

LSC Redbook

Analysis of the Executive Budget Proposal

Transportation Budget Bill

(H.B. 53 of the 131st General Assembly)

Ohio Turnpike and Infrastructure Commission

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Ohio Turnpike and Infrastructure Commission

- Approximately \$1.09 billion in bond proceeds to the Commission in CY 2013
- \$930.0 million available to ODOT to finance infrastructure projects using the Commission's CY 2013 bond proceeds
- \$125.3 million capital budget for projects on Ohio Turnpike in CY 2015

OVERVIEW

The Ohio Turnpike is a publicly built, 241-mile east-west tolled expressway spanning northern Ohio. The Turnpike was built during the 1950s by the Ohio Turnpike Commission, since renamed the Ohio Turnpike and Infrastructure Commission (OTIC) in 2013. The Commission contracts with the Ohio State Highway Patrol (District 10) to provide law enforcement and motorist assistance along the Ohio Turnpike. As of the end of calendar year (CY) 2014, the Commission employed a staff of 712 full-time and 212 part-time employees, for a total of 924 employees overall.

OTIC is not a state agency and is not appropriated money from any state funds included within the transportation or main operating budgets. However, OTIC 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 of the Revised Code. This overview presents information on OTIC's current operations, including a review of the Commission's new authority to issue infrastructure bonds under H.B. 51 of the 130th General Assembly, the FY 2014-FY 2015 transportation budget act, and a summary of OTIC's capital and operating budgets for CY 2015.

New Bonding Authority for Transportation Infrastructure Projects

To provide for a way to finance additional road construction across the state, H.B. 51 expanded OTIC's bonding authority by allowing the Commission to issue bonds to pay for highway projects overseen by the Ohio Department of Transportation (ODOT). Generally, H.B. 51 requires infrastructure funded through this new authority to benefit the system of public highways in the state and have a transportation-related nexus to the Ohio Turnpike. In essence, OTIC now has the authority to issue two categories of bonds: (1) Turnpike bonds to pay for road construction and maintenance along the Turnpike itself, and (2) infrastructure bonds to finance ODOT projects that are apart from but have some nexus to the Turnpike. Under this new authority, OTIC anticipated the issuance of \$1.5 billion in new infrastructure bonds between 2013 and 2018. As discussed in further detail below, \$930.0 million of that amount has already been authorized.

Infrastructure Bond Funding for ODOT Projects

Road projects financed with the proceeds of infrastructure bonds fall under ODOT's Major New construction program. These are projects with total costs of over \$12.0 million that add new highway capacity, reduce congestion, or improve connectivity. Major New projects must be approved by the Transportation Review Advisory Council (TRAC) within ODOT. For the projects financed with infrastructure bonds issued, OTIC must also provide approval of the projects.

The first step in generating funding for infrastructure projects occurred in July 2013, when OTIC authorized \$930.0 million in bonds to fund projects having a nexus with the Turnpike system. Following this authorization, in September 2013, OTIC and TRAC each approved ten projects to be financed using the bond proceeds. All of these projects are located within 20 miles of the Turnpike. Of the ten, three projects were allocated more than \$150 million each: demolition and construction of the second Inner Belt bridge project in Cuyahoga County (\$340.0 million), adding a third lane on I-75 in Wood and Hancock counties (\$204.0 million), and reconstruction of the interchange at I-75 and I-475 in Lucas County (\$163.0 million). The revenue ODOT received from the infrastructure bond funding totaled approximately \$8.0 million in CY 2013, followed by \$190.8 million in CY 2014. These project expenses are initially paid for by ODOT using the Highway Operating Fund (Fund 7002). ODOT is subsequently reimbursed by OTIC using infrastructure bond proceeds that are deposited back into Fund 7002.

ODOT has begun construction on the ten projects, paid for under the infrastructure bond-funded line item in its budget, appropriation item 772425, Highway Construction – Turnpike. The full \$930.0 million dedicated to the projects is planned to be either expended or encumbered in the current biennium. Consequently, there are no appropriations to line item 772425 for FY 2016 or FY 2017 in the executive proposal, as ODOT does not expect additional infrastructure bond funding from OTIC until FY 2018.

Toll Increases

H.B. 51 also authorized OTIC to use Turnpike toll revenue to cover the repayment of the infrastructure bonds. In July 2013 OTIC approved a series of toll increases over a ten-year span, beginning on January 1, 2014 through January 1, 2023 to cover these additional costs. Toll rates will rise up to 2.7% annually, but will vary depending on the class of vehicle, miles traveled, and whether the vehicle is subject to the full toll or a discounted rate under E-ZPass. Under the planned increases, the toll for a regular two-axle passenger vehicle driving the entire 241-mile length of the Turnpike with an E-ZPass would rise from \$11.25, as it was in CY 2013, to \$14.75 in CY 2023. For that same vehicle and travel length with no E-ZPass, the toll cost would increase from \$16.50 to \$21.50 over the ten-year period.

Capital and Operating Funding for CY 2015

Capital Budget

In December 2014, OTIC adopted Resolution 68-2014, outlining the CY 2015 capital budget for construction projects along the Ohio Turnpike. Under the resolution, the Commission approved approximately \$125.3 million for capital projects, of which \$110.8 million is dedicated to specific projects. The remaining \$14.5 million under its CY 2015 construction budget is set aside for unidentified capital funding needs that may arise. Among the major construction projects identified for funding in CY 2015, four entail the complete replacement of five lane-mile stretches of base pavement in Cuyahoga, Logan, Trumbull, and Sandusky counties (\$56.9 million). Other projects budgeted under the CY 2015 spending plan include major roadway resurfacing in various locations (\$16.2 million), and bridge repair and resurfacing (\$14.3 million). Of the bridge rehabilitation projects, 14 are in Portage and Trumbull counties, while eight are in Mahoning County.

In addition to the major capital construction and maintenance projects on the Turnpike, \$13.3 million is budgeted for renewal and replacement of equipment and for smaller roadwork projects. This category includes (1) the replacement of maintenance and service vehicles and equipment, (2) various maintenance projects at Commission garages and toll plazas, and (3) surface repairs to pavement. Finally, approximately \$700,000 is slated for improvements at the Commission-owned service plazas.

Long-Term Capital Improvement Program

The Commission estimates that approximately \$3.1 billion will be spent on capital improvements on the Turnpike in the 35-year period from CY 2014 to CY 2048. Specifically, the Commission forecasts that approximately 47% will be used for pavement replacement (\$1.46 billion), 20.0% will be allocated for bridge rehabilitation and reconstruction (\$620.0 million), 18.0% will go toward resurfacing and repavement (\$558.0 million), and the remaining 15.0% will be spent on other capital costs (\$465.0 million).

Operating Budget

The Commission's operating budget for CY 2015 was adopted under Resolution 67-2014, approved alongside the capital spending plan. For comparative purposes, the table on the following page displays the Turnpike's actual operating revenues and expenditures for CY 2013, as well as the amounts budgeted for CY 2014 and CY 2015. As the table shows, toll collections are the biggest source of operating revenue for the Turnpike, and account for most of the total \$11.7 million (4%) anticipated revenue gain between the adopted CY 2014 budget and the approved CY 2015 spending plan.

Operating expenditures are also slated to increase by approximately 4.0%, rising from \$113.1 million under the adopted CY 2014 budget to \$117.6 million under the CY 2015 spending plan. The amounts shown as net operating profits are used to finance OTIC's capital improvement program, including the additional infrastructure debt issued to finance ODOT projects. For CY 2015, of the \$183.4 million in expected operating profits, OTIC has committed (1) approximately \$96.0 million to debt service payments, (2) approximately \$84.2 million for transfer to capital funds that support construction and maintenance projects on the Ohio Turnpike, and (3) the remaining \$3.2 million for transfers to other nonoperating funds.

OTIC Operating Budgets, CY 2013-CY 2015 (in \$ millions)				
	CY 2013 Actual	CY 2014 Adopted*	CY 2015 Adopted	% CY 2014- CY 2015
Revenue Sources				
Tolls	\$254.6	\$263.9	\$274.7	4.1%
Concessions	\$14.1	\$14.4	\$14.8	2.8%
Fuel Tax Allocation	\$2.3	\$2.1	\$2.2	4.8%
Investment Earnings	\$2.5	\$5.5	\$5.3	-3.6%
Other	\$6.9	\$3.4	\$4.1	20.6%
Total Revenues	\$280.4	\$289.3	\$301.0	4.0%
Operating Expenditures				
Services and Toll Operations	\$50.4	\$52.1	\$53.3	2.3%
Roadway and Structure Maintenance	\$35.0	\$36.2	\$38.9	7.5%
Traffic Control, Safety, Patrol, and Communications	\$14.0	\$14.2	\$14.5	2.1%
Administration and Insurance	\$9.3	\$10.6	\$10.9	2.8%
Total Operating Expenditures	\$108.7	\$113.1	\$117.6	4.0%
Net Operating Profit	\$171.7	\$176.2	\$183.4	4.1%

Note: Individual amounts may not add to totals due to rounding.

*CY 2014 actuals were not available at the time of publication.

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