – Local	$1,000,000	$1,000,000
2120	775408	Transit Infrastructure Bank – Local	$812,685	$812,685
2120	775455	Title 49 Infrastructure Bank – State	$312,795	$312,795
2130	775457	Transit Infrastructure Bank – State	$312,082	$312,082
Total Funding: Public Transportation			**$35,728,347**	**$35,728,347**

Public Transportation – Federal (775452)

Primarily, this line item provides federal funding for the Ohio Public Transportation Grant Program and Ohio Coordination Program. The Ohio Public Transportation Grant Program provides grants to transit systems, both rural and urban, for operating assistance to cover wages, fuel, insurance, training, and vehicle and facility maintenance, as well as for planning assistance and capital purchases. Funds are allocated to transit systems based on the number of passengers transported, miles traveled, cost per mile, and the amount of local funds contributed. Capital items that are covered under the grant program include purchasing transit vehicles, computer equipment, and the construction of transit buildings.

The Ohio Coordination Program provides funding to public entities to assist in the coordination of transportation services among local human service agencies. All projects must demonstrate some level of interagency coordination in their local area to be eligible for funding. Funds are allocated to counties that do not have a public transportation system. Funds are used for operating expenses only and are typically allocated to county offices of aging, jobs and family services, MRDD facilities, county commissioners, senior citizen councils, and transit boards. To limit the exposure of the GRF portion of the Public Transportation Grant Program to budget cuts, DOT has begun funding the Coordination Program entirely with federal funds, though this means that Coordination Program recipients must adjust their programs to be in compliance with federal regulations.

A small portion of this line item, about $1.5 million (5.4%), also pays for oversight of the above programs as well as the Job Access/Reverse Commute (JARC) Program, New Freedom Program, Specialized Program, and the federally mandated Rail Safety Program. Essentially, the technical assistance provided ensures all grantees are in compliance with federal regulations and state program requirements. DOT staff serve as consultants to public transit systems, offer guidance on DOT grant programs, and conduct program reviews and quality assurance reviews, site visits, and training workshops. At this funding level, DOT reports that it will have to reduce the technical assistance offered and limit training activities to the most essential topics.

Funding in this line item is $27.1 million in each year of the biennium. This amount is 23.5% lower than the FY 2009 appropriation of $35.4 million, although this can be attributed to DOT overestimating the amount it expected to receive from the Federal Transit Administration in the FY 2008-FY 2009 biennium.

Elderly and Disabled Special Equipment (775459)

This line item provides federal capital assistance under the Specialized Transportation Program (STP) to nonprofit agencies providing transportation services to the elderly and people with disabilities for the purchase of vehicles and equipment. STP requires a 20% local match. DOT is recognized as the recipient of these funds and is required to oversee their distribution and subsequent investment in local transportation services. DOT directly awards term contracts for the purchase of vehicles on behalf of the recipient agencies. The budget provides $4.73 million in each year for this line item, the same amounts appropriated for the FY 2008-FY 2009 period.

Transit Infrastructure Bank (775408, 775455, 775457, and 775460)

These line items fund the Transit Infrastructure Bank Loan Program, which provides another resource local government entities can access to fund transit projects on top of the current state grants and federal allocations available. The Transit Infrastructure Bank Loan Program is a subset of the State Infrastructure Bank (SIB) Program. The funds from the initial capitalization of the SIB Program allow it to serve as a revolving loan program. Appropriations are used to provide low-interest loans to local governments to either fund transit construction projects at 100% or to match available federal funding. Currently, the Department has one transit loan outstanding totaling $6.9 million.

Among the Transit Infrastructure Bank appropriations, the budget provides cumulative funding of $2.4 million in each year of the upcoming biennium. Each of the line items is flat funded based on FY 2009 appropriations.

Public Transportation – Other (775454)

This line item establishes spending authority for an unfunded rotary account that was established to enable the collection of local shares for vehicles purchased through the Elderly and Disabled Special Equipment Program and for nonprofit grantees under the Rural Transit Program. Because these agencies are not eligible to purchase vehicles directly from DOT term contracts, DOT purchases the vehicles on their behalf. The budget provides $1.5 million per year for this line item, the same amount as the FY 2008-FY 2009 biennium.

Category 4: Rail Transportation

This series of appropriations is administered by the Ohio Rail Development Commission (ORDC), an independent Commission within DOT. ORDC provides programs that promote economic development and rail-highway safety. ORDC administers federal and state funding of rail safety projects including upgrades to and removal of hazardous crossings as determined by the Public Utilities Commission. ORDC also receives GRF funding in the main operating appropriations bill that it uses for operating expenses, and financial assistance to railroads, businesses, and communities for rail-related infrastructure.

Appropriation Amounts for Rail Transportation				
Fund	**ALI and Name**		**FY 2010**	**FY 2011**
Highway Operating Fund Group				
7002	776462	Grade Crossing – Federal	$15,000,000	$15,000,000
		Highway Operating Fund Group Subtotal	***$15,000,000***	***$15,000,000***
State Special Revenue Fund Group				
4N40	776663	Panhandle Lease Reserve Payments	$762,600	$764,300
4N40	776664	Rail Transportation – Other	2,111,500	2,111,500
		State Special Revenue Fund Group Subtotal	***$2,874,100***	***$2,875,800***
Total Funding: Rail Transportation			**$17,874,100**	**$17,875,800**

Grade Crossing – Federal (776462)

This line item provides federal funds for a federally mandated program that provides for the elimination of hazards at highway-railroad grade crossings by installing flashing lights and gates, closing and consolidating crossings, constructing grade separations, and resurfacing grade crossings. Implementing these safety measures helps to eliminate collisions between vehicles and trains. The budget appropriates $15 million in each year for this line item. Based on FY 2008 results, ORDC expects to complete about 100 warning device installations or upgrade projects, four to eight crossing closures, and approximately 15 surface reconstruction projects in the current biennium and similar results for FY 2010 and FY 2011. However, the work associated with each project is based on site conditions, which vary from project to project.

Panhandle Lease Reserve Payments (776663)

This line item is used as a reserve to meet monthly lease payments to Caprail I, Inc., for the lease of the Panhandle rail line in case of default. If an annual minimum of $706,000 is not maintained, default clauses are activated. The reserve is in the amount of one year's bond payments for the certificates of participation that financed the Panhandle purchase. The line item is only to be used in the event of nonpayment by the operating railroad. The budget appropriates $762,600 for FY 2010 and $764,300 for FY 2011, amounts that are nearly the same as those appropriated for FY 2009 for this purpose.

Rail Transportation – Other (776664)

This line item, in conjunction with GRF appropriation item 776465, Ohio Rail Development Commission, provides financial assistance in the form of loans and grants to support the rehabilitation of rail lines, the construction of rail interchanges or connections, maintenance of rail properties purchased by the state as well as the acquisition of rail transportation or rail property. Loans and grants are awarded to public entities, railroads, and private companies.

In the FY 2008-FY 2009 biennium, ORDC gained the authority to pledge repayments to the Rail Development Fund (Fund 4N40), the Commission's revolving loan fund, for bonds issued by the Department of Development through the Ohio Enterprise Bond Fund, which will assist rail projects in getting a larger amount of assistance than is available through Fund 4N40.

The budget appropriates over $2.1 million in each fiscal year for this line item, the same amounts appropriated for each year of the current biennium. When GRF support is added in, ORDC expects that this funding will allow about the same level of grant and loan activity as recent years, with 15 grants averaging $150,800 and four to five loans between $350,000 and $500,000 to be awarded each fiscal year.

Passenger Rail

While not appropriated in a specific line item, the budget takes the initial steps to bring start-up passenger rail service to Ohio's "3-C Corridor" of Cleveland, Columbus, and Cincinnati and nearby cities, such as Dayton and Springfield. In addition to including planning and research moneys for development and advance planning of high-speed rail, the budget act provides specific authority for DOT or ORDC to apply for federal funds for passenger rail through the American Recovery and Reinvestment Act of 2009, the federal economic stimulus bill. That bill provides $8 billion in discretionary capital grants for high-speed rail corridor development and intercity passenger rail corridor capital assistance. Because these are essentially new federal rail programs, a strategic plan for their implementation must be developed by the Federal Railroad Administration by April 2009 while interim guidance to prospective grant applicants must be available in June 2009.

The bill also contains a number of requirements on DOT and ORDC in regard to passenger rail, such as:

- Including all federally designated high-speed rail corridors in Ohio and all passenger rail corridors in the Ohio Hub study in any overall programmatic environmental impact study or other comprehensive high-speed rail project development study;

- Working with Amtrak to examine methods to improve existing service between Toledo and Cleveland;
- Examining the financial and economic feasibility of developing a passenger rail system between Toledo and Columbus; and
- Requiring expenditures for capital improvements for the development of passenger rail to be approved by a supermajority of the Controlling Board.

ORDC is working with Amtrak to produce detailed estimates of passenger rail operating and capital costs, ridership, and fare revenue, all of which will help to determine the extent of the first phase.

Rail Development Commission Membership

A provision in the budget act adds an additional member to the 14-member ORDC, to be appointed by the Governor and representing the interests of manufacturers. The provision also modifies voting requirements so that an affirmative vote of six members, instead of five as under current law, is necessary to take action.

Category 5: Aviation

This category of appropriations supports the operations of the Division of Aviation. This Division is responsible for working with airports to meet national safety standards, making infrastructure improvements, coordinating with the Federal Aviation Administration (FAA) in registering aircrafts, providing air transportation to state officials, and maintaining the state's aircraft fleet. These programs are supplemented with a GRF appropriation in the main operating budget bill.

Appropriation Amounts for Aviation				
Fund		**ALI and Name**	**FY 2010**	**FY 2011**
Highway Operating Fund Group				
2130	777478	Aviation Infrastructure Bank – Local	$6,000,000	$6,000,000
7002	777475	Aviation Administration	$4,945,697	$5,186,959
2130	777477	Aviation Infrastructure Bank – State	$3,500,000	$3,500,000
7002	777472	Airport Improvements – Federal	$405,000	$405,000
		Highway Operating Fund Group Subtotal	***$14,850,697***	***$15,091,959***
State Special Revenue Fund Group				
5W90	777615	County Airport Maintenance	$620,000	$620,000
		State Special Revenue Fund Group Subtotal	***$620,000***	***$620,000***
Total Funding: Aviation			**$15,470,697**	**$15,711,959**

Aviation Administration (777475)

This line item, along with a portion of a GRF allocation funded in the main operating budget, funds the Aviation Operating Program, which is responsible for operating DOT's aircraft. DOT aircraft are used to transport state officials, including the Governor, legislators, and state personnel and to perform DOT missions such as aerial photography, emergency management, forestry missions, homeland security, prisoner transfers, Department of Natural Resources (DNR) missions, wild animal inoculations, and assisting in marijuana eradication. DOT maintains a fleet of 30 state aircraft, which includes those of the Ohio State Highway Patrol and DNR. Any costs arising from nonhighway use of the aircraft, such as special mission flights for DNR, the Department of Public Safety or other state agencies, must be reimbursed to DOT. In addition, the line item funds the oversight of about 10,600 registered aircraft.

The budget appropriates $4.9 million in FY 2010 and $5.2 million in FY 2011 for this line item. The FY 2010 amount is 7.7% lower than FY 2009 appropriations of $5.4 million while the amount provided for FY 2011 is 4.9% higher than that for FY 2010. Much of the decline in FY 2010 funding is driven by lower personal services costs attributable to the 5% reduction in operating costs imposed by departmental directive. In addition, the Office of Aviation has been evaluating the need to fill positions as they became vacant, resulting in a few positions that have been left unfilled. FY 2011 funding increases are driven by increased supplies and maintenance costs for such items as aircraft engine overhauls, maintenance, and repairs.

Aviation Infrastructure Bank (777477 and 777478)

These line items support the Aviation Infrastructure Bank Loan Program, which provides an additional resource that publicly owned airports may use to fund aviation projects. Like the Transit Infrastructure Bank Loans, the Aviation Infrastructure Bank Loan Program is a part of the State Infrastructure Bank (SIB) Program. Moneys from an initial program capitalization of GRF, federal and motor fuel tax funds allow the program to operate as a revolving loan program. The line items are used to provide low-interest loans to local governments to fund either aviation capital improvement projects at 100% or to match available federal funding. Currently, there are four loans and one bond issuance totaling $14.8 million for aviation projects.

The budget provides a total of $9.5 million each year for Aviation Infrastructure Bank loans, the same amounts appropriated for the current biennium. The $6 million each year appropriated in appropriation item 777478, Aviation Infrastructure Bank – Local, is set aside in case DOT sells a project on behalf of the public entity and is required to pay the contractor directly. In that instance, DOT would request the cash from the trustee to support the payment.

County Airport Maintenance (777615)

In conjunction with GRF and federal dollars, this line item supports the Aviation Improvement Program by providing funds to publicly owned airports for pavement maintenance and obstruction removal. Maintenance grants contribute 80% of a project's total construction cost while local or Federal Aviation Administration (FAA) contributions make up the rest. As of June 2008, DOT reports that 38% of runways, 43% of taxiways and 33% of aprons have a deficient Pavement Condition Index (PCI). Overall, inflation in the cost of fuel and construction materials have negatively impacted the number of grants awarded and thus the overall condition of the pavement in Ohio's general aviation airports.

The line item is supported by a general aviation license tax of $15 per aircraft seat an annual flat rate of $15 for gliders and balloons. The budget appropriates $620,000 in each fiscal year out of Fund 5W90 for the line item. These amounts are $50,000 higher annually than is provided for the current biennium. The increased appropriations are supported by a provision that requires the Director of Transportation to deposit the fines imposed for each aircraft that an owner fails to register into the Airport Assistance Fund (Fund 5W90) instead of the GRF.

Commercial Cargo Aircraft License Tax. A provision in the budget act changes the annual aircraft license tax imposed on a commercial cargo aircraft based in this state from $750 per aircraft to an amount equal to $15 per seat, based on the manufacturer's maximum listed seating capacity. This provision may result in a revenue gain of up to $500,000 each fiscal year to Fund 5W90.

Airport Improvements – Federal (777472)

This line item, also a component of the Aviation Improvement Program, provides Federal Aviation Administration (FAA) funds to contract with consultants for the preparation of individual master plans and layout plans to improve the attractiveness of local airports for corporate and other general aviation. The budget provides $405,000 annually for this line item, the same amounts appropriated for the FY 2008-FY 2009 biennium.

Category 6: Administration

This category of appropriations provides for the management support of all the Department's programs, supports capital improvements to DOT facilities, and pays the debt service on bonds issued for such improvements.

Appropriation Amounts for Administration				
Fund		**ALI and Name**	**FY 2010**	**FY 2011**
Highway Operating Fund Group				
7002	770003	Administration – State – Debt Service	$3,415,700	$1,821,000
7002	779491	Administration – State	$131,087,437	$134,889,042
Total Funding: Administration			**$134,233,137**	**$136,710,042**

Administration – State (779491)

This line item provides the management support needed to administer the Department's programs. Program Management includes the Director's Executive Leadership Staff, Divisions of Quality and Human Resources, Financing and Forecasting, Information Technology, Facilities Management, and Local Programs. The line item supports approximately 786 employees with an operating program budget averaging about $110 million per year. In FY 2009, DOT reduced its operating budget by 5%, resulting in an estimated savings of $38 million across DOT programs. The reduced operating expenditure level will be carried forward into the upcoming biennium, resulting in estimated savings of $40 million in FY 2010 and $42 million in FY 2011.

The line item also provides funding for a portion of DOT's minor capital and maintenance projects for Department lands and buildings. Facilities management staff are responsible for maintenance at DOT's central office, 12 district headquarter complexes, 88 county garages, 122 outposts (including salt sheds), and 22 waste water treatment plants. DOT's Office of Environmental Services provides environmental oversight and compliance for the facilities owned and operated by DOT, including waste management and the underground storage tank program. The line item funds any new capital projects that may be necessary to prevent excessive maintenance or repair costs. Approximately 17% of the amount budgeted for this line item, or $22 million each year, are dedicated to these purposes.

In total, the budget provides $131.1 million in FY 2010 and $134.9 million in FY 2011 for this line item. The FY 2010 appropriation is 2.7% higher than the FY 2009 adjusted appropriation of $127.6 million, while the FY 2011 appropriation provides an increase of 2.9% over FY 2010.

Administration – State – Debt Service (770003)

This line item supports debt service payments for the bonds issued through the Ohio Building Authority for the rehabilitation and construction of district and county garages and outposts, as well as DOT's central offices in Columbus. The bonds, issued from 1990 to 1998, amount to $154 million. The budget provides $3.4 million for this debt service in FY 2010 and $1.8 million in FY 2011. The final debt payment will occur in FY 2011.

Deputy Inspector General for DOT

Provisions in the budget change the method by which the Deputy Inspector General for DOT is funded. Instead of the Inspector General certifying to the Office of Budget and Management the costs expected to be incurred by the Deputy Inspector General and having OBM transfer that amount to the Deputy Inspector General for DOT Fund (Fund 5FA0), as is the current practice, the budget act requires the transfer of $200,000 each on July 1 and January 1 of each fiscal year from the Highway Operating Fund (Fund 7002) to Fund 5FA0. The Inspector General may seek Controlling Board approval to increase the transfer amounts and the appropriation in appropriation item 965603, Deputy Inspector General for ODOT, should additional amounts be necessary.

Line Item Detail by Agency

Report For: Transportation Budget — **Version:** Enacted

DOT Department of Transportation

			FY 2008	FY 2009	FY 2010 Appropriations	% Change 2009 to 2010	FY 2011 Appropriations	% Change to 2011
2120	772426	Highway Infrastructure Bank-Federal	$ 4,409,995	$ 4,018,649	$ 4,018,649	0.00%	$ 4,018,649	0.00%
2120	772427	Highway Infrastructure Bank-State	$ 11,445,406	$ 10,209,272	$ 10,209,272	0.00%	$ 10,209,272	0.00%
2120	772429	Highway Infrastructure Bank-Local	$0	$ 11,499,999	$ 11,499,999	0.00%	$ 11,499,999	0.00%
2120	772430	Infrastructure Debt Reserve Title 23-49	$0	$ 1,500,000	$ 1,500,000	0.00%	$ 1,500,000	0.00%
2120	775408	Transit Infrastructure Bank-Local	$0	$ 812,685	$ 812,685	0.00%	$ 812,685	0.00%
2120	775455	Title 49 Infrastructure Bank - State	$0	$ 312,795	$ 312,795	0.00%	$ 312,795	0.00%
2130	772431	Roadway Infrastructure Bank - State	$ 760,395	$ 1,000,000	$ 1,000,000	0.00%	$ 1,000,000	0.00%
2130	772432	Roadway Infrastructure Bank-Local	$0	$ 6,000,000	$ 6,000,000	0.00%	$ 6,000,000	0.00%
2130	772433	Infrastructure Debt Reserve - State	$ 269,630	$ 2,000,000	$ 2,000,000	0.00%	$ 2,000,000	0.00%
2130	775457	Transit Infrastructure Bank - State	$0	$ 312,082	$ 312,082	0.00%	$ 312,082	0.00%
2130	775460	Transit Infrastructure Bank-Local	$0	$ 1,000,000	$ 1,000,000	0.00%	$ 1,000,000	0.00%
2130	777477	Aviation Infrastructure Bank-State	$0	$ 3,500,000	$ 3,500,000	0.00%	$ 3,500,000	0.00%
2130	777478	Aviation Infrastructure Bank-Local	$0	$ 6,000,000	$ 6,000,000	0.00%	$ 6,000,000	0.00%
7002	770003	Administration-State-Debt Service	$ 10,519,831	$ 3,614,700	$ 3,415,700	-5.51%	$ 1,821,000	-46.69%
7002	771411	Planning and Research-State	$ 16,153,413	$ 21,733,301	$ 21,044,516	-3.17%	$ 21,463,169	1.99%
7002	771412	Planning and Research-Federal	$ 25,963,607	$ 30,324,572	$ 23,970,770	-20.95%	$ 24,214,310	1.02%
7002	772421	Highway Construction-State	$ 468,788,283	$ 504,184,419	$ 542,801,332	7.66%	$ 517,419,558	-4.68%
7002	772422	Highway Construction-Federal	$ 948,975,766	$ 1,083,674,110	$ 1,091,378,700	0.71%	$ 1,065,737,629	-2.35%
7002	772424	Highway Construction-Other	$ 67,129,058	$ 100,379,155	$ 121,377,011	20.92%	$ 109,694,836	-9.62%
7002	772437	GARVEE Debt Service - State	$ 6,937,210	$ 19,273,500	$ 21,778,200	13.00%	$ 27,547,900	26.49%
7002	772438	GARVEE Debt Service - Federal	$ 111,870,317	$ 139,015,000	$ 131,814,700	-5.18%	$ 136,513,200	3.56%
7002	773431	Highway Maintenance-State	$ 388,768,820	$ 412,915,187	$ 405,633,542	-1.76%	$ 425,329,858	4.86%
7002	775452	Public Transportation-Federal	$ 29,436,638	$ 35,391,763	$ 27,060,785	-23.54%	$ 27,060,785	0.00%
7002	775454	Public Transportation-Other	$ 627,319	$ 1,500,000	$ 1,500,000	0.00%	$ 1,500,000	0.00%
7002	775459	Elderly and Disabled Special Equipment	$ 2,345,864	$ 4,730,000	$ 4,730,000	0.00%	$ 4,730,000	0.00%
7002	776462	Grade Crossings-Federal	$ 10,423,806	$ 13,000,000	$ 15,000,000	15.38%	$ 15,000,000	0.00%
7002	777472	Airport Improvements-Federal	$ 26,464	$ 405,000	$ 405,000	0.00%	$ 405,000	0.00%
7002	777475	Aviation Administration	$ 3,536,481	$ 5,358,100	$ 4,945,697	-7.70%	$ 5,186,959	4.88%
7002	779491	Administration-State	$ 105,191,149	$ 127,601,493	$ 131,087,437	2.73%	$ 134,889,042	2.90%

Line Item Detail by Agency

			FY 2008	FY 2009	FY 2010 Appropriations	% Change 2009 to 2010	FY 2011 Appropriations	% Change to 2011
DOT	**Department of Transportation**							
	Highway Operating Fund Group Total		**$ 2,213,579,452**	**$ 2,551,265,782**	**$ 2,596,108,872**	**1.76%**	**$ 2,566,678,728**	**-1.13%**
4N40	776663	Panhandle Lease Reserve Payments	$0	$ 763,700	$ 762,600	-0.14%	$ 764,300	0.22%
4N40	776664	Rail Transportation-Other	$ 1,751,100	$ 2,111,500	$ 2,111,500	0.00%	$ 2,111,500	0.00%
5W90	777615	County Airport Maintenance	$ 521,877	$ 570,000	$ 620,000	8.77%	$ 620,000	0.00%
	State Special Revenue Fund Group Total		**$ 2,272,977**	**$ 3,445,200**	**$ 3,494,100**	**1.42%**	**$ 3,495,800**	**0.05%**
7045	772428	Highway Infrastructure Bank-Bonds	$ 246,958,336	$ 400,000,000	$ 71,000,000	-82.25%	$ 65,000,000	-8.45%
	Infastructure Bank Obligations Fund Group Total		**$ 246,958,336**	**$ 400,000,000**	**$ 71,000,000**	**-82.25%**	**$ 65,000,000**	**-8.45%**
7042	772723	Highway Construction-Bonds	$ 164,225,624	$ 100,000,000	$ 194,000,000	94.00%	$ 163,000,000	-15.98%
	Highway Capital Improvement Fund Group Total		**$ 164,225,624**	**$ 100,000,000**	**$ 194,000,000**	**94.00%**	**$ 163,000,000**	**-15.98%**
Department of Transportation Total			***$ 2,627,036,389***	***$ 3,054,710,982***	***$ 2,864,602,972***	***94.00%***	***$ 2,798,174,528***	***-15.98%***

Public Works Commission

- Increased funding of LTIP supported by Highway Operating Fund transfers of $200 million during the biennium
- Increased workload from Jobs Stimulus Bill implementation

OVERVIEW

Agency Overview

The Public Works Commission (PWC) administers the State Capital Improvement Program (SCIP) and the Local Transportation Improvement Program (LTIP). These programs provide grants and loans to local governments for infrastructure projects. SCIP receives funding from infrastructure bonds and LTIP receives funding from one cent per gallon of the motor vehicle fuel tax. PWC's administrative costs are funded by interest income. In addition to these infrastructure financing programs, the Commission also administers a portion of the Clean Ohio Conservation Program (COCP). Currently, the Commission employs a staff of 11, although PWC plans to fill a vacancy in FY 2010, bringing the headcount to 12.

Appropriation Overview

The Commission's programs and operations are funded by a variety of appropriations bills. The transportation budget act contains the capital and operating appropriations for LTIP and the operating appropriations for SCIP. The focus of this analysis is on the enacted budget for these programs, the funding for which is summarized in Table 1 below.

Table 1. Appropriations by Fund Group, FY 2010-FY 2011
Am. Sub. H.B. 2

Program	FY 2009*	FY 2010	% change (FY 2009-FY 2010)	FY 2011	% change (FY 2009-FY 2010)
LTIP -- Capital and Operating	$267,806,178	$67,616,001	*(74.8%)*	$67,706,178	*0.1%*
SCIP -- Operating only	$918,912	$897,383	*2.3%*	$918,912	*2.4%*
Total	**$268,725,090**	**$68,513,384**	***(74.5%)***	**$68,625,090**	***0.2%***

* Adjusted appropriations

The capital bill and the capital reappropriations bill provide capital funding for SCIP. The main operating budget bill contains the debt service appropriations for SCIP and COCP, as well as the operating funding for the latter.

PWC's transportation budget appropriation is $68.5 million in FY 2010 and $68.6 million in FY 2011. Although this appears at first to be a substantial reduction in funding from FY 2009, this does not take into account $200 million in LTIP funding that will be carried forward – or reappropriated – to the FY 2010-FY 2011 biennium from H.B. 554, the Jobs Stimulus Bill of the 127th General Assembly. That bill funded the appropriation through a FY 2009 transfer from the Budget Stabilization Fund (BSF), an action that did not occur. Instead, the transportation budget act authorizes this same amount, but provides for the transfer of $100 million in each fiscal year from the Highway Operating Fund (Fund 7002).

Of the total amount provided over the biennium in the transportation budget act, only about $1.2 million per year funds the operating expenses of the Commission. Overall, this will allow the Commission to maintain current service levels and provides for merit increases, health care coverage, travel expenses, and bond counsel fees.

Summary of FY 2010-FY 2011 Budget Issues

Implementation of H.B. 554, the Jobs Stimulus Bill

H.B. 554, the Jobs Stimulus Bill enacted in the summer of 2008, provided an additional $400 million in funding for the Commission's programs over FY 2009 and FY 2010. Specifically, the bill (1) contained an additional $200 million for LTIP, (2) accelerated SCIP funding by $120 million, and (3) appropriated $80 million from the proceeds from the liquidation of the Tobacco Use Prevention and Control Endowment Fund that was transferred to the newly created Jobs Fund for local infrastructure development capital improvement and broadband projects. Access to the $80 million, however, has been blocked by ongoing litigation concerning the liquidation of the Endowment Fund.

Corresponding to the increase in program funding, there will also be an increase in Commission staff workload to review and approve capital projects and process disbursement requests. For example, the acceleration of SCIP funding is expected to result in an additional 490 capital projects and nearly 2,200 more disbursement requests. Furthermore, assuming PWC gains access to the $80 million provided through the Jobs Fund, the program will operate similarly to SCIP. As a result, the Commission expects to review and approve over 190 additional applications for funding. The additional $200 million in LTIP funding over the biennium is expected to result in roughly 280 more projects funded in each fiscal year, though the actual number may vary depending on the projects that receive funding. While the Commission does not foresee the need for additional permanent employees to manage the Jobs Stimulus Bill workload, the budget allows for one full-time temporary position in FY 2010 and FY 2011, if necessary.

Though not specifically related to the Jobs Stimulus Bill, temporary law continuing from the previous biennium authorizes the Director of PWC to use investment earnings of the SCIP and LTIP funds for administrative costs incurred by the 19 individual Public Works District Integrating Committees. No more than $1,235,000 per fiscal year will be available for disbursement, and no district may receive more than $65,000 per fiscal year for these purposes.

Clean Ohio Program Renewal

To reflect the voters' renewal of the Clean Ohio Program in November 2008, the budget act amends the most recent capital appropriations act, H.B. 562 of the 127th General Assembly, in order to increase capital appropriations for the state agencies that receive Clean Ohio Program moneys. The changes for the FY 2009-FY 2010 capital biennium are the following:

1. The Public Works Commission's Clean Ohio Conservation line item (C15060) is increased from $30 million to $75 million;
2. The Department of Development's Clean Ohio Revitalization line item (C19500) is increased from $32 million to $80 million and the Clean Ohio Assistance line item (C19501) is increased from $8 million to $20 million;
3. The Department of Agriculture's Clean Ohio Agricultural Easements Program line item (C70009) is increased from $5 million to $12.5 million; and
4. The Department of Natural Resources' Clean Ohio Trail – Grants line item (C72514) is increased from $5 million to $12.5 million.

Continuing Initiatives

In addition to implementation of the Jobs Stimulus Bill in the upcoming biennium, PWC will focus on the administration of Program Years 23 and 24 of both SCIP and LTIP. Other objectives are to continue the (1) maintenance of management information systems, (2) development of forms and procedures to make the application review and approval process more efficient, and (3) preparation of timely and accurate capital disbursement reports produced by the Ohio Administrative Knowledge System (OAKS) to meet the needs of auditors and local government officials.

Analysis of Enacted Budget

Aid to Local Governments

The following appropriations provide aid to local governments through the LTIP. These appropriations are funded by one cent per gallon of the motor vehicle fuel tax. This category also includes the operating expenses associated with the State Capital Improvements Program (SCIP).

Appropriation Amounts for Aid to Local Governments				
Fund		**ALI and Name**	**FY 2010**	**FY 2011**
Local Transportation Improvement Program Fund Group				
7052	150701	Local Transportation Improvement Program	$67,317,000	$67,400,000
7052	150402	Local Transportation Improvement Program Operating	$299,001	$306,178
Local Transportation Improvement Program Fund Group Subtotal			***$67,616,001***	***$67,706,178***
Local Infrastructure Improvements Fund Group				
7038	150321	Operating Expenses	$897,383	$918,912
Local Infrastructure Improvements Fund Group Subtotal			***$897,383***	***$918,912***
Total Funding: Aid to Local Governments			**$68,513,384**	**$68,625,090**

Local Transportation Improvement Program (150701)

This line item provides the spending authority necessary for LTIP to provide direct grants to assist in the costs associated with local road and bridge projects. Grants are distributed on a per capita basis and are used to make cash payments to consultants and contractors for work performed on behalf of the local government. The majority of grants are distributed to cities and counties, but also to villages and townships. Fiscal years 2010 and 2011 encompass program years 23 and 24 of LTIP.

The budget funds this line item at $67.3 million in FY 2010 and $67.4 million in FY 2011. However, because of the additional $200 million in FY 2009 LTIP funding authorized by H.B. 554, LTIP funding for FY 2010-FY 2011 actually would be increased by $100 million in each fiscal year. To provide the additional funding, the budget act authorizes the Director of Budget and Management, upon the request of the Director of PWC, to make transfers totaling $100 million in cash in each fiscal year from the Highway Operating Fund (Fund 7002) to the Local Transportation Improvement Program Fund (Fund 7052). These transfers take the place of the $200 million cash transfer from the Budget Stabilization Fund that was required by H.B. 554.

The number of projects funded with LTIP moneys varies from year to year, but based on past experience the Commission's annual LTIP funding of approximately

$67.4 million results in roughly 180 projects each year. PWC estimates that adding a further $100 million in each fiscal year will result in the approval of roughly 280 more projects per year.

A provision in the act carries forward – or reapproriates – capital appropriations for local infrastructure projects in the Local Transportation Improvement Program Fund (Fund 7052) that remain unencumbered at the end of FY 2009 and FY 2010 to the following fiscal year.

Local Transportation Improvement Program Operating (150402)

This line item provides the necessary administrative support for LTIP. The budget appropriates $299,001 in FY 2010 and a 2.4% increase to $306,178 in FY 2011. These amounts are approximately the same as the FY 2009 appropriations for this purpose and will allow the Commission to maintain current service levels and handle the additional administrative workload for the additional projects funded through the Jobs Stimulus Bill.

The Commission determines its administrative costs based on the administrative effort necessary to manage its programs. LTIP comprises about 20% of the Commission's total administrative costs among the three under its purview (the others are SCIP and COCP). Administrative expenses include project monitoring, processing disbursement requests, and maintaining PWC's information system technology. For the upcoming biennium, the Commission anticipates an increase in mailing costs due to the additional project paperwork that will be generated from the projects funded under H.B. 554. The FY 2011 operating budget also accounts for higher payroll and fringe benefit costs.

Operating Expenses (150321)

This line item provides the operating funding for SCIP, the state's bond-funded program that provides grants and loans to local governments for improvement of their infrastructure systems authorized by Section 2p of Article VIII, Ohio Constitution. Operating expenses are paid by investment income from bond proceeds. The State Capital Improvements Fund (Fund 7038) earns between $2.5 million and $4.4 million in investment income each year. The budget appropriates $897,383 in FY 2010 and $918,912 in FY 2011 for SCIP administration, levels that are consistent with the current biennium. The majority of the funding is for personnel and maintenance.

Overall, SCIP administration comprises about 60% of the Commission's total operating costs. As with LTIP, PWC expects an increase in mailing costs due to the acceleration of SCIP in H.B. 554. Administrative functions include approving disbursement requests, providing ongoing technical assistance to district public works integrating committees, project monitoring, and providing continued maintenance for the Commission's statewide infrastructure needs database.

The budget will allow PWC to administer SCIP program years 23 and 24. Each year approximately $120 million in bonds are issued to provide grants and loans. Eligible projects include improvements to roads, bridges, culverts, water supply systems, wastewater systems, storm water collection systems, and solid waste disposal systems. SCIP also contains two subprograms: the Small Government Program, which sets aside $12 million each fiscal year for villages and townships with populations of less than 5,000, and the Emergency Assistance Program, which provides $2.5 million in each fiscal year for infrastructure emergencies to be awarded at the Director's discretion.

Line Item Detail by Agency

Report For: **Transportation Budget** *Version:* **Enacted**

PWC Public Works Commission

			FY 2008	FY 2009	FY 2010 Appropriations	% Change 2009 to 2010	FY 2011 Appropriations	% Change to 2011
7052	150402	Local Transportation Improvement Program - Operating	$ 236,551	$ 306,178	$ 299,001	-2.34%	$ 306,178	2.40%
7052	150701	Local Transportation Improvement Program	$ 71,290,174	$ 67,500,000	$ 67,317,000	-0.27%	$ 67,400,000	0.12%
Local Transportation Improvement Program Fund Grou			**$ 71,526,725**	**$ 67,806,178**	**$ 67,616,001**	**-0.28%**	**$ 67,706,178**	**0.13%**
7038	150321	State Capital Improvements Program - Operating Expenses	$ 720,465	$ 918,912	$ 897,383	-2.34%	$ 918,912	2.40%
Local Infrastructure Improvement Fund Group Total			**$ 720,465**	**$ 918,912**	**$ 897,383**	**-2.34%**	**$ 918,912**	**2.40%**
Public Works Commission Total			***$ 72,247,190***	***$ 68,725,090***	***$ 68,513,384***	***-2.34%***	***$ 68,625,090***	***2.40%***

Department of Development

- $18.7 million per fiscal year for roadwork development grants
- Funded by a transfer of motor fuel tax revenues from the Department of Transportation

ANALYSIS OF ENACTED BUDGET

Roadwork Development (195629)

The Department of Development (DEV) awards Roadwork Development grants to local governments, port authorities, transportation improvement districts, or companies for public roadwork improvements that facilitate the expansion or attraction of businesses. The program is overseen by the Grants and Tax Incentives Office in DEV's Strategic Business Investment Division and is funded by a transfer of motor fuel tax revenues from the Department of Transportation. Because the use of motor fuel tax revenues is restricted under Section 5a of Article XII, Ohio Constitution, Roadwork Development Grants are limited to projects to improve public roads and highways and may not be used for other economic development purposes. Eligible costs include widening, paving, road construction and reconstruction, and right-of-way infrastructure improvements such as sewer or utility lines. All Roadwork Development Grants are subject to approval by the Controlling Board. As of mid-May 2009, the Controlling Board had approved 42 Roadwork Development Grants totaling $15.2 million from FY 2009 appropriations.

Appropriation Amounts for Roadwork Development				
Fund	**ALI and Name**		**FY 2010**	**FY 2011**
State Special Revenue Fund Group				
4W00	195629	Roadwork Development	$18,699,900	$18,699,900
		State Special Revenue Fund Group Subtotal	***$18,699,900***	***$18,699,900***
Total Funding: Roadwork Development			**$18,699,900**	**$18,699,900**

As the table above shows, the budget funds the Roadwork Development Grant Program at $18.7 million in each fiscal year, an amount equal to the FY 2009 appropriation. The budget earmarks $250,000 in each fiscal year for each transportation improvement district (TID) in Belmont, Butler, Clermont, Hamilton, Lorain, Medina, Montgomery, Muskingum, and Stark counties and the Rossford Transportation Improvement District in Wood County.

Line Item Detail by Agency

Report For: Transportation Budget **Version:** Enacted

			FY 2008	FY 2009	FY 2010 Appropriations	% Change 2009 to 2010	FY 2011 Appropriations	% Change to 2011
DEV	**Department of Development**							
4W00	195629	Roadwork Development	$ 11,299,302	$ 18,699,900	$ 18,699,900	0.00%	$ 18,699,900	0.00%
		State Special Revenue Fund Group Total	**$ 11,299,302**	**$ 18,699,900**	**$ 18,699,900**	**0.00%**	**$ 18,699,900**	**0.00%**
Department of Development Total			***$ 11,299,302***	***$ 18,699,900***	***$ 18,699,900***	***0.00%***	***$ 18,699,900***	***0.00%***

Ohio Turnpike Commission

- Total 2009 operating budget of $212.2 million
- $41.8 million in planned capital expenditures for 2009
- E-Z Pass to go live in fourth quarter of 2009
- Toll rate changes to go into effect along with E-Z Pass

OVERVIEW

Agency Overview

The Ohio Turnpike is a publicly built east-west tolled expressway spanning northern Ohio. The Ohio Turnpike was built during the 1950s by the Ohio Turnpike Commission (OTC), which continues to own and operate it. The Commission's mission is to operate and maintain a user-fee supported highway with sound financial management that provides motorists and travelers with safe, modern, and helpful services. Since the Turnpike opened, OTC has contracted with the Ohio State Highway Patrol (District 10) to provide law enforcement and assistance to disabled or stranded motorists.

OTC is not a state agency and is not appropriated money from any state funds included within the transportation or main operating budgets. However, OTC is required to submit its proposed budget to the Office of Budget and Management, the General Assembly, and the Legislative Service Commission under section 5537.17(F) of the Revised Code. The following overview, including a short summary of several law changes affecting OTC in the transportation budget act, presents information concerning the Turnpike's operations.

Implementation of E-Z Pass

The Commission continues to work toward the full implementation of the E-Z Pass electronic toll collection system. OTC estimates the cost of the new toll collection system, related equipment, and construction expenses to be about $50.0 million. E-Z Pass is scheduled to become operational sometime in the fourth quarter of 2009. Once E-Z Pass goes live, the volume discount offered to commercial carriers through the Charge Card Program will end. OTC reports most commercial carriers taking advantage of the current discount already have E-Z Pass accounts, making continuation of the discount program impracticable.

Toll Rate Structure Changes

In March 2009, OTC approved a new toll rate structure that will go into effect when E-Z Pass becomes operational. When OTC developed the new rate structure, it took into account several factors. Among these were the current revenues and the operating budget of the Commission, projected capital expenditures, noise mitigation efforts, and incentives for E-Z Pass and heavy commercial vehicles.

To accommodate E-Z Pass, the proposed tolls are based on (1) the number of axles a vehicle has, (2) the height over the first two axles, and (3) distance traveled. Generally, the higher the number of axles, the higher the vehicle class. For instance, low two-axle vehicles (passenger cars) and motorcycles are in vehicle class one while all vehicles with seven axles or more are in vehicle class seven. This is in contrast to the current rate structure which is based only on vehicle weight and distance traveled. The result of the new rate structure is that (1) the number of vehicle classes are reduced from 11 to seven, and (2) rates will go up for some vehicles and down for others. The rate for passenger cars using E-Z Pass will be no different than current rates for those vehicles. In addition to the rate changes scheduled for later this year, OTC plans further rate increases in FY 2012. Table 1 below, adapted from OTC's report on the new toll rate structure, summarizes these changes.

Table 1. Revised Toll Rates

Class	Fourth Quarter 2009		January 2012	
	Full Trip	Per Mile	Full Trip	Per Mile
E-Z Pass Rates				
1	$10.25	$0.042	$11.25	$0.047
2	$18.00	$0.075	$20.00	$0.083
3	$22.00	$0.091	$24.00	$0.100
4	$27.00	$0.112	$30.00	$0.124
5	$32.00	$0.133	$35.00	$0.145
6	$45.00	$0.187	$50.00	$0.207
7	$65.00	$0.269	$72.00	$0.299
Non E-Z Pass Rates				
1	$15.00	$0.062	$16.50	$0.068
2	$25.00	$0.104	$28.00	$0.116
3	$30.00	$0.124	$33.00	$0.137
4	$35.00	$0.145	$39.00	$0.162
5	$40.00	$0.166	$44.00	$0.182
6	$55.00	$0.228	$61.00	$0.253
7	$75.00	$0.311	$83.00	$0.344

Calendar Year (CY) 2009 Adopted Budget

OTC's annual budget for calendar year 2009 was adopted on December 15, 2008, under Resolution 57-2008. Accompanying the budget, the Commission also approved transfers from six funds for capital projects on the Turnpike, under Resolution 54-2008. Table 2 displays the budgeted amounts, including the transfers.

Table 2. OTC's Adopted Budget for CY 2009	
	CY 2009
Revenue Sources	
Tolls	$191,736,500
Concessions	$13,636,700
Investments	$3,342,000
Fuel Tax	$2,000,000
Other	$1,523,800
Total Revenues	**$212,239,000**
Expenditures	
Services and Toll Operations	$56,536,100
Maintenance of Roadway and Structures	$40,530,800
Traffic Control, Safety, Patrol, and Communications	$16,149,800
Administration and Insurance	$10,126,500
Debt Service Payments	$55,897,000
Total Expenditures	**$179,240,200**
Transfers	
Systems Projects Fund	$23,024,700
Renewal and Replacements Fund	$6,200,000
Fuel Tax Fund	$2,023,000
Non-Trust Fund	$688,000
Expense Reserve	$549,000
Service Plazas Capital Improvement Fund	$514,000
Total Transfers	**$32,998,800**
Total Expenditures and Transfers	**$212,239,000**

The Commission has $45.5 million of planned capital spending for 2009. This number includes both new capital projects ($13.2 million) and continuing projects from 2008 ($32.3 million). Capital projects include the continuation of toll collection system work, travel plaza renovations, various bridge repairs, culvert repairs, correction of slope failures, and engineering and design services.

Transportation Budget Law Changes Affecting the Turnpike

Bidding for Turnpike Contracts

The budget includes a provision that requires bid guaranty and surety bonds for OTC bids and contract awards that are over $150,000 and for any service facility contract, rather than for all bids and contracts over $50,000. The bill retains the general requirement that contracts over $50,000 be competitively bid. Increasing the threshold for which bid guaranty and surety bonds must be provided may enable additional contractors to bid on smaller projects or contracts that OTC offers.

The provision also allows OTC to combine design and construction elements into a single competitively bid contract for "special projects." To the extent that design-build contracts are used by OTC, this change may increase project delivery efficiencies and reduce overall design and construction costs for Turnpike projects.

Fines for Overweight Vehicles on the Turnpike

H.B. 2 also includes a provision establishing that violations of vehicle weight limits on the Turnpike are subject to the same fines as those violations occurring on other roads. This may have an impact on the fine revenue generated, depending on the weight violation. Currently, a violation of vehicle weight limits on the Turnpike is a minor misdemeanor on the first offense and fourth degree misdemeanor on subsequent offenses. This differs from the weight limit fines on other roads, which generally depend on the amount by which the overweight vehicle exceeds the established weight limits.

Revenues from vehicle weight limit fines assessed on the Turnpike are distributed in accordance with the provisions governing the distribution of fines collected from persons apprehended or arrested by the State Highway Patrol. A portion is credited to the GRF, after specific amounts are credited to the Security, Investigations, and Policing Fund to support certain Patrol activities. A small portion of fine revenue is credited to the Trauma and Emergency Medical Services Grants Fund, with the remainder distributed to the court that imposes the fine. The bill does not change the distribution of the fine money.

Turnpike Business Logo Program

This provision requires OTC to establish a business logo sign program no later than December 31, 2009, that includes fees for participating businesses and authority for OTC to contract with a private person to operate the program. The new revenue generated would depend on program fees and any amounts that OTC might pay a contractor for operating the program.

Green Technology Study

The bill requires OTC to conduct a study to examine ways to increase the application of green technology, including the reduction of diesel emissions in the construction, maintenance, improvement, repair, and operation of OTC facilities. The study is to evaluate all opportunities to develop energy alternatives, including solar, geothermal, natural gas, and wind, in cooperation with the Power Siting Board and the Ohio Department of Transportation. The bill requires an interim report to be submitted to certain recipients within six months of the bill's effective date and a final report to be submitted within one year. To fund the study, the bill requires OTC to use the first $100,000 in revenue received from the business logo sign program.

TransBudgPartIGreenbook.docx/cm