- Motor fuel tax increases will sustain a ten year construction program at $250 million per year
- Force Account limits increased
- The Pavement Selection Advisory Council formed

Transportation, Department of

Jonathan Lee, Budget Analyst

ROLE

The Ohio Department of Transportation (ODOT) is the designated state agency responsible for designing, building, and maintaining the state's transportation system. This system consists of a multi-modal network of highways, public transit systems, general airports, and railways. In addition, the Department is also responsible for placing tourist-oriented directional signs, regulating vehicles in excess of prescribed weights, enforcing regulations governing all aspects of advertising devices along highways, and establishing standards for the design and use of traffic control devices on all public highways in the state. Administration of this network requires continuous research and development; material testing; coordination among local governments, citizens, and state agencies; development of new construction technologies; and comprehensive evaluation of state and federal transportation policies.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
5,874 full-time 25 part-time 1,129 contracted	$2.33 billion	$2.31 billion	$25.0 million	$25.8 million	Am. Sub. H.B. 87** Am. Sub. H.B. 95

*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

**Am. Sub. H.B. 87 is the Transportation Bill. Passage of the bill prior to March 31 ensures that contracts will be executed in time to allow the highway construction program to continue without a major interruption.

OVERVIEW

The Department fulfills its role with a full-time staff of 5,874 and funding through motor fuel taxes, bonds, and the General Revenue Fund (GRF). The majority of the Department's funding (98.7%) is appropriated in the transportation bill with appropriations backed by the sale of bonds and state and federal motor fuel taxes. Appropriations from the transportation bill support the Department's construction, maintenance, planning, public transportation, rail, aviation, administration, and debt service programs. The Department's funding from the main appropriations bill (1.3%) only supports a portion of the public transportation, rail, and aviation programs. The Department's functions are distributed among ten departmental divisions and 12 district offices, including a central office in Columbus. The Department is not responsible for the administration of the Ohio Turnpike Commission.

The Department's FY 2004-2005 biennial combined total appropriations from the main appropriations bill and the transportation bill increased less than 1% from FY 2002-2003 biennial total adjusted appropriations. This slight increase is the result of the Governor's transportation plan which increased the motor fuel tax two cents each year over the next three years, providing ODOT with a $250 million construction program over the next ten years. Without this increase, ODOT's FY 2004-2005 appropriation levels would have been 12%, or $500 million lower than FY 2002-2003 levels. The Department estimates this lower funding level would have provided for a $140 million construction program in FY 2004 and zero dollars in FY 2005.

General Revenue funding for the Public Transportation series, Rail series, and Aviation series all experienced reductions below requested levels by $13.7 million, $2.9 million, and $1.2 million, respectively. For Public Transportation, this will result in rural and urban transit systems reducing services, increasing fares, freezing wages, and deferring capital purchases. For Rail, the reductions will result in decreased rail engineering and right-of-way activities. As for Aviation, there will be fewer state matching dollars available for federal aviation projects, and fewer projects undertaken to improve the condition of deficient general aviation pavements. The Department's other program series, as well the Public Transportation, Rail, and Aviation series line items in the transportation bill, were funded at requested levels, which will allow ODOT to meet program objectives.

BUDGET ISSUES

MOTOR FUEL TAX

Section 203 of Am. Sub. H.B. 94 of the 124th General Assembly required the General Assembly to study the adequacy and distribution of the motor fuel tax. Based on the recommendations of the Motor Fuel Tax Task Force,[14] Am. Sub. H.B. 87 of the 125th General Assembly increased the state motor fuel tax two cents in FY 2004, two additional cents in FY 2005, and two additional cents in FY 2006 (for a total increase of six cents over three years). However, the tax will not be increased by two cents in FY 2006 if the Director determines Ohio will receive 95% of federal funds attributable to the state and the state's ethanol penalty is eliminated. Increasing Ohio's share to 95% and elimination of the ethanol penalty will result in an estimated annual increase of $140 million and $160 million, respectively.

The transportation bill also included three provisions that will slightly reduce a portion of ODOT's motor fuel tax revenue in FY 2004, FY 2005, FY 2006, and future years. These reductions are due to a new township formula, a new fuel tax exemption, and the phase-out of the motor fuel use tax. Specifically, the new township formula will require ODOT to contribute a total of $2,404,000 each year to townships. Also, a new exemption for motor fuel used for school transportation purposes will result in annual tax

[14] The Motor Fuel Tax Task Force held 13 meetings throughout 2003 including regional meetings in all four quadrants of Ohio and heard testimony from various state agencies, associations, and individuals. The Task Force made the following recommendations: address Ohio donor state status, provide additional revenue for state and local government roads and bridges, use motor fuel tax revenues for the state transportation system only, dedicate the Highway Patrol's motor fuel tax allocation entirely to local governments, adjust motor vehicle registration fees for inflation, re-evaluate current force account limits, and address the federal ethanol penalty.

revenue losses between $1.1 million and $1.6 million. Finally, with the phase-out of the motor fuel use tax, ODOT can expect to lose between $4.6 million to $27.9 million annually.

Overall, considering the motor fuel tax increase less the aforementioned reductions, if the tax only increases four cents, ODOT can expect to receive approximately $214 million (not including additional federal revenue), whereas if the tax is increased to six cents, ODOT can expect to receive approximately $301 million. Table 1 below displays the amount attributable to the Highway Operating Fund less the new deductions per provisions in Am. Sub. H.B. 87. For more detail on the motor fuel tax increase and distribution of the tax see the "Tax Provisions" section of the LSC Final Analysis.

Table 1. Funds Available to the Highway Operating Fund After Deductions

Motor Fuel Tax Distribution	FY 2006 (4 cent increase)	FY 2006 (6 cent increase)
Highway Operating Fund (HOF)	$222,221,637	$333,332,456
Less: loss from school transportation exemption	-$1,100,000	-$1,600,000
Less: ODOT allocation to townships per new formula	-$2,404,000	-$2,404,000
Less: loss from motor fuel use tax phase-out	-$4,646,666	-$27,980,000
TOTAL	$214,070,971	$301,348,456

FORCE ACCOUNT LIMITS

Am. Sub. H.B. 87 increased force account limits for ODOT and local governments. A force account limit is the financial size of a project the state or local governments can undertake with its own employees. Am. Sub. H.B. 87 contained a provision whereby if the Auditor of State determines a local government is found in violation of the new limits, the local government will have to revert to the old limits for one year. If they violate the limits a second time, they will have to revert to the old limits for two years. If they violate the limits a third time they will have to revert to the old limits for another two years, plus they will have the equivalent of 20% of the total project cost withheld from any funds the Tax Commissioner determines are due or payable to the particular local government. The amount that is withheld will be credited to the Local Transportation Improvement Fund (LTIP) administered by the Public Works Commission. The bill also requires the Legislative Service Commission (LSC) to conduct a study of force account limits for the ODOT and local governments. The Commission will issue a report of its findings on or before January 1, 2007. Table 2 below displays the force account limit changes as enacted in Am. Sub. H.B. 87.

Table 2. Comparison of "Old" and "New" Force Account Limits

	"Old" Force Account Limit	"New" Force Account Limit
ODOT		
Highway Maintenance and Repair	$10,000 per mile	$25,000 per mile
Bridges, culverts, and traffic control signals	$20,000	$50,000
Counties		
Road construction	$10,000 per mile	$30,000 per mile
Bridges and culverts	$40,000	$100,000

Table 2. Comparison of "Old" and "New" Force Account Limits *(cont'd.)*		
	"Old" Force Account Limit	"New" Force Account Limit
Municipalities		
Road construction	$10,000 per mile	$30,000 per mile
Townships		
Road construction	$15,000 per mile	$45,000 per mile
Road maintenance	$5,000 per mile	$15,000 per mile

PAVEMENT SELECTION ADVISORY COUNCIL

Am. Sub. H.B. 87 created the Pavement Selection Advisory Council to review the Department's pavement selection process. The bill requires the Department to contract with a neutral third party to conduct an analysis of the Department's pavement selection process including, but not limited to, life cycle cost analysis, user delay, constructability, and environmental factors. The neutral third party shall produce a report on or before December 31, 2003 outlining its recommendations. The Department shall make changes to its pavement selection process based on the recommendations provided in the report.

PUBLIC TRANSPORTATION

Am. Sub. H.B. 95 consolidated GRF appropriation item 775-458, Elderly and Disabled Fare Assistance, into GRF appropriation item 775-451, Public Transportation-State. The bill allows up to $4,012,780 in FY 2004 and $5,015,975 in FY 2005 to be used to make grants to public transit systems, local governments, and private non-profits, for the purpose of reducing fares for the elderly and disabled. Earmarking funds for the Elderly and Disabled Fare Assistance Program directly from 775-451, Public Transportation-State may reduce the amount of funds available for the Office of Transit's operating expenses and two grant programs: the Ohio Public Transportation Grant Program and the Ohio Coordination Program.

Am. Sub. H.B. 95 also permits regional transit authorities to 1) adopt bylaws and rules relating to certain subject areas, 2) provides a penalty for a violation of a regional transit authority bylaw or rule, and 3) permits the use of a particular lane of a highway to be restricted only to buses during certain hours or during all hours.

GENERAL AVIATION LICENSE TAX

Am. Sub. H.B. 95 increased the general aviation license tax to $100 per aircraft. Formerly the tax was a range of $6 to $15. The tax increase is estimated to generate approximately $400,000 per year above former collections. The tax revenue will now be credited to the newly created County Airport Maintenance Assistance Fund (Fund 5W9), in the State Special Revenue Fund Group. Crediting the tax increase to the new fund will result in a subsequent loss to GRF appropriation item 777-471, Airport Improvements-State, which formerly received all the aircraft license tax revenue. The tax increase will provide additional funding for general aviation maintenance, capital improvements, and runway crack sealing projects.

ADVERTISING SPACE AT REST AREAS

Am. Sub. H.B. 95 permits ODOT to sell advertising space at rest areas and requires ODOT to utilize all resulting revenues to pay for rest areas' improvements. The Department's receipts from selling advertising space at rest areas will be deposited into the newly created Roadside Rest Improvement Fund (Fund 5W8) in the State Special Revenue Fund Group.

BIOFUEL AND RENEWABLE ENERGY TASK FORCE

Am. Sub. H.B. 87 created the Biofuel and Renewable Energy Task Force to report on the condition of the industries of biofuel and other renewable energy sources in Ohio. The task force will compare Ohio's biofuel industries with other states, and recommend methods to expand biofuel industries throughout Ohio.

.08 BLOOD ALCOHOL CONTENT REDUCTION

Am. Sub. H.B. 87 reduced the blood alcohol content (BAC) for the purposes of operating a motor vehicle in Ohio while under the influence of alcohol (OMVI). Previously the BAC in Ohio was .10. The reduction will allow ODOT to avoid sanctions of approximately $50 million per year after FY 2007.

The Governor vetoed a provision in Am. Sub. H.B. 95 that provided if the U.S. Congress repeals the .08 blood alcohol concentration and reverts back to the .10 BAC level, or if a federal court declares the mandate unconstitutional or invalid, Ohio's BAC levels would also revert back to .10.

DESIGN-BUILD CONTRACTING

Am. Sub. H.B. 87 made permanent a design-build pilot program for both county engineers and ODOT. Design-build allows the design and construction elements to be combined into a single contract, in effect, creating project delivery efficiencies, time savings, and reducing overall design and construction costs for the state and local governments. The bill limits the dollar value of such contracts to $250 million per biennium for ODOT and $1.5 million for individual county projects.

Line Item Detail by Agency

Report For: **Main Operating Appropriations Bill** *Version:* **Enacted**

DOT Transportation, Department of

			FY 2001:	FY 2002:	FY 2003:	FY 2004 Appropriations:	% Change 2003 to 2004:	FY 2005 Appropriations:	% Change 2004 to 2005:
GRF	770-501	Public Transportation Grants	$ 64,345	----	$0	$ 0	N/A	$ 0	N/A
GRF	774-445	Youngstown Intermodal Project	$ 91,300	----		----	N/A	----	N/A
GRF	775-451	Public Transportation-State	$ 21,178,984	$ 29,887,079	$18,086,907	$ 18,875,595	4.36%	$ 19,525,595	3.44%
GRF	775-453	Waterfront Line Lease Payments-State	$ 1,775,847	$ 1,775,513	$0	$ 0	N/A	$ 0	N/A
GRF	775-456	Public Transportation/Discretionary Ca	$ 4,527,035	$ 1,514,865	$1,085,385	$ 0	-100.00%	$ 0	N/A
GRF	775-458	Elderly & Disabled Fare Assistance	$ 3,349,962	$ 3,315,504	$3,435,048	$ 0	-100.00%	$ 0	N/A
GRF	776-465	Ohio Rail Development Commission	$ 3,647,721	$ 5,561,743	$3,883,670	$ 3,116,889	-19.74%	$ 2,936,056	-5.80%
GRF	776-466	Railroad Crossing/Grade Separation	----	$ 326,020	$2,121,806	$ 500,000	-76.44%	$ 840,000	68.00%
GRF	777-471	Airport Improvements-State	$ 4,623,580	$ 2,678,065	$3,087,125	$ 1,908,495	-38.18%	$ 1,908,495	0.00%
GRF	777-473	Rickenbacker Lease Payments-State	$ 540,230	$ 548,131	$565,224	$ 591,600	4.67%	$ 591,500	-0.02%
General Revenue Fund Total			**$ 39,799,003**	**$ 45,606,919**	**$ 32,265,165**	**$ 24,992,579**	**-22.54%**	**$ 25,801,646**	**3.24%**
3B9	776-662	Rail Transportation-Federal	----	----	$0	$ 50,000	N/A	$ 50,000	0.00%
Federal Special Revenue Fund Group Total			**----**	**----**	**$ 0**	**$ 50,000**	**N/A**	**$ 50,000**	**0.00%**
5W8	773-605	Roadside Rest Area Improvement	----	----		$ 250,000	N/A	$ 250,000	0.00%
5E7	775-657	Transit Capital Funds	$ 3,045,541	$ 9,199,953	$3,025,917	$ 0	-100.00%	$ 0	N/A
4N4	776-663	Panhandle Lease Reserve Payments	----	----	$0	$ 770,000	N/A	$ 770,000	0.00%
4N4	776-664	Rail Transportation-Other	$ 28,000	$ 341,501	$613,446	$ 1,919,500	212.90%	$ 2,111,500	10.00%
5W9	777-615	County Airport Maintenance Assistance	----	----		$ 570,000	N/A	$ 570,000	0.00%
State Special Revenue Fund Group Total			**$ 3,073,541**	**$ 9,541,454**	**$ 3,639,363**	**$ 3,509,500**	**-3.57%**	**$ 3,701,500**	**5.47%**
Transportation, Department of Total			***$ 42,872,544***	***$ 55,148,373***	***$ 35,904,528***	***$ 28,552,079***	***-20.48%***	***$ 29,553,146***	***3.51%***