



Ohio Legislative Service Commission

Brian Hoffmeister

Fiscal Note & Local Impact Statement

Bill: [H.B. 38 of the 130th G.A.](#)

Date: February 7, 2013

Status: As Introduced

Sponsor: Rep. McGregor

Local Impact Statement Procedure Required: No

Contents: Renames the Ohio Turnpike Commission to the Ohio Turnpike and Infrastructure Commission, authorizes the Commission to issue additional bonds for eligible infrastructure projects, and makes other changes

State Fiscal Highlights

- The bill allows the renamed Ohio Turnpike and Infrastructure Commission to issue revenue bonds to fund eligible Major New highway construction projects overseen by the Ohio Department of Transportation (ODOT) and approved by the Transportation Review Advisory Council (TRAC).
- ODOT would be able to expand its Major New project portfolio using Turnpike bond proceeds, rather than rely on increasingly limited state and federal motor fuel tax revenues.
- The bill appropriates \$200 million in FY 2014 and \$300 million in FY 2015 to permit ODOT to fund Major New projects out of Turnpike revenues.
- The bill could provide increased flexibility with regard to Turnpike toll revenues used specifically for Turnpike projects.
- The bill permits the Turnpike to issue citations and collect penalties for toll evasion.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Ohio Turnpike and Infrastructure Commission

The bill changes the name of the Ohio Turnpike Commission to the Ohio Turnpike and Infrastructure Commission, effective on July 1, 2013. The Commission is not a state agency and does not receive appropriations from the General Assembly. It derives its funding from tolls on the Ohio Turnpike, as well as bond proceeds, concessions fees, and five cents per gallon of the state motor fuel tax collected for gasoline and diesel sold at service plazas along the Turnpike. Bonds issued by the Turnpike are not obligations of the state and are not backed by the full faith and credit of the state treasury.

Bonds for infrastructure projects

The bill expands the Commission's bonding authority to encompass "infrastructure projects," defined as any public express or limited access highway, superhighway, or motorway, including all bridges, tunnels, overpasses, underpasses, interchanges, entrance plazas, approaches, and those portions of connecting public roads that serve interchanges, that is constructed or improved, in whole or in part, by the Ohio Department of Transportation (ODOT) using infrastructure funding approved by the Commission. The bill distinguishes between these infrastructure projects and Turnpike projects, which are projects involving work performed on the Turnpike itself.

Under the bill, the Turnpike and Infrastructure Commission would be able to issue revenue bonds and deposit the proceeds into one or more special infrastructure funds in order to finance eligible infrastructure projects under a joint agreement with ODOT. These projects would be projects under ODOT's Major New Construction Program, which must (1) have total estimated costs of at least \$12 million, (2) reduce congestion, increase highway capacity, or increase highway connectivity, and (3) be approved by the Transportation Review Advisory Council (TRAC). ODOT and TRAC would determine the projects for which they wished to seek infrastructure funding from the Turnpike, and then apply to the Commission for use of the Turnpike bond proceeds. The bill requires the Commission to adopt rules establishing procedures and criteria for approving projects submitted by ODOT, and requires the rules to specify that eligible projects must have an anticipated economic or transportation-related impact on the Turnpike.

Effect on ODOT programs

By allowing ODOT to access Turnpike bond proceeds to finance Major New construction projects, the bill would extend the program's capacity beyond the state and federal motor fuel tax, revenues from which have leveled off in recent years, and state and federal highway bonds. ODOT prioritizes highway funding to pavement preservation and maintenance projects, and directs funds to Major New projects only

when preservation needs are fully met. As envisioned under the bill, the use of Turnpike bond proceeds would allow Major New projects that otherwise would have been delayed to be constructed more quickly with a need for less reliance on motor fuel tax revenues.

The bill appropriates \$200 million in FY 2014 and \$300 million in FY 2015 to a new line item in the Highway Operating Fund (Fund 7002) to fund these projects. Appropriation item 772425, Highway Operating – Turnpike, would be used by ODOT to account for expenditures on Major New projects supported by Turnpike funding. Presumably, the Turnpike and Infrastructure Commission would make payments from the eligible bond proceeds to the Highway Operating Fund that would be used to pay the costs of these projects.

Effect on the Turnpike

Under the bill, the proceeds of the revenue bonds issued for infrastructure projects, after any payments for financing costs, debt service reserves, or other special costs, would be limited to those projects only, and not Turnpike projects. Debt service payments on infrastructure project bonds would be paid from a portion of Turnpike toll revenues, as well as interest income to the Commission's infrastructure funds set up to receive the proceeds of the bonds. The bill does not specify a specific amount of infrastructure bonds to be issued, nor does it specify the extent to which tolls may need to be adjusted to pay the debt service costs. Current law only requires that tolls be "at least sufficient" to pay Turnpike construction and maintenance costs, debt service, and other costs alongside other Turnpike revenues.

Changes to Turnpike projects

In addition to providing for the issuance of bonds to support infrastructure projects, the bill makes changes to certain requirements regarding Turnpike projects. Under current law, the Commission is prohibited from using toll revenues generated by an existing Turnpike project for the construction, operation, maintenance, or repair of a new Turnpike project. The bill removes this prohibition and allows the Commission to fund a new Turnpike project using excess revenues available from tolls collected for any other Turnpike project. This would effectively allow for increased flexibility in the use of toll revenues to pay for construction and maintenance projects on the Turnpike itself.

Current law also prohibits the Commission from using toll revenues collected for existing Turnpike projects funded by bond proceeds to pay the principal and interest on bonds or bond anticipation notes it issues to pay any portion of the cost of new Turnpike projects. The bill removes this prohibition, allowing any toll revenues to be used for debt service costs on new Turnpike projects undertaken after the bill's effective date.

Toll evasion penalties

The bill allows the Commission to adopt rules for the issuance of citations by either a policing authority or administrative means to individuals or corporations that evade toll payments, and specifies that fees or charges assessed by the Commission for toll evasion are revenues of the Commission. This could result in some additional revenues to the Commission, depending on the type of rules adopted, the penalties imposed, and the number of citations issued.

Changes to Commission membership

The bill expands the membership of the Commission to ten members instead of nine, and requires six members (rather than four, as under current law) to be appointed by the Governor with the advice and consent of the Senate. Of the members appointed by the Governor, the bill requires no more than three of those (rather than the current two) to be members of the same political party, and removes the Director of Development as an ex officio member. The bill also allows the Governor to appoint members who reside in different areas of the state, taking into consideration various Turnpike and infrastructure projects throughout the state. The bill changes the terms of office of members by requiring that members appointed by the Governor after July 1, 2013 serve three-year instead of eight-year terms. Currently, Turnpike Commission members are paid a \$5,000 annual stipend. By expanding the number of compensated members appointed by the Governor from four to six, Commission member compensation would increase by \$10,000 annually.

Reporting requirements

The bill requires that funding for both Turnpike and infrastructure projects funded by the Commission be included with the financial statements that are part of the Commission's annual report. Additionally, the bill requires the Commission to report at least annually to the Turnpike Legislative Review Committee on the Major New infrastructure projects approved and paid for by the Commission under agreement with ODOT.