

# Transportation Overview

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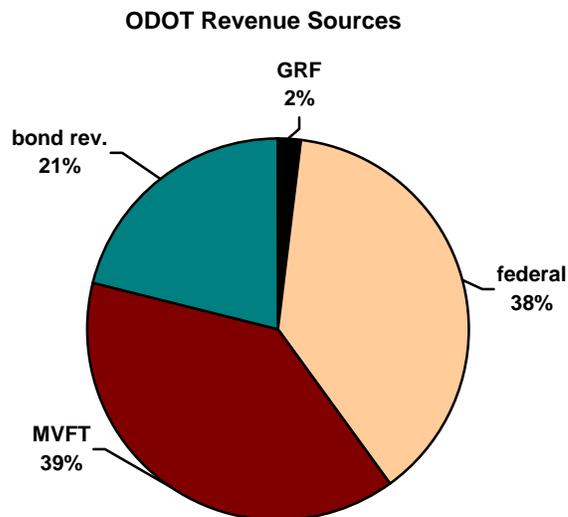
## **The Agency**

The Ohio Department of Transportation (ODOT) is the agency charged with planning, building and maintaining the state's transportation system. Most of the agency's resources are devoted to the state's system of highways, but it also has responsibilities in the areas of rail, aviation, public transportation, and water transportation. As of December 30, 2000 ODOT had 962 employees at its headquarters in Columbus, but most of its 5,887 personnel are employed outside of Franklin County, in one of the twelve districts located around the state. In January 1995, ODOT introduced VISION 2000, its long-range restructuring plan designed to improve departmental quality and efficiency, and make ODOT more responsive to customer needs. As a result of this program ODOT has decentralized in order to provide for decision-making at the district level, and has decreased its divisions from 16 to 7. It has also significantly reduced the number of full-time department personnel, from a high of 7,788 in December of 1993. As a result of this restructuring effort, the department estimates that it reduced its operating costs in FY 2000 by over \$138 million. The savings were redirected to highway construction programs.

## **The Budget**

The Executive Proposal calls for a budget of \$2.50 billion in fiscal year (FY) 2002, after excluding budget line items to be considered in the main operating budget, and \$2.07 billion in FY 2003. The FY 2002 figure represents a 21.2% increase over FY 2001, and the FY 2003 figure represents a 17.4% decrease compared with FY 2002. The substantial reduction from FY 2002 to FY 2003 is mostly due to a reduction in bond issuance by over \$390 million. The reduction in bond issuance is intended to maintain a sustainable level of debt service.

The agency's budget derives from several revenue sources. Approximately 2% of the agency's proposed spending authority for FY 2002 would come from the General Revenue Fund, and will be considered along with the state's main operating budget. Approximately 38% of the agency's proposed spending authority would be funded by federal dollars, 39% from the motor vehicle fuel tax, and 21% from bond issuance. There are also other funding sources adding up to less than 1% of the agency's proposed budget.



### Project Selection (TRAC)

One of VISION 2000's primary goals was the creation of an objective, criterion-based project selection process. Project score is based on transportation factors (70 percent of score) such as efficiency and safety, and on economic development factors (30 percent). Bonus points may be earned for leveraging additional funds to augment state dollars, and for a multi-modal or regional impact. Once a ranking is determined, local governments can appeal the project's score to ODOT's Transportation Review Advisory Council (TRAC). Not only does the TRAC manage the selection process and hear community appeals, it also oversees the major new construction program and approves loan requests for the State Infrastructure Bank (SIB) program.

### Aviation Study

The last transportation budget bill, Am. Sub. H.B. 163 of the 123<sup>rd</sup> General Assembly, required ODOT to conduct a study of the amount of aviation fuel sold in Ohio, the amount of tax revenue derived from that fuel, and the condition of the infrastructure at Ohio's public use general aviation airports. The ODOT report was issued in October of 1999, and found that sales of aviation fuel yields approximately \$6 million per year in sales tax revenue to the state. The report also indicated that the infrastructure at many airports in Ohio has deteriorated significantly. The report does not address the largest nine publicly-owned airports in the state, as they are regulated by and receive funding assistance from the Federal Aviation Administration. A satisfactory rehabilitation of the infrastructure would require an estimated \$8 million per year for 20 years. A supplemental request for \$2 million in FY 2002 and \$4 million in FY 2003 is intended to step up state spending to the \$8 million level required.

### Other ODOT Studies

Am. Sub. H.B. 107 of the 121<sup>st</sup> General Assembly, required ODOT to conduct a pilot program to study the use of design/build contracts for new highway construction. Such contracts combine the design and construction of a project into a single contract, as opposed to the traditional design/bid/build method, which solicits separate bids for the design and construction of a project. In a report issued in December of 2000, ODOT concluded that the design/build method creates great time savings for certain types of projects, and some accompanying cost savings, but that certain types of projects are much more

appropriate for the design/build approach than others. Accordingly, ODOT has suggested new wording in permanent law to allow the design/build approach to be employed on up to \$250 million worth of contracts each year. Because certain types of projects are not well-suited to the design/build approach, ODOT does not recommend adopting the approach on all contracts.

Am.Sub. H.B. 163 of the 123<sup>rd</sup> General Assembly required a study on the inclusion of warranties as a requirement in highway construction contracts. In December of 2000, ODOT reported that the inclusion of warranty requirements raised the average bid received on contracts by 8.5% on asphalt paving projects, by 11% for concrete pavement projects, and by 90% for pavement marking projects. ODOT concluded that the benefits of the warranty, in the form of reductions in the costs and inconvenience associated with repair projects, justify the warranty approach for paving projects, but not for pavement marking projects.

## **State Infrastructure Bank**

The State Infrastructure Bank (SIB) (established in Am. H.B. 748 of the 121<sup>st</sup> General Assembly) provides assistance to public and private entities in financing transportation-related projects. Ohio was selected as one of ten pilot states to participate in the revolving loan program. The revolving loan fund consists of federal and state sources to make loans or provide other assistance, and then, in turn, all loan repayments will be deposited into the fund to provide financial assistance for other projects. The fund was initially capitalized with a \$30 million GRF transfer (excess dollars) and \$70 million in federal transportation funds. An advantage to using federal dollars in the SIB is that once loaned moneys are repaid they are considered state dollars, not federal (meaning that they are freed up from direct federal oversight and monitoring). The SIB will be used to fund multi-modal and intermodal facilities, and projects that further the goals of Access Ohio (the state's long-range multi-modal transportation plan). The amount available to local governments from the SIB will be \$27.9 million over the biennium.

## **Assumptions**

Both state and federal motor vehicle fuel tax rates are assumed to remain constant. ODOT projects its share of the state motor vehicle fuel tax to be \$820 million in FY 2002 and \$806 million in FY 2003. Federal aid is budgeted at \$958 million in FY 2002 and \$975 million in FY 2003. The increased federal money flowing into Ohio is due to changes enacted at the federal level during the legislative process that re-authorized the 1991 Intermodal Surface Transportation Efficiency Act (ISTEA). The Transportation Efficiency Act for the 21<sup>st</sup> Century (TEA-21) was passed in 1998 and is effective through 2003.

## **Major Program Areas**

The largest single program funding area is Highway Construction. This area makes up over 73% of the total annual appropriation over the 2001-2003 biennium. The next largest program area is Highway Maintenance with just over \$370 million in annual appropriations. Combined, the two program areas total over \$4.1 billion and comprise just over 90% of total appropriations over the biennium. The following tables show funding by subprogram within the Highway Construction and Highway Maintenance program areas. Additional detail on other program areas can be found in the Analysis of Executive Proposal section of this document.

**Highway Construction**

Subprogram	FY 2001 (estimated)	FY 2002 (recommended)	% Change	FY 2003 (recommended)	% Change
Major New	\$456,986,525	\$882,265,348	93%	\$402,403,672	-54%
Bridges	\$268,052,747	\$268,470,266	0%	\$282,732,203	5%
Pavement	\$400,437,981	\$399,439,207	-0%	\$420,247,867	5%
Safety	\$32,603,967	\$45,833,775	41%	\$47,085,363	3%
Local Government	\$280,963,000	\$282,528,234	1%	\$281,215,976	-1%
Other	\$31,043,243	\$27,172,040	-13%	\$27,914,029	3%
<b>TOTAL</b>	<b>\$1,470,087,463</b>	<b>\$1,905,708,870</b>	<b>30%</b>	<b>\$1,461,599,110</b>	<b>-23%</b>

The drop in appropriations between FY 2002 and FY 2003 is due largely to a drop in issuance of new bonds; the reduction in bond issuance accounts for \$392.5 million of the \$451.1 million reduction in appropriations. The “Local Government” category is money that ODOT makes available to local governments to assist them in meeting their highway maintenance obligations. Under Ohio law, counties are responsible for maintenance on county roads and on most bridges within the county that do not carry state highways. Similarly, municipalities are responsible for maintaining roads within the boundaries of the municipality and some of the bridges within those boundaries, and townships are responsible for maintenance of township roads. The category “Other” in the table includes rest area upgrade and construction, enhancement projects, public access roads to state facilities, and noise wall retrofit.

**Highway Maintenance**

Subprogram	FY 2001 (estimated)	FY 2002 (recommended)	% Change	FY 2003 (recommended)	% Change
Rest Area Maintenance	\$22,000,000	\$22,707,000	3%	\$23,227,000	2%
Tourist Information Centers	\$2,000,000	\$2,000,000	0%	\$2,000,000	0%
Pavement Marking	\$30,000,000	\$31,031,000	3%	\$31,788,000	2%
Guardrail Installation & Repair	\$22,000,000	\$22,707,000	3%	\$23,227,000	2%
Signals, Signing and Lighting	\$44,500,000	\$45,931,000	3%	\$46,984,000	2%
Snow and Ice Control	\$70,000,000	\$72,251,000	3%	\$73,907,000	2%
Mowing & Landscaping	\$26,000,000	\$26,319,000	1%	\$26,923,000	2%
Other Highway Maintenance	\$124,527,000	\$129,047,000	4%	\$132,004,000	2%
Heavy Trucks and Equipment	\$20,000,000	\$20,643,000	3%	\$21,116,000	2%
<b>TOTAL</b>	<b>\$361,027,000</b>	<b>\$372,636,000</b>	<b>3%</b>	<b>\$381,176,000</b>	<b>2%</b>