LSC Greenbook

Analysis of the Enacted Budget

Transportation Budget Bill

(H.B. 114 of the 129th General Assembly)

Part I:

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Department of Transportation
Public Works Commission
Department of Development
Ohio Turnpike Commission

Jason Phillips, Senior Budget Analyst
Brian Hoffmeister, Senior Budget Analyst

Legislative Service Commission

July 2011

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Budget Overview

The transportation budget bill contains funding for four agencies that are primarily responsible for the construction and maintenance of the state highway system, funding local infrastructure projects, and ensuring the public's safety. These agencies are the Department of Transportation (DOT), the Department of Public Safety (DPS), the Public Works Commission (PWC), and the Ohio Department of Development (ODOD). Unlike the main operating appropriations bill, the transportation budget bill does not contain GRF appropriations. Instead, most of the appropriations are backed by motor vehicle fuel taxes and fees. This overview highlights the major features of the transportation budget for the four agencies included in the bill. More detailed information can be found under each agency's section within this Greenbook. The agencies funded by motor fuel tax (MFT) revenue, DOT, PWC, and ODOD, are found in Part I (Part I also includes a brief discussion of the Ohio Turnpike Commission's adopted budget and the permanent law provisions affecting that agency in the main operating and transportation budgets). DPS, funded mostly by motor vehicle fees, is discussed in Part II.

Department of Transportation

There are several factors affecting DOT's highway construction and maintenance operations that shape the agency's non-GRF budget. Namely, MFT revenue, one of DOT's two primary sources of funding, has either declined or grown slowly in recent years with persistently high unemployment and increasingly fuel efficient vehicles on the road limiting DOT's main source of state revenue. In addition, there is uncertainty regarding the level of future federal transportation funding, which is the other major component of DOT's budget. Sagging revenues and increasing spending from the federal Highway Trust Fund in recent years have required billions of dollars in transfers from the federal general fund to support federally funded highway projects. Further, a number of extensions to the most recent federal highway program reauthorization bill have been required to keep the federal highway programs running, as a new reauthorization bill has yet to be enacted by Congress.

The budget reacts to these pressures in a variety of ways. First, the budget continues to place emphasis on system preservation projects to ensure the existing highway system is adequately maintained before any Major/New construction projects that add capacity or reduce congestion are funded. Second, the budget provides the statutory framework for DOT to enter into public-private partnerships, which would be used to leverage private investment in order to finance, construct, operate, or maintain transportation projects, and increases the amount of money that may be spent on design-build contracts. Finally, the budget reduces the overall level of bond appropriations, which are backed by MFTs and federal highway revenues, for highway projects by about $21 million (7.3%) compared to the FY 2010-FY 2011 budget, excluding $200 million in bonding authority provided to DOT to allow it to recoup a corresponding amount transferred to PWC during FY 2010 and FY 2011 pursuant to the Jobs Stimulus Bill of the 127th General Assembly.

Department of Public Safety

The budget eliminates the $20 late fee collected on driver's license renewals and establishes an exemption from the $20 late fee for the registration of certain vehicles. According to DPS, this could amount to a loss in revenue of up to $5.3 million for the Highway Patrol annually. In order to help offset this loss in revenue, and to help make the Patrol more solvent in general, the budget requires the Director of Budget and Management to make regular deposits from the International Registration Plan Distribution Fund (Fund 7050) to the State Highway Safety Fund (Fund 7036) until the cumulative total in FY 2012 reaches $25 million and in FY 2013 reaches $24 million.

Public Works Commission

In contrast to the constraints facing DOT and DPS, funding for local infrastructure projects administered by PWC dramatically increased in the last several fiscal years as a result of H.B. 554, the Jobs Stimulus Bill that was enacted in the summer of 2008. As alluded to above, that bill directed an additional $200 million toward the Local Transportation Improvement Program (LTIP) for local road and bridge projects and accelerated funding for the State Capital Improvements Program (SCIP) by $120 million. The budget returns FY 2012-FY 2013 funding for LTIP to more typical levels of about $56 million per year.

Department of Development

Finally, the budget provides funding of $15.2 million per year for ODOD's Roadwork Development Grant Program. Local governments, port authorities, and companies may apply for these grants to make public road and highway improvements that benefit economic development. The budget also moves the funds earmarked for transportation improvement districts (TIDs) from ODOD to DOT.

Appropriations for FY 2012-FY 2013

The budget appropriates funding of $3.4 billion in FY 2012 and $3.6 billion in FY 2013, for a total of $7.0 billion over the biennium. Overall, this is an increase of approximately 4.3% from actual spending of $6.7 billion during the FY 2010-FY 2011 biennium.

Appropriations by Agency and Fund Group

The budget appropriates $5.55 billion for DOT, accounting for 79.3% of the funding in the bill. DPS funding of $1.3 billion makes up a further 18.6% of the total. Finally, the budgeted outlay for PWC and ODOD amounts to $144.8 million, or 2.1% of the funding included in the bill. The appropriations are detailed by agency and fund group in the table below. Following the table is a brief discussion of these figures.

Table 1. FY 2012-FY 2013 Transportation Budget Appropriations by Department and Fund Group

Fund Group	FY 2011*	FY 2012	FY 2013
Department of Transportation			
Highway Operating Fund Group	$2,468,804,024	$2,618,577,108	$2,655,418,393
Highway Capital Improvement Fund Group	$136,770,685	$36,600,000	$91,600,000
Infrastructure Bank Obligations Fund Group	$185,563,794	$45,400,000	$98,000,000
State Special Revenue Fund Group	$1,496,467	$3,495,800	$3,495,800
Subtotal	**$2,792,634,970**	**$2,700,572,908**	**$2,845,014,193**
Department of Public Safety			
State Highway Safety Fund Group	$440,436,585	$490,110,733	$481,261,100
Federal Special Revenue Fund Group	$101,528,381	$130,214,683	$132,862,715
State Special Revenue Fund Group	$11,210,885	$14,018,073	$14,157,224
Liquor Control Fund Group	$11,282,823	$11,000,000	$11,000,000
General Services Fund Group	$6,292,506	$5,503,904	$5,647,247
Holding Account Redistribution Fund Group	$1,327,002	$2,235,000	$2,235,000
Agency Fund Group	$1,162,053	$1,500,000	$1,500,000
Subtotal	**$573,240,235**	**$654,582,393**	**$648,663,286**
Public Works Commission			
Local Transportation Improvements Fund Group	$123,513,353	$56,299,246	$56,296,555
Local Infrastructure Fund Group	$797,992	$918,000	$910,000
Subtotal	**$124,311,345**	**$57,217,246**	**$57,206,555**
Department of Development			
State Special Revenue Fund Group	$19,167,597	$15,199,900	$15,199,900
Subtotal	**$19,167,597**	**$15,199,900**	**$15,199,900**
Total All Budget Fund Groups	**$3,509,354,147**	**$3,431,072,447**	**$3,569,583,934**

*FY 2011 figures represent actual expenditures.

Department of Transportation

DOT's budget appropriation is approximately $2.70 billion for FY 2012, a decrease of $88.5 million, or 3.2%, from FY 2011 spending of $2.79 billion. The FY 2013 funding level of $2.85 billion represents an increase of $144.4 million, or 5.3%, over the amount appropriated for FY 2012. Programs related to highway construction and maintenance account for over 90% of the funding. The remaining portion is directed toward planning and research, public transit, rail, aviation, and administrative programs.

Department of Public Safety

DPS's budget for FY 2012 totals $654.6 million, an increase of approximately $81.3 million, or 14.2%, from total FY 2011 spending of $573.2 million. For FY 2013, the budget provides a total of $648.7 million, or 0.9% below the FY 2012 amount. The enacted appropriations will permit DPS to maintain existing programmatic service and activity levels in each of the next two fiscal years.

Public Works Commission

PWC's budget is $57.2 million per year over the biennium. The vast majority of this amount provides grants to local governments for road and bridge projects using revenue received from one cent per gallon of the MFT. A major objective of the Commission for FY 2012-FY 2013 will be to continue the development of a new information technology platform to replace existing systems that date back to the early 1990s.

Department of Development

The budget appropriates approximately $15.2 million in each fiscal year for ODOD's Roadwork Development Fund. The grants are available to businesses for road improvements in order to retain and attract business in Ohio. The source of funding is transfers from DOT's Highway Operating Fund.

Other Changes Made by the Bill

In addition to the various appropriations and permanent law changes made for transportation and public safety purposes, H.B. 114 contains a variety of other provisions unrelated to those areas. These changes are briefly described below.

Casino Control Commission Operating Fund Transfers

The bill authorizes the Director of Budget and Management to transfer cash as necessary in FY 2011 and FY 2012 from the GRF to the Casino Control Commission Operating Fund (Fund 5HS0) for initial casino operating expenses of the Office of the Inspector General and the Ohio Ethics Commission. The bill also requires the Director of

Budget and Management to establish a repayment schedule for cash transfers from the fund to the GRF. To date, $1.2 million has been transferred from the GRF to Fund 5HS0.

Department of Commerce

Beer and Wine-Related Provisions

The bill makes a number of changes to the laws governing the importation, possession, and sale to personal consumers of beer or wine. First, the bill allows an Ohio resident or a member of the U.S. armed forces who is 21 years of age or older to bring into the state for personal use no more than 4.5 liters of wine or 288 ounces (2.25 gallons) of beer in any 30-day period and exempts such a person from any tax consent fee when the person physically possesses and accompanies the wine or beer into the state.

Second, the bill modifies an acreage limit in current law to allow patrons to possess opened or unopened containers of wine on a D-2 liquor permit premises that is an outdoor performing arts center open from April 1 to October 31 and located on "not less than 150 acres" rather than on "not less than 800 acres." This provision principally applies to the Blossom Music Center in Cuyahoga Falls, which recently sold 635 of its 800 acres of land.

Finally, the bill authorizes an S liquor permit to be issued to certain brand owners and importers of beer, in addition to wine as in existing law, located inside or outside Ohio to allow those owners and importers to sell beer to personal consumers. The bill requires S permit holders selling beer to pay the appropriate taxes, including sales and use tax. To conform with current law relating to wine manufacturers holding an S permit, the bill exempts manufacturers that produce and ship beer into Ohio and that hold an S liquor permit from the existing $300 supplier registration fee and specifies that an S permit holder that does not sell its beer to wholesale distributors of beer in Ohio is not required to submit to the Division of Liquor Control territory designation forms.

By allowing beer manufacturers to sell directly to personal consumers, there would be a potential gain in revenue to the Liquor Control Fund (Fund 7043) and the GRF from various permit fees. Any new beer products intended to be sold in this state would be subject to a $50 product registration fee, the revenue from which is deposited into Fund 7043. The $25 fee for an S liquor permit is initially deposited into Fund 7043, though once each fiscal year, the revenue of such fees is transferred to the GRF. There would also be a potential minimal gain in various taxes associated with the sale of beer.

Controlling Board

The bill permits the vice-chairpersons of the House Finance and Appropriations and Senate Finance committees to serve regularly on the Controlling Board, alternatively to the chairpersons of those committees, as designated by the Speaker of the House of Representatives and the Senate President.

Department of Development

Prohibition on Economic Development Assistance for Gaming Activities

The bill prohibits ODOD or any other entity that administers economic development programs or projects under certain sections of state law from providing economic development assistance to businesses conducting gaming activities or for project sites on which gaming activities will be conducted, and defines "gaming activities" as activities including or conducted in connection with casino gambling or pari-mutuel wagering.

Definition of "Alternative Fuel" for Alternative Fuel Transportation Grants

The bill applies the broader definition of "alternative fuel" from the Department of Administrative Services' fleet management law to ODOD's Alternative Fuel Transportation Grant Program, effectively adding E85 blend fuel, natural gas, liquefied petroleum gas, hydrogen, and other power sources including electricity to the list of alternative fuels eligible for the program.

Department of Education

ARRA Compliance Fund Transfers

A provision in the bill required the Superintendent of Public Instruction to certify to the Director of Budget and Management the amount of additional funding needed, if any, to comply with State Fiscal Stabilization Fund (SFSF) requirements under the American Recovery and Reinvestment Act of 2009 (ARRA). If additional funding was needed, the Superintendent was to identify encumbrances in the Department of Education's budget that were no longer needed. The bill then required the Director to transfer cash from the GRF to the ARRA Compliance Fund (Fund 5JA0) in the amount needed, first from appropriation items 200502, Pupil Transportation, and 200550, Foundation Funding, then from other GRF appropriations. The bill restricted the amount transferred from GRF items other than 200502 and 200550, to $20.0 million for FY 2010 and FY 2011 and required the Department of Education to seek Controlling Board approval if the needed transfer exceeds $25.0 million for each fiscal year. If needed, funds will be distributed to public schools on a per pupil basis. This provision does not appear to have been used.

Department of Job and Family Services

Cash Transfers from the Tobacco Use Prevention and Control Foundation Endowment Fund

The bill adds to the allowable uses of the dollars transferred from the Tobacco Use Prevention and Control Foundation Endowment Fund to the Child and Adult Protective Services Fund (Fund 5GV0), used by the Department of Job and Family Services, and previously appropriated in Am. Sub. H.B. 1 of the 128th General Assembly, any allowable service activity that county departments of job and family services must expend allocations received from GRF appropriation item 600533, Child, Family, and Adult Community & Protective Services.

Department of Natural Resources

FY 2011 waterways improvement funding increase

The bill amended H.B. 1 of the 128th General Assembly to provide an additional $750,000 in FY 2011 funding for the Department of Natural Resources' lake dredging program.

Public Utilities Commission

Transportation of certain radioactive materials

The bill repeals the provision that requires a person shipping, or who causes to be shipped, certain radioactive material within or through this state to pay a fee to the Public Utilities Commission at least four days prior to the date of shipment. Current statute levies a fee of $2,500 for each shipment by motor carrier, $4,500 for a cask shipped by rail, and $3,000 for each additional cask shipped by rail by the same entity in the same shipment, and establishes civil penalties for violating the fee requirement. As a result of this provision, there will be a minimal loss of revenue to the Radioactive Waste Transportation Fund (Fund 5HD0).

The act also removes a requirement that a "carrier" of such a shipment give prior notice to the Emergency Management Agency within DPS. Prior law required that the "carrier or shipper" provide this notice; neither "carrier" nor "shipper" was or is defined. Continuing law specifies fines for noncompliance with this requirement, which are deposited into Fund 5HD0.

Department of Taxation

CAT exemption for certain transactions involving petroleum products

The bill exempts from the commercial activity tax (CAT) amounts realized from exchanges of petroleum products between motor fuel dealers if the dealers receive no monetary compensation from the exchange, and delivery occurs at a refinery, terminal, pipeline, or marine vessel. The bill applies this provision retrospectively to July 1, 2005.

These provisions could reduce revenues from the CAT by several millions of dollars per year. There may be additional revenue losses, potentially in the millions of dollars, from the refund feature.

Real Property Tax Exemption

The bill requires the Tax Commissioner to order real property owned by the state of Ohio to be placed on the tax exempt list, notwithstanding failure to comply with requirements pertaining to exemption in Chapter 5713. or section 5715.27 of the Revised Code, if the property satisfies other qualifications for tax exemption. This provision will reduce real property tax revenue to units of local government by an indeterminate amount.

Local Government Provisions

Ditch Maintenance Fund Assessments

The bill authorizes a board of county commissioners or a joint board of county commissioners to use certain existing statutory ditch maintenance procedures and requirements to maintain soil and water conservation district improvements and authorizes a board of county commissioners to adjust the permanent base of a ditch improvement that is used to calculate maintenance fund assessments. The bill also requires that notice be sent to each owner that would be affected by the adjustment 30 days before the board meets to consider the new permanent base. These provisions allow the annual assessments levied on property owners to be adjusted to more closely reflect the current costs of improvements, which could result in additional revenues for soil and water conservation districts.

Port Authority Competitive Bid Threshold

The bill increases the contract amount for the construction by a port authority of a building, structure, or other improvement above which the port authority must use competitive bidding from $25,000 to the higher of $100,000 or, commencing January 1, 2012, $100,000 plus an amount indexed to inflation. By raising the bidding threshold, this change may reduce the number of smaller port authority construction projects that are competitively bid.

Port Authority Eminent Domain Requirements Regarding Cable Operators

The bill expands current law requirements for when a port authority appropriates property or facilities of certain entities to include cable operators. Currently, when a port authority uses eminent domain authority, it must restore, relocate, or duplicate the property or facilities of political subdivisions, public utilities or common carriers, or pay compensation to these entities. As a result, there could be an increase in costs for port authorities when these entities use eminent domain authority.

Transportation Improvement District Project Authority

The bill expands the definition of a "project" for TID purposes to include a parking facility and facilities related to freight rail tracks, in addition to streets or highways.

Miscellaneous Provisions

American Recovery and Reinvestment Act Signage

The bill prohibits spending ARRA funds on signs that identify the source of specific project funding. As a result, there may be a minimal cost savings on ARRA projects where work has not yet begun. Because some federal agencies, such as the U.S. Environmental Protection Agency, require recipients of ARRA funds to display the ARRA logo on ARRA-funded projects, it may be that some state agencies and local governments that receive ARRA funding would be required to use other funds to meet such federal signage requirements on projects that have yet to reach construction phase.

Buy Ohio Revisions

The bill eliminates, in regard to the general preference for Ohio products in competitively bid purchase contracts of the state that are made by the Department of Administrative Services (DAS) or other state agencies that follow DAS purchasing, a provision of current law deeming that "there is sufficient competition to prevent an excessive price for a product or the acquiring of a disproportionately inferior product" if there are two or more qualified bids that offer products that have been produced or mined in Ohio. This provision is intended to increase DOT's opportunity to acquire road salt at the most competitive rates possible, but could also affect the process other state agencies use to purchase products.

Flexibility to Process July 1, 2011 Paycheck in FY 2011

The bill permits the Director of Budget and Management to, as necessary, make expenditures, adjust appropriations, and transfer cash between funds so that the July 1, 2011 paycheck posts in FY 2011 rather than FY 2012. Ultimately, the July 1, 2011 paycheck posted against FY 2011 funds.

Conveyances of State-Owned Real Estate

The bill provides for conveyance of three pieces of state-owned land to the city of Massillon, Taylor Chevrolet, Inc., in Lancaster, and the Kent State University Alumni Chapter of Delta Upsilon, respectively.

Department of Transportation

- Total biennial budget of over $5.55 billion with focus on system preservation
- DOT granted authority to enter into public-private partnerships

OVERVIEW

Agency Overview

The 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 5,500 full-time permanent employees located in 12 districts throughout the state, as well as a central office in Columbus. Overall, DOT is the state's second largest agency in terms of employees by headcount.

Appropriation Overview

The budget for DOT is approximately $2.70 billion in FY 2012, an $88.5 million (3.2%) decrease from FY 2011 spending of $2.79 billion. FY 2013 funding is $2.85 billion, an increase of $144.4 million (5.3%) over the funding levels for FY 2012. The Highway Operating Fund Group provides about 95% of the funding for the agency's programs. The other major sources of funding come from the Highway Capital Improvement Fund and Infrastructure Bank Obligations Fund, which receive state and federal bond proceeds, respectively. Finally, the State Special Revenue Fund Group supports rail and aviation projects. The distribution of funding is shown in Table 2 below.

Table 2. Appropriations by Fund Group, FY 2012-FY 2013 (Am. Sub. H.B. 114)

Fund Group	FY 2011*	FY 2012	% Change, FY 2011-FY 2012	FY 2013	% Change, FY 2012-FY 2013
Highway Operating	$2,468,804,024	$2,618,577,108	6.1%	$2,655,418,393	1.4%
Hwy. Capital Improvement	$136,770,685	$36,600,000	(73.2%)	$91,600,000	150.3%
Infrastr. Bank Obligations	$185,563,794	$45,400,000	(75.5%)	$98,000,000	115.9%
State Special Revenue	$1,496,467	$3,495,800	133.6%	$3,495,800	0.0%
TOTAL	**$2,792,634,970**	**$2,704,072,908**	**(3.2%)**	**$2,848,514,193**	**5.3%**

*FY 2011 figures represent actual expenditures.

Funding Distribution

By Functional Category

Most of DOT's budget goes to programs in the Highway Transportation area. As always, highway and bridge construction will continue to be DOT's biggest outlay over the biennium. Table 3 below shows the budget by functional category based on the primary purpose of the line item. The groupings in this table follow the line item groupings in the **Analysis of Enacted Budget** section.

Table 3. FY 2012-FY 2013 Budget by Functional Category (in millions)				
Functional Category	**FY 2012**	**FY 2013**	**Biennium Total**	**% of Total Budget**
Highway Transportation	$2,457.1	$2,597.3	$5,054.5	91.0%
Program Management	$136.5	$140.9	$277.4	5.0%
Planning and Research	$52.1	$52.0	$104.1	1.9%
Public Transportation	$33.5	$33.5	$67.1	1.2%
Rail Transportation	$17.1	$17.1	$34.2	0.6%
Aviation	$7.7	$7.6	$15.4	0.3%
TOTAL	**$2,704.1**	**$2,848.5**	**$5,552.6**	**100%**

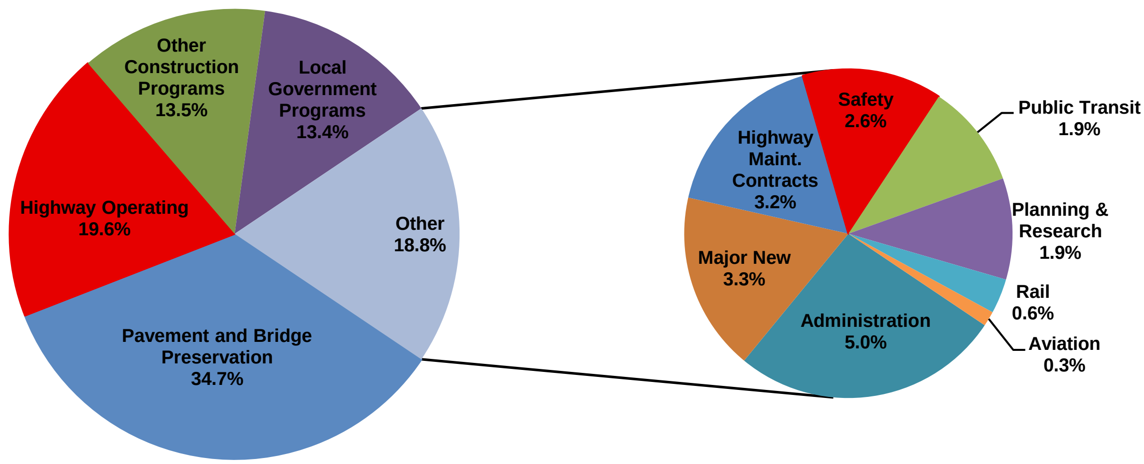
Figures may not add to totals due to rounding.

By Program

Chart 1 below shows the respective percentage that each of the Department's programs in the Highway Transportation funding category represent in the biennial budget in comparison to the total amount of funding allocated to the other funding categories (Administration, Planning and Research, Public Transit, Rail, and Aviation), irrespective of the line item funding those activities. The largest outlay in DOT's budget, at a biennium total of over $1.9 billion, or nearly 35% of the budget, is for the preservation of the state's roads and bridges. In contrast, funding for new capacity, referred to as Major/New, is funded last on DOT's highway funding priority list and makes up only 3.3% of the biennial budget. Other modes of transportation (public transit, rail, and aviation) comprise a combined 2.8% of the budget.

The primary difference between Table 3 and Chart 1 is the treatment of $40 million over the biennium in flexible federal highway funds that will be transferred for public transit purposes. These funds are accounted for in the Highway Transportation category in Table 3 since they originate within DOT's federal highway construction line item, but fall under the Public Transit program area in Chart 1.

Chart 1: DOT Budget by Program, FY 2012-FY 2013



Transportation Budget Environment

Some of the major factors taken into account in developing DOT's budget are state motor fuel tax (MFT) revenue growth, federal investments, construction cost inflation, and the funds needed to adequately preserve the state's existing system of roads and bridges. Overall, the Department operates on a "fix it first" approach that emphasizes system maintenance over Major/New construction. That is, after debt service and routine operations are paid for, system preservation, safety, and federal funds for local projects are given priority over funding for projects that add system capacity or reduce congestion.

MFT receipts net of refunds increased by 1.7% in FY 2011 to $1.74 billion, based on data in the state's accounting system. This follows a very slight increase in FY 2010 of 0.2%. DOT expects overall MFT revenue growth of 0.5% in FY 2012 and 1.0% in FY 2013. The 28-cent MFT provides the vast majority of the state revenue DOT receives. DOT's allocation was $919.8 million in FY 2011 after accounting for certain draws of motor fuel tax funds distributed to local governments and certain state agencies. DOT's MFT revenues grew around 5.0% each year in FY 2010 and FY 2011 due to a combination of the overall growth in MFT receipts, a budget provision directing the first 2% of MFT receipts into the Highway Operating Fund (Fund 7002), and lower debt service payments on highway construction bonds, which are repaid with MFT revenues. Note that the DOT allocation and revenue growth figures cited above do not take into account $100 million transferred from Fund 7002 to the Local Transportation Improvement Program Fund (Fund 7052), used by the Public Works Commission (PWC) to finance local road and bridge projects, during FY 2011. These transfers, along with $100 million also transferred in FY 2010, funded a two-year, $200 million program to temporarily boost the funds available to PWC for such projects, fulfilling the intent of

H.B. 554, the Jobs Stimulus Bill of the 127th General Assembly. DOT was granted additional bonding authority during the last biennium to recoup the amounts transferred.

DOT also relies heavily upon its share of the federal motor fuel tax, which taxes gasoline at 18.4 cents per gallon and diesel at 24.4 cents per gallon. These taxes are deposited into the federal Highway Trust Fund (HTF). Ohio's share of this revenue was approximately $1.5 billion in FY 2011. However, a major concern is that federal gas tax receipts in the HTF are declining. For some years now, HTF revenue has not been sufficient to support the Trust Fund's spending levels, necessitating various transfers totaling $34.5 billion from the federal general fund in the last three years.[1] Further complicating the efforts of transportation planners is the lack of a new long-term surface transportation reauthorization bill. The previous reauthorization bill, the Safe Accountable Flexible Efficient Transportation Equity Act: a Legacy for Users (SAFETEA-LU) expired on September 30, 2009. Thus far, a series of extensions of SAFETEA-LU have been enacted with the most recent such act, the Surface Transportation Extension Act of 2011 (P.L. 112-5), extending SAFETEA-LU through September 30, 2011, the end of federal fiscal year (FFY) 2011. Overall, the Department is planning for federal revenue to grow 3% each year in the FY 2012-FY 2013 biennium.

While MFT revenue edged up and federal transportation program funding has been provided through a host of extensions to SAFETEA-LU, construction cost inflation has been lower than expected in recent years due to the recession's effect on demand for construction commodities and energy prices. This follows a number of years of dramatic increases that severely impacted the Department's purchasing power. Since FY 2008, the rate of growth has slowed significantly, including an actual decline of 3.8% in FY 2010. DOT is forecasting inflation rates to grow moderately, at around 4.5% to 5.4% per year, through FY 2017.

Major Features of the Budget

To augment public funding sources for transportation projects, H.B. 114 provides DOT with the authority to enter into public-private partnerships to leverage private investment. The transportation budget act also provides a greater opportunity to take advantage of the efficiencies possible with design-build contracts by significantly increasing the amount of money that may be spent on these projects to $1 billion per fiscal year. Further, as with prior transportation budgets, H.B. 114 supplements state and federal motor fuel tax funding with bond moneys. These provisions and others are described in more detail below.

[1] $8.017 billion transferred in FFY 2008 pursuant to P.L. 110-318, $7.0 billion transferred in FFY 2009 pursuant to P.L. 111-46, $19.5 billion transferred in FFY 2010 pursuant to P.L. 111-147.

Public-Private Partnerships

The bill provides DOT the authority to enter into public-private agreements based on solicited and unsolicited proposals from private entities relating to transportation facilities. The bill establishes the procedures for selecting a proposal and the terms of the agreement, including grounds for terminating an agreement. To provide financing for transportation facilities subject to a public-private agreement, the bill permits bonds to be issued under existing statutory authority provided in the State Infrastructure Bank Law and allows DOT to accept federal, state, local, and private funds. Transportation facilities operated under a public-private agreement would be exempt from state and local property taxes.

The ability to enter into public-private partnerships provides an additional tool for DOT to use in order to finance, construct, operate, or maintain transportation projects. While an overall goal of these partnerships is to leverage private investment for and transfer the risk of building or operating transportation facilities, public-private partnerships can take many forms. The specific fiscal effects would depend on the terms of each arrangement.

Design-Build Contracts and Value-based Selection Process

The bill establishes that the amount of money that may be spent on design-build projects per fiscal year cannot exceed $1 billion, rather than $1 billion for the FY 2010-FY 2011 biennium and $250 million per biennium thereafter. In addition, the bill permanently authorizes DOT to use a value-based selection process, which combines technical qualifications and competitive bidding elements, for design-build projects. Under former law, this authority extended to FY 2010 and FY 2011 only. This contract type would presumably be used where it improves project delivery efficiencies and reduces overall design and construction costs for the state. Thus far, DOT has used the value-based selection process on large projects such as the Cleveland Innerbelt Bridge and the reconstruction of the I-71/I-670 Interchange in Columbus.

The bill provides DOT with specific statutory authority to pay compensation for a preliminary design concept to no more than two bidders who, after the successful bidder, submitted the next best bids. Used in conjunction with design-build projects, such stipends are intended to promote better technical proposals and to treat the design-build firms fairly since they do not include technical proposal development in their normal cost of doing business, as a contractor would for traditional bid preparation. The change is also aimed at increasing competition. It will also allow DOT the rights to proprietary information that can be transferred to the successful bidder.

Bonding in the Highway Construction Program

In addition to MFT funds and federal highway program revenues, DOT also receives proceeds from bond issuances in order to finance highway construction projects. The transportation budget provides the appropriations necessary to spend these proceeds. Overall, H.B. 114 provides total bond appropriations of $271.6 million over the FY 2012-FY 2013 biennium. This is $21.4 million (7.3%) lower than the $293.0 million in combined bond appropriations for FY 2010 and FY 2011, excluding $200 million in bond appropriations that were provided to DOT to recoup a corresponding amount that was transferred to the Public Works Commission (PWC).

Gas Tax Distributions

The bill carries forward provisions from the FY 2010-FY 2011 biennium that (1) require the first 2% of motor fuel tax received each month to be deposited into the Highway Operating Fund (Fund 7002) and (2) authorize transfers in cash from the Highway Operating Fund to the State Highway Safety Fund (Fund 7036), which funds the Ohio State Highway Patrol. The transfer amounts to the Ohio State Highway Patrol for the FY 2012-FY 2013 biennium, $16.2 million per year, are nearly identical to the amounts authorized for FY 2010 and FY 2011.

The bill also reduces the draw of MFT dollars from the Highway Operating Fund (Fund 7002) to local governments. The FY 2010-FY 2011 transportation budget provided for transfers of $183.5 million each fiscal year to counties, townships, and municipal corporations. The bill reduces these transfers to $163.9 million in FY 2012 and $170.4 million in FY 2013. The lower amounts for the FY 2012-FY 2013 biennium are the result of the increased principal and interest payments DOT incurred in borrowing $200 million to recoup the same amount transferred from Fund 7002 to PWC for local road and bridge projects. The additional amounts for PWC were authorized by H.B. 554, the Jobs Stimulus Bill of the 127th General Assembly.

Performance Audit

H.B. 114 requires the Auditor of State to conduct a performance audit of DOT. As a result, DOT expenditures will increase to pay for this audit, though the amount will depend on its scope and duration. The Auditor of State charges an hourly fee to state agencies to cover the costs of performance audits. The hourly rate per assigned Auditor of State employee for FY 2012 is $61.24.

Transportation Improvement Districts

The budget earmarks $3.5 million in each fiscal year for transportation improvement districts (TIDs). This earmark replaces funding for individual TIDs that historically has been provided in the Department of Development's section of the transportation budget. The total amount of funding for each TID project is limited to 10% of total project costs or $250,000 per fiscal year, whichever is greater. TIDs must register with DOT in order to be eligible for this funding.

ANALYSIS OF ENACTED BUDGET

Introduction

This section provides an analysis of the funding for each non-GRF line item in the Department of Transportation's (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 and any changes affecting the appropriation that are included in the transportation budget act. 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
6. Administration

To aid the reader in finding each item in the analysis, the following table shows the category into 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 bill.

Categorization of DOT's Line items for Analysis of Enacted 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	772430	Infrastructure Debt Reserve Title 23-49	1:	Highway Construction
2130	772431	Roadway Infrastructure Bank – State	1:	Highway Construction
2130	772433	Infrastructure Debt Reserve – State	1:	Highway Construction
2130	775457	Transit Infrastructure Bank – State	3:	Public Transportation
2130	777477	Aviation Infrastructure Bank – State	5:	Aviation
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, construction, and rehabilitation of the highway system.

Appropriations for Highway Construction				
Fund	ALI and Name		FY 2012	FY 2013
Highway Operating Fund Group				
7002	772422	Highway Construction – Federal	$ 1,146,641,723	$ 1,180,471,714
7002	772421	Highway Construction – State	$ 499,073,672	$ 476,482,710
7002	773431	Highway Maintenance – State	$ 454,853,435	$ 469,400,101
7002	772438	GARVEE Debt Service – Federal	$ 139,155,600	$ 144,590,400
7002	772424	Highway Construction – Other	$80,000,000	$80,000,000
7002	772437	GARVEE Debt Service – State	$31,918,500	$33,276,100
2120	772427	Highway Infrastructure Bank – State	$12,700,000	$12,750,000
2120	772426	Highway Infrastructure Bank – Federal	$6,775,000	$6,725,000
2130	772431	Roadway Infrastructure Bank – State	$2,500,000	$2,500,000
2130	772433	Infrastructure Debt Reserve – State	$1,000,000	$1,000,000
2120	772430	Infrastructure Debt Reserve Title 23-49	$525,000	$525,000
		Highway Operating Fund Group Subtotal	***$2,375,142,930***	***$2,407,721,025***
Highway Capital Improvement Fund Group				
7042	772723	Highway Construction – Bonds	$36,600,000	$91,600,000
		Highway Capital Improvement Fund Group Subtotal	***$36,600,000***	***$91,600,000***
Infrastructure Bank Obligations Fund Group				
7045	772428	Highway Infrastructure Bank – Bonds	$45,400,000	$98,000,000
		Infrastructure Bank Obligations Fund Group Subtotal	***$45,400,000***	***$98,000,000***
Total Funding: Highway Construction			**$2,457,142,930**	**$2,597,321,025**

Highway Construction and Maintenance (772421, 772422, 772424, 773431, 772723, and 772428)

A number of line items within DOT's budget are used to carry out its highway construction and maintenance activities. Generally, these line items account for the different funding sources used to pay highway and bridge project costs, which include MFTs, federal highway revenues, bond proceeds, and local participation dollars. The **Line Item Summary** section that follows includes a brief description of each line item. Because of the multiple sources of financial support that may be employed to fund a highway or bridge project, many of DOT's highway construction and maintenance programs are funded by multiple line items. Thus, following the **Line Item Summary** section is a **Program Analysis**, which includes a table summarizing the program allocations for these line items followed by a brief description of each program.

Line Item Summary

Line items funded primarily by state and federal motor fuel taxes and local dollars

Most of the funds allocated for highway construction and maintenance are derived from MFTs, federal highway revenues derived primarily from the federal motor fuel tax, and, to a lesser extent, other state-source, nonmotor fuel tax revenues, all of which are deposited into the Highway Operating Fund (Fund 7002). The following three line items account for much of the spending derived from those sources. Appropriation items 772421, Highway Construction – State, and 772422, Highway Construction – Federal, provide state and federal dollars, respectively, 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. Line item 773431, Highway Maintenance – State, funds a portion of the Highway Operating Program as well as the Department's maintenance contracts.

Appropriation item 772424, Highway Construction – Other, represents local government project participation dollars, also deposited into Fund 7002, for local highway and bridge design, resurfacing, restoration, replacement, and upgrading; new construction; noise walls and barriers; and pedestrian/bicycle facilities.

These four line items comprise the majority of the agency's budget, totaling approximately $2.18 billion in FY 2012 and $2.21 billion in FY 2013. Combined, the FY 2012 appropriation is 3.7% higher than FY 2011 spending of $2.10 billion. The $2.21 billion appropriated for FY 2013 is 1.2% higher than the FY 2012 amount.

Line items funded with bond proceeds

In addition to the above sources, bond proceeds are used to fund pavement and bridge preservation and Major/New construction projects. Appropriation item 772723, Highway Construction-Bonds, is used to spend the proceeds of bonds issued against and retired with MFT revenues. Bond sales are dependent on cash needs related to project expenditures. The bill authorizes the state to issue $123 million in general obligation bonds to finance highway projects during the FY 2012-FY 2013 biennium. The bill provides appropriations of $36.6 million in FY 2012 and $91.6 million in FY 2013 for a biennium total of $128.2 million from these bond proceeds. The difference between bond issuing authority and appropriations accounts for the interest to be earned on the bond proceeds. FY 2011 highway bond spending amounted to $136.8 million, much of which represents funds authorized through prior year appropriations.

DOT also leverages future federal highway revenues to issue bonds to fund highway projects. Appropriation item 772428, Highway Infrastructure Bank-Bonds, is used to fund system preservation projects with the proceeds of these bonds, referred to as GARVEEs, which are issued against and retired primarily with DOT's federal highway revenues. For the FY 2012-FY 2013 biennium, GARVEE bond appropriations total $143.4 million. This compares to $136 million appropriated for the FY 2010-FY 2011 biennium. Taking a look at the budget by fiscal year, the transportation budget act provides GARVEE bond appropriations of $45.4 million in FY 2012 and $98.0 million in FY 2013. FY 2011 expenditures of GARVEE bond proceeds amounted to $185.6 million, most of which represents funds authorized in prior fiscal years.

Program Analysis

The table below summarizes the program allocations for the six line items described above. The FY 2011 column displays the actual amount spent last fiscal year by program, regardless of the year in which the funds were originally appropriated. Some programs appear to show a large increase between FY 2011 and FY 2012. This is likely due to funds that are encumbered for projects and thus have yet to be spent. Indeed, it is quite typical for DOT to carry forward hundreds of millions of dollars each year in encumbrances for the projects that fall under the programs listed below. The encumbrances then translate into expenditures in the fiscal year in which they are actually paid out. Due to circumstances that vary from project to project, it may take several years for funds authorized in any particular fiscal year to actually be disbursed.

Table 4. Highway Construction and Maintenance Program Allocations (in millions)

Program	FY 2011 Actual	FY 2012	FY 2013	Biennium Total	Percent
Preservation of Pavement and Bridges	$751.9	$939.2	$986.6	$1,925.8	41.3%
Highway Operating	$497.2	$544.8	$543.3	$1,088.1	23.4%
Local Government Programs	$262.3	$368.7	$376.8	$745.5	16.0%
Other Construction Programs	$102.5	$174.6	$178.0	$352.6	7.6%
Major/New Construction	$316.8	$60.3	$123.3	$183.6	3.9%
Highway Maintenance Contracts	$47.0	$82.8	$94.6	$177.4	3.8%
Safety Programs	$65.4	$71.3	$72.7	$143.9	3.1%
Public Transit Assistance	$0.0	$20.0	$20.0	$40.0	0.9%
Rail-Highway Grade Crossings*	$0.7	$0.8	$0.8	$1.6	<0.1%
ARRA Highway Infrastructure	$378.2	$0	$0	$0	0.0%
Passenger Rail Studies	$3.0	$0	$0	$0	0.0%
ODOD Clean Diesel Grant Program	$0.7	$0	$0	$0	0.0%
Total	**$2,425.8**	**$2,262.6**	**$2,396.0**	**$4,658.5**	**100.0%**

*The funding directed toward rail-highway grade crossings is discussed in conjunction with line item 776462, Grade Crossings – Federal, in the Rail Transportation category.

Pavement and Bridge Preservation

This program, also known as "fix it first," provides funds to DOT districts in order to maintain 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, the program remedies deficiencies in bridge paint condition, wearing surfaces, and deck condition. All of the program's funds over the biennium will be budgeted for capital expenditures, such as engineering and design services, utility relocation, construction, and construction inspection. The funding allocated to the 12 districts throughout the state is goal-driven and based on roadway condition indicators. Generally, two-thirds of this program's funding is allocated to pavement projects while the remaining one-third is allocated to bridge preservation projects. Because of the "fix it first" philosophy, pavement and bridge preservation needs are fully funded prior to addressing new capacity or congestion reduction projects. The table below displays the funding sources comprising this program's budget for FY 2012 and FY 2013 as well as the amounts actually spent in each line item during FY 2011.

Table 5. Pavement and Bridge Preservation Program Funding Sources

ALI	FY 2011 Actual	FY 2012	FY 2013	Biennium Total	Percent
Highway Construction – Federal (772422)	$436.7	$589.9	$622.2	$1,212.1	62.9%
Highway Construction – State (772421)	$165.0	$267.4	$247.8	$515.1	26.7%
Highway Infrastructure Bank – Bonds (772428)	$45.4	$45.4	$98.0	$143.4	7.4%
Highway Construction – Bonds (772723)	$104.9	$36.6	$18.6	$55.2	2.9%
TOTAL	**$751.9**	**$939.2**	**$986.6**	**$1,925.8**	**100.0%**

State and federal motor fuel tax funds provide $857.2 million in FY 2012 and $870.0 million in FY 2013 while an additional $82 million in FY 2012 and $116.6 million in FY 2013 is generated from bond proceeds. Not reflected in the table is approximately $54 million in funds carried forward into FY 2012 from prior year appropriations, bringing the total budget for this program to $993 million in FY 2012 and $986.6 million in FY 2013. Overall, roughly 35% of the Department's total funding in H.B. 114 for FY 2012-FY 2013 is devoted to this program.

Including the funds carried forward, the total FY 2012 allocation for the program is 32.1% higher than FY 2011 program spending of $751.9 million, while the FY 2013 allocation is 0.6% less than that for FY 2012. Much of the FY 2011 spending in this program represents funds authorized in prior fiscal years. In fact, of the $751.9 million spent in FY 2011, only $174.5 million represents funds originally appropriated in that year. As of this writing, DOT had about $479.5 million in outstanding encumbrances from FY 2011 funds associated with the projects funded by this program. Also worth noting is roughly $145.5 million in American Recovery and Reinvestment Act of 2009 (ARRA) moneys spent on pavement and bridge preservation activities during FY 2011, funds that are not reflected in the table immediately above.

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 full-time equivalent employees (FTEs) are funded with the program budget of $544.8 million in FY 2012 and $543.3 million in FY 2013. The FY 2012 amount is 9.6% above FY 2011 spending of $497.2 million for this purpose. The table below displays the funding sources comprising this program's budget for FY 2012 and FY 2013 as well as the amounts actually spent in each line item during FY 2011.

Table 6. Highway Operating Program Funding Sources

ALI	FY 2011 Actual	FY 2012	FY 2013	Biennium Total	Percent
Highway Maintenance – State (773431)	$355.0	$372.1	$374.8	$746.9	68.6%
Highway Construction – State (772421)	$142.2	$172.7	$168.5	$341.2	31.4%
TOTAL	**$497.2**	**$544.8**	**$543.3**	**$1,088.1**	**100.0%**

Traffic Generator Sign Program (R.C. 4511.108). The bill updates the statutes outlining the administration of the traffic generator sign program. Traffic generator signs are also known as "brown signs." Similar to the existing business logo sign program, the bill allows the Director of Transportation to contract with any person to operate, construct, maintain, or market the traffic generator sign program (under current law, the Department is responsible for these functions) and specifies that the contract may allow for a reasonable profit by the vendor. Program participation fees are directed into the Highway Operating Fund (Fund 7002).

Confidentiality of Certain Portions of DOT Cost Estimates (R.C. 5525.15). The bill provides that, relative to a DOT construction project, unit price components of the official engineer's estimate of the project's cost are not public records even after the bid opening for the project has occurred. This provision is in response to several legal challenges to the confidentiality of information used to develop and prepare DOT's cost estimate for construction projects. The engineer's estimate is used to determine whether the bids submitted for a project are too high, too low, or if there is another issue that may cause the bids to be rejected. If contractors who bid on a project receive unit price components either prior to or shortly after the announcement of the bids, it may be that the estimating process will be undermined by contractors attempting to gain an unfair advantage over other contractors. The provision makes it clear that the cost estimate and the unit price components are not subject to release under the Public Records Law, the goal of which is to ensure a competitive bid process.

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. In addition to the federal dollars for these programs, the budget includes $80 million per year in local participation funding, representing the local share of construction projects to be awarded and administered by DOT. A local government may supply the entire amount of the project cost or contribute as little as a 20% match with the federal government paying the remaining 80% share. The budget provides a total allocation of $365.2 million in FY 2012 and $373.3 million in FY 2013 for these programs. In FY 2011, $262.3 million was actually expended.

The budget also includes $3.5 million in each fiscal year from MFT funds for transportation improvement districts (TIDs) that have facilitated funding for the cost of a project or projects in conjunction with other governmental agencies. This earmark replaces funding for individual TIDs that historically has been provided in the Department of Development's section of the transportation budget. These funds are to be used to reimburse TIDs for preliminary engineering, detailed design, right-of-way acquisition, and construction of a specific project, or other project costs under certain circumstances. However, the total amount of DOT funding for each project is limited to 10% of total project costs or $250,000 per fiscal year, whichever is greater. The table below displays the funding sources comprising this program's budget for FY 2012 and FY 2013 as well as the amounts actually spent in each line item during FY 2011.

Table 7. Local Government Programs Funding Sources

ALI	FY 2011 Actual	FY 2012	FY 2013	Biennium Total	Percent
Highway Construction – Federal (772422)	$206.8	$285.2	$293.3	$578.5	77.6%
Highway Construction – Other (772424)	$55.5	$80.0	$80.0	$160.0	21.5%
Highway Construction – State (772421)	$0	$3.5	$3.5	$7.0	0.9%
TOTAL	**$262.3**	**$368.7**	**$376.8**	**$745.5**	**100.0%**

Monthly Transfers to Gasoline Excise Tax Fund (Section 512.20). In addition to the federal funds provided for the local government programs noted above, this provision requires the Director of Budget and Management to transfer cash in equal monthly increments totaling $163.9 million in FY 2012 and $170.4 million in FY 2013 from the Highway Operating Fund (Fund 7002) to the Gasoline Excise Tax Fund. Municipal corporations receive 42.86%, counties receive 37.14%, and townships receive 20% of the revenues from this source. The amounts transferred for FY 2012 and FY 2013 are lower than the $183.5 million transferred each year of the FY 2010-FY 2011 budget due to the increased principal and interest payments DOT incurred in borrowing $200 million to recoup the funds transferred from Fund 7002 to the Public Works Commission (PWC) for local road and bridge projects. The additional funds for PWC were authorized by H.B. 554, the Jobs Stimulus Bill of the 127th General Assembly.

Other Construction Programs

There are a number of programs that fall under the Other Construction Programs banner. Uses of these moneys include (1) allocation of federally earmarked funds to the appropriate local government, (2) construction of the Appalachian corridor highways in Ohio, (3) geologic site management project funding, (4) provision of emergency funds for the repair or reconstruction of federal-aid highways and roads on federal lands that have suffered serious damage by natural disasters or catastrophic failures from an external cause, (5) replacement and rehabilitation of rest areas, (6) construction, reconstruction, and maintenance of public access roads to and within facilities owned or operated by the Department of Natural Resources (DNR) and within the boundaries of metropolitan parks, (7) retrofitting roadways with noise barriers, and (8) funding for projects that improve safety for motorists and horse drawn vehicles. The budget provides $174.6 million in FY 2012 and $178.0 million in FY 2013 for these purposes while approximately $102.5 million was spent in FY 2011. The table below displays the funding sources comprising this program's budget for the biennium as well as the amounts actually spent in each line item during FY 2011.

Table 8. Other Construction Programs Funding Sources

ALI	FY 2011 Actual	FY 2012	FY 2013	Biennium Total	Percent
Highway Construction – Federal (772422)	$67.7	$141.1	$144.8	$285.9	81.1%
Highway Construction – State (772421)	$34.7	$33.5	$33.2	$66.7	18.9%
TOTAL	**$102.5**	**$174.6**	**$178.0**	**$352.6**	**100.0%**

Earmarks. The budget earmarks funds out of line item 772421, Highway Construction – State, for the construction, reconstruction, or maintenance of certain roads. For instance, $5 million in each fiscal year is slated for work on public access roads, including support features, to and within state facilities owned or operated by DNR. Also, about $2.2 million in each fiscal year is slated for park drives or park roads within the boundaries of metropolitan parks. The line item may also be used to perform road reconstruction or maintenance work on behalf of the Ohio Expositions Commission at the state fairgrounds. These projects are housed under the Other Construction Programs allocation, the earmarks for which have been included in recent transportation budget acts.

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 $12 million or more (in June 2011, this threshold increased from its former level of $5 million). Funds are dedicated to Major/New construction only after basic system maintenance and operational needs are met. 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 revenues decrease or if other program costs increase.

The budget allocates $60.3 million in FY 2012 and $123.3 million in FY 2013 for this program, amounts that represent about 3.3% of the Department's total funding for FY 2012-FY 2013. The FY 2012 amount does not reflect $50 million in unexpended, unobligated funding carried forward from prior years, bringing the overall Major/New budget to $110.3 million for the current fiscal year. The table below displays the funding sources comprising this program's budget for FY 2012 and FY 2013 as well as the amounts actually spent in each line item during FY 2011.

Table 9. Major/New Program Funding Sources

ALI	FY 2011 Actual	FY 2012	FY 2013	Biennium Total	Percent
Highway Construction – Federal (772422)	$92.6	$46.3	$34.8	$81.0	44.1%
Highway Construction – Bonds (772723)	$31.8	$0	$73.0	$73.0	39.8%
Highway Construction – State (772421)	$52.2	$14.1	$15.5	$29.6	16.1%
Highway Infrastructure Bank – Bonds (772428)	$140.2	$0	$0	$0	0.0%
TOTAL	**$316.8**	**$60.3**	**$123.3**	**$183.6**	**100.0%**

Much of the FY 2011 spending in this program represents funds authorized in prior fiscal years. In fact, of the $316.8 million spent in FY 2011, only $31.3 million represents funds originally appropriated in that year. Major/New spending in FY 2011 was supplemented by $78.5 million in ARRA funds. Overall, the amount spent in each fiscal year for Major/New projects has steadily declined from the $529.6 million spent during FY 2008.

Design-Build Contracts/Value-based Selection Process (R.C. 5517.011). The bill establishes that the amount of money that may be spent on design-build projects per fiscal year cannot exceed $1 billion, rather than $1 billion for the FY 2010-FY 2011 biennium and $250 million per biennium thereafter, as had been the case previously. In addition, the bill permanently authorizes DOT to use a value-based selection process, which combines technical qualifications and competitive bidding elements, for design-build projects. Under former law, this authority extended to FY 2010 and FY 2011 only. This contract type would presumably be used where it improves project delivery efficiencies and reduces overall design and construction costs for the state. DOT has used the value-based selection process on large projects such as the Cleveland Innerbelt Bridge and the reconstruction of the I-71/I-670 Interchange in Columbus.

The bill also provides specific statutory authority to DOT to pay compensation for a preliminary design concept to no more than two bidders who, after the successful bidder, submitted the next best bids. Used in conjunction with design-build projects, stipends to unsuccessful bidders are intended to promote better technical proposals and to treat the design-build firms fairly since they do not include technical proposal development in their normal cost of doing business, as a contractor would for traditional bid preparation. The change is also aimed at increasing competition. It will also allow DOT the rights to proprietary information that can be transferred from an unsuccessful bidder to the successful bidder.

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. Appropriation item 773431, Highway Maintenance – State, funds these activities with $82.8 million in FY 2012 and $94.6 million in FY 2013, amounts that are significantly higher than FY 2011 spending of $47.0 million for this program. According to DOT, the appropriations for this program also include contingency funds that DOT holds for such occurrences as revenue shortfalls or weather emergency events (e.g., flooding). If necessary, excess funds in this and other operating line items can be moved to other line items to assist in funding capital projects.

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 crash fatality rate by 5% and a 10% decline in the number of serious crashes by 2015. Overall, the fatality rate per 100 million vehicle miles traveled has declined from a rate of 1.31 in 2002 to 0.92 in 2009, a nearly 30% improvement.

Eligible projects include signing, striping, clearing brush, traffic signal coordination, two-way left turn lanes, additional lanes, and other roadway modifications. The budget provides $71.3 million in FY 2012 and $72.7 million in FY 2013 for these purposes. The FY 2012 amount is 8.9% higher than FY 2011 spending of $65.4 million for these projects. The FY 2013 amount is $1.4 million, or 1.9%, higher than the FY 2012 allocation. The budget will fund about 200 safety projects over the course of the FY 2012-FY 2013 biennium. The table below displays the funding sources comprising this program's budget for FY 2012 and FY 2013 as well as the amounts actually spent in each line item during FY 2011.

Table 10. Safety Program Funding Sources

ALI	FY 2011 Actual	FY 2012	FY 2013	Biennium Total	Percent
Highway Construction – Federal (772422)	$56.9	$64.1	$65.4	$129.5	90.0%
Highway Construction – State (772421)	$8.5	$7.1	$7.3	$14.4	10.0%
TOTAL	**$65.4**	**$71.3**	**$72.7**	**$143.9**	**100.0%**

Public Transit Assistance

The bill includes $20 million in flexible federal dollars each year that will be used to provide additional funding to Ohio's transit systems. For FY 2012 and FY 2013, $6 million per year will be distributed to urban transit systems by formula while the remaining $14 million per year will be competitively awarded to fund replacement of transit vehicles that are beyond their useful lives, facility rehabilitation and renovation, and capitalized operating expenses (e.g., preventive maintenance). Ultimately, these funds will be transferred to appropriation item 775452, Public Transportation – Federal, using authority contained in the budget bill. For FY 2011, $40 million in flexible federal highway funding was set aside for public transit purposes, with $25 million used to assist transit agencies with capitalized operating expenses and $15 million for the purchase of environmentally friendly buses.

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 $968.8 million in federal grant anticipation revenue vehicle bond (GARVEEs) principal outstanding as of July 2011. GARVEE bonds allow the state to issue debt to finance qualified construction projects using the expected federal motor fuel tax revenues. The budget appropriates $171.1 million in FY 2012 and $177.9 million in FY 2013 under these line items. Total GARVEE bond debt service appropriations for FY 2012 are $24.3 million (16.6%) greater than FY 2011 spending of $146.8 million for this purpose. The FY 2013 amounts are $6.8 million (4.0%) greater than that for FY 2012.

State Infrastructure Bank (772426, 772427, 772430, 772431, 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 right-of-way and construction costs. Local governments may pledge their gas tax revenues as loan repayments. SIB was capitalized in 1997 with $87 million in federal funds, $40 million in General Revenue Funds (GRF), and $10 million of motor fuel tax funds for a total of $137 million. The availability of dollars is dependent upon SIB activity and loan repayments. SIB may also be used to issue bonds on behalf of the borrower. There is no set limit and 100% financing is available. Loans are offered to projects that typically do not qualify for federal or state funds.

The various line items that support the SIB are comprised of first generation federal dollars that require a 20% state match, or second generation funds that are nonfederal funds used to pay back original loans financed with federal funds and do not require a state match. The budget funds these highway SIB line items with combined appropriations of about $23.5 million each fiscal year. This amount is lower than previous budgets because the line items funding the bond portion of the program did not receive appropriations for the FY 2012-FY 2013 biennium. However, these line items, which would only be used if a local government was awarded a SIB bond for a project let and administered by DOT, have sufficient unused appropriations from prior years that have been carried forward.

General Permanent and Temporary Law Provisions

Public-Private Partnership Authority (R.C. 5501.70 to 5501.83)

The bill provides DOT the authority to enter into public-private agreements with private entities relating to transportation facilities. The bill establishes the procedures for selecting a proposal and the terms of the agreement, including grounds for termination. DOT must consider the extent that a private entity's proposal addresses the needs identified in a state, regional, or local transportation plan, and is on the transportation improvement program for the affected metropolitan planning organization or the state transportation improvement program. Local governments would be permitted to participate in these public-private agreements.

The bill permits bonds to be issued under existing statutory authority provided in the State Infrastructure Bank Law to support the development or financing of a transportation facility that is subject to a public-private agreement. The bill also allows DOT to accept federal, state, local, and private funds to finance a transportation facility that is subject to a public-private agreement. Transportation facilities operated under a public-private agreement would be exempt from state and local property taxes.

The bill also makes some changes to requirements surrounding tolling projects. Specifically, the bill eliminates the Ohio Transportation Finance Commission, which is a seven-member body required to approve all DOT tolling projects. Instead, the Director of Transportation will approve toll projects. The bill also broadens the restriction on DOT's current tolling authority relative to existing roads by establishing that the tolling authority cannot be construed to permit tolls to be charged on existing nontoll public roads, rather than just highways, as was previously the case.

Overall, these changes give DOT another way to finance, construct, operate, or maintain transportation projects. While an overall goal of public-private partnerships is to leverage private investment for and transfer the risk of building or operating transportation facilities, public-private partnerships can take many forms. The specific fiscal effects will depend on the terms of each arrangement.

Reimbursement of a Utility for Certain Relocation Costs (R.C. 5501.51)

The bill adds cable operators, electric cooperatives, and municipal electric utilities to those utilities that are eligible to be reimbursed when their facilities must be relocated due to the construction of a highway project. There could be a potential increase in utility reimbursements due to this change.

Motor Fuel Evaporation Tax Credit (Section 755.30)

The bill provides for a continuation of the evaporation discount rates on the motor fuel taxes paid by wholesale dealers and retailers by allowing wholesalers to subtract 1.0% of the number of gallons of taxable fuel handled as an allowance for shrinkage minus 0.5% on gallons sold to retailers, while retail dealers, with some exceptions, may apply for a refund of 0.5% of the gallons that they handle.

Gas Tax Distributions (Section 755.40)

The bill carries forward provisions from the FY 2010-FY 2011 biennium that (1) require the first 2% of motor fuel tax received each month to be deposited into the Highway Operating Fund (Fund 7002) and (2) authorize transfers in cash from Fund 7002 to the State Highway Safety Fund (Fund 7036), which funds the Ohio State Highway Patrol. Under the FY 2010-FY 2011 budget, these transfers totaled $16.22 million per fiscal year. The bill largely maintains this amount by authorizing up to $16.2 million per year.

Category 2: Transportation Planning and Research

This category of appropriations is used to fund transportation planning and research activities. Specifically, these funds are used to study transportation issues, collect and evaluate statewide traffic monitoring and other transportation-related data, and maintain the state's official road inventory, among other services.

Appropriation Amounts for Transportation Planning and Research				
Fund	**ALI and Name**		**FY 2012**	**FY 2013**
Highway Operating Fund (HOF) Group				
7002	771412	Planning and Research – Federal	$28,647,965	$28,925,138
7002	771411	Planning and Research – State	$23,474,971	$23,057,800
Total Funding: Transportation Planning and Research			**$52,122,936**	**$51,982,938**

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, known as 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 line item 771411, Planning and Research – State. DOT is also required by the federal government to support urban transportation planning programs in each of Ohio's 17 metropolitan planning organizations (MPOs), which cover 30 urban counties. Those programs are 80% federally funded with 10% state and 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. 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. Research projects are conducted through contracts with research institutions. The Department also participates in pooled fund studies led by other states or the Federal Highway Administration (FWHA), which generates significant research with minimal financial investment.

The budget appropriates $28.6 million in FY 2012 and $28.9 million in FY 2013 for this line item. The amount for FY 2012 is 30.7% higher than FY 2011 spending of $21.9 million, while the amount for FY 2013 is 1.0% higher than that for FY 2012.

Planning and Research – State (771411)

Approximately 72% 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 line item 771412, Planning and Research – Federal, 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 $23.5 million for this line item in FY 2012 and $23.1 million for FY 2013. The amount appropriated for FY 2012 is 44.3% higher than FY 2011 spending of $16.3 million while the amount appropriated for FY 2013 is 2.0% higher than that for FY 2012. One factor associated with the increase between FY 2011 and FY 2012 is an increase in payroll costs attributable to a departmental restructuring initiative in which the former Division of Planning was consolidated with another division into the Division of Transportation System Development. This resulted in some additional staff for planning and research activities.

Category 3: Public Transportation

This category of appropriations funds the state's capital, operating, technical, and planning assistance to the 59 transit systems receiving state assistance. Of the 59 transit systems, 24 systems are in urban areas and 35 are in rural areas. The majority of assistance is provided by federal dollars and is used for grants to transit systems – both for operating assistance and capital purchases. Funding is also provided from the GRF, though these funds are appropriated in the main operating budget.

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. Data gathered by DOT show that over 134 million passenger trips were provided by state's transit systems during calendar year (CY) 2009. This amount is lower than in prior years due to the economic recession, which decreased both GRF and local funding for transit agencies. The recession's effect on employment also reduced the demand for transit services.

Appropriation Amounts for Public Transportation				
Fund	**ALI and Name**		**FY 2012**	**FY 2013**
Highway Operating Fund (HOF) 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	775457	Transit Infrastructure Bank – State	$250,000	$250,000
Total Funding: Public Transportation			**$33,540,785**	**$33,540,785**

Public Transportation – Federal (775452)

Accounting for 80.7% of the total H.B. 114 funding in the public transportation area, this line item provides federal formula funding for rural transit systems and federal funding for various other transit programs. The budget provides appropriations of $27.1 million in each fiscal year for this line item, amounts that are 9.8% less than FY 2011 spending of $30.0 million. The federal programs funded through this line item are described in more detail below.

Rural Formula Grants

The largest portion of this line item is used to distribute federal rural formula grants, also known as Section 5311 funding, to support public transportation in rural areas with a population of less than 50,000. Eligible recipients may use the funding for capital, operating, and administrative expenses for public transportation projects that meet the needs of rural communities, though there is a 50% nonfederal match required for operating grants and a 20% nonfederal match for capital and administrative costs.

Each state must use 15% of its annual Section 5311 apportionment to support intercity bus service projects that provide transportation between nonurbanized areas and urbanized areas that result in connections of greater regional, statewide, and national significance. The federal fiscal year (FFY) 2011 apportionment for this program is about $20.3 million.

Job Access/Reverse Commute Grants

The Job Access/Reverse Commute (JARC) Program, also known as Section 5316 funding, provides federal formula funds to transit systems for capital, planning, and operating expenses for projects that transport low-income individuals to and from jobs and activities related to employment, and for reverse commute projects. The program was established to address the unique transportation challenges faced by welfare recipients and low-income persons seeking to obtain and maintain employment. The program maintains the same matching requirements as those for Section 5311 funds. DOT has been apportioned approximately $2 million in FFY 2011 for this program for small urban and rural transit systems.

New Freedom Grants

The New Freedom Program, also known as Section 5317 funding, provides formula grant funding to transit systems for capital and operating expenses for new public transportation services and new public transportation alternatives beyond those required by the Americans with Disabilities Act of 1990 (ADA) that are designed to assist individuals with disabilities. The program maintains the same matching requirements as those for Section 5311 funds. DOT has been apportioned approximately $1.4 million in FFY 2011 for small urban and rural transit systems.

Ohio Coordination Program

The Ohio Coordination Program provides federal funding under Sections 5310 (discussed below), 5316, and 5317 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, development disabilities facilities, county commissioners, senior citizen councils, and transit boards. To limit the exposure of the GRF portion of public transit funding to budget cuts, DOT began funding the Coordination Program entirely with federal funds in CY 2009, though this meant that Coordination Program recipients had to adjust their programs to be in compliance with federal regulations.

Technical Assistance

About $1.5 million per year is budgeted for the oversight of the Ohio Coordination Program, the JARC Program, the New Freedom Program, Specialized Transportation 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 through program and quality assurance reviews, site visits, and training workshops. Over the biennium, this funding level will allow for 48 quality assurance reviews of grant recipients, eight rail fixed guideway state safety and security oversight program meetings with the Greater Cleveland Regional Transit Authority, 60 site visits to various grant recipients, and 24 training workshops. In addition, the Department estimates that 20 scholarships for a total of $10,000 will be awarded to small urban, rural, and private, nonprofit grant recipients of federal funds to assist with training opportunities. The program is funded through a combination of federal Statewide Transportation Planning (Section 5304) and Rural Transit Assistance Program (Section 5311(b)(3)) funds as well as a portion of Section 5310, 5311, and 5317 funds that may be used for program administration.

Elderly and Disabled Special Equipment (775459)

This line item provides federal capital assistance under the Specialized Transportation Program (STP), also known as Section 5310 funding, for the purchase of vehicles for urban and rural nonprofit agencies providing transportation services to the elderly and people with disabilities. STP requires a 20% local match, the funds for which are deposited into the Highway Operating Fund (Fund 7002) and expended through line item 775454, Public Transportation – Other. DOT is recognized as the recipient of the federal funds and is required to oversee their distribution and subsequent investment in local transportation services. Thus, DOT purchases the vehicles on behalf of the recipient agencies and receives reimbursement from the Federal Transit Administration (FTA). The budget appropriates $4.73 million in each fiscal year for this line item, the same amounts appropriated annually for the FY 2010-FY 2011 biennium. Approximately $3.8 million was expended in this line item during FY 2011.

Public Transportation – Other (775454)

This line item provides the 20% local matching funds collected for vehicles purchased through STP, which is described above. The Department requires the local portion of funding up front and then purchases vehicles on behalf of the recipient agencies. The federal funding for this program is found in line item 775459, Elderly and Disabled Special Equipment. The budget appropriates $1.5 million per fiscal year for this line item, the same levels as the FY 2010-FY 2011 biennium. In FY 2011, $828,457 was spent in this line item.

Transit Infrastructure Bank – State (775457)

This line item funds the Transit Infrastructure Bank Loan Program, which provides another resource local governmental 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 SIB Program, which was capitalized with $137 million using a combination of GRF, federal, and motor fuel tax dollars. The funds from the initial capitalization allow the whole SIB Program 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. The budget appropriates $250,000 in each fiscal year of the biennium for this line item. No funds were spent through this line item in FY 2011.

Permanent Law Provision

Investigations of Incidents by Transit Systems Operating a Rail Fixed Guideway System (R.C. 5501.55)

The bill includes a provision that makes a report that results from the investigation of an incident by a transit agency operating a rail fixed guideway system confidential and not subject to disclosure under the Public Records Law. This provision is in response to a common pleas court finding that current law does not protect investigations of incidents by rail fixed guideway system authorities. The change is in keeping with the intent of the law, which has been to keep such investigations confidential.

Category 4: Rail Transportation

This category of appropriations is administered by the Ohio Rail Development Commission (ORDC), an independent commission within DOT. ORDC programs support economic development and rail-highway safety, including equipment upgrades and removal of hazardous rail crossings. ORDC also receives GRF funding in the main operating appropriations bill that is used for operating expenses as well as financial assistance to railroads, businesses, and communities for rail-related infrastructure.

Appropriation Amounts for Rail Transportation				
Fund	ALI and Name		FY 2012	FY 2013
Highway Operating Fund (HOF) Group				
7002	776462	Grade Crossing – Federal	$14,200,000	$14,240,000
		Highway Operating Fund Group Subtotal	***$14,200,000***	***$14,240,000***
State Special Revenue Fund (SSR) Group				
4N40	776664	Rail Transportation – Other	2,111,500	2,875,800
4N40	776663	Panhandle Lease Reserve Payments	$764,300	$0
		State Special Revenue Fund Group Subtotal	***$2,875,800***	***$2,875,800***
Total Funding: Rail Transportation			**$17,075,800**	**$17,115,800**

Grade Crossing – Federal (776462)

This line item, which constitutes 83.2% of the funding provided in the rail transportation category, 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 $14.2 million in each year for this line item. FY 2011 spending in this line item amounted to $8.0 million. In addition, the budget supplements the funding provided to the grade crossing program with roughly $800,000 per fiscal year in MFT funds (appropriated under line item 772421, Highway Construction – State) for payroll-related costs. Based on historical averages, this funding level is likely to enable upgrades to warning devices at 50 to 60 crossings per year and 10 to 20 other crossing upgrade projects. The actual number of projects completed will depend on the cost associated with each project, which can vary based on site conditions and complexity.

Rail Transportation – Other (776664)

This line item, in conjunction with GRF line 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. The line item is also used to cover an average of $225,000 in payroll-related costs each fiscal year.

During FY 2011, $948,000 was disbursed for these purposes. For this line item, the budget appropriates over $2.1 million for FY 2012 and nearly $2.9 million for FY 2013. The increase associated with the FY 2013 amount is due to the $764,300 panhandle lease reserve appropriation that will no longer be needed in FY 2013. Overall, the number and amount of grants or loans issued will depend on the characteristics of projects that apply for ORDC support.

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 (COPs) that financed the state's purchase of the Panhandle Rail Line in 1992. The contract operator of the rail line is responsible for maintaining the rail line and for repayment of the COPs. The line item is only to be used in the event of nonpayment by the operating railroad. The budget appropriates $764,300 for FY 2012 and nothing for FY 2013, as bond payments on the COPs will conclude in FY 2012. The FY 2012 amount is identical to that appropriated for FY 2011 for this purpose.

Category 5: Aviation

This category of appropriations supports the operations of the Office of Aviation. This office is responsible for working with airports to meet national safety standards, making infrastructure improvements, coordinating with the Federal Aviation Administration (FAA), registering aircraft, 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 2012	FY 2013
Highway Operating Fund (HOF) Group				
7002	777475	Aviation Administration	$5,453,108	$5,374,144
2130	777477	Aviation Infrastructure Bank – State	$1,250,000	$1,250,000
7002	777472	Airport Improvements – Federal	$405,000	$405,000
		Highway Operating Fund Group Subtotal	***$7,108,108***	***$7,029,144***
State Special Revenue Fund (SSR) Group				
5W90	777615	County Airport Maintenance	$620,000	$620,000
		State Special Revenue Fund Group Subtotal	***$620,000***	***$620,000***
Total Funding: Aviation			**$7,728,108**	**$7,649,144**

Aviation Administration (777475)

This line item funds the operation and maintenance of the state's aircraft. State aircraft are used to transport state officials, including the Governor, legislators, and state personnel, and to perform missions involving aerial photography, emergency management, forestry, homeland security, prisoner transfers, wild animal inoculations, and marijuana eradication assistance. DOT maintains a fleet of 26 state aircraft, which includes those of the Ohio State Highway Patrol and DNR. Thus, the driving factors in the budget for this line item are fuel prices and aircraft maintenance costs. 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 10,140 registered aircraft. The budget appropriates $5.5 million in FY 2012 and $5.4 million in FY 2013 for this line item. FY 2011 spending in this line item amounted to $2.8 million.

Aviation Infrastructure Bank – State (777477)

This line item supports 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 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. This line item is used to provide low-interest loans to local governments to fund either aviation capital improvement projects at 100% or to match available federal funding. The budget appropriates $1.3 million each fiscal year for these purposes. No funds were spent through this line item in FY 2011.

County Airport Maintenance (777615)

In conjunction with GRF dollars, this line item provides grants for pavement maintenance and obstruction removal to publicly owned airports that do not receive FAA passenger or air cargo entitlements. These grants cover 90% of the cost of obstruction removal or pavement resurfacing or reconstruction, not including project design expenses. Ninety-nine publicly owned airports are eligible for these grants. In FY 2011, five grants totaling $1.2 million were awarded.

The line item is supported by a general aviation license tax of $15 per aircraft seat and an annual flat rate of $15 for gliders and balloons. These license revenues have generated between $416,000 and $512,000 per fiscal year in revenue since FY 2008. The budget provides funding of $620,000 in each fiscal year for the line item, 13.0% higher than the nearly $548,500 spent during FY 2011.

Airport Improvements – Federal (777472)

This line item, also a component of the Aviation Improvement Program, provides expenditure authority for any grants the Department might receive from the FAA. However, the Department is currently not slated to receive any such grants at this time. The budget appropriates $405,000 annually for this line item, the same amounts appropriated annually for the FY 2010-FY 2011 biennium. No funds were spent through this line item in FY 2011.

Category 6: Administration

This category of appropriations provides for the management support of all the Department's programs and supports capital improvements to DOT facilities.

Appropriation Amounts for Administration				
Fund	**ALI and Name**		**FY 2012**	**FY 2013**
Highway Operating Fund (HOF) Group				
7002	779491	Administration – State	$136,462,349	$140,904,501
Total Funding: Administration			**$136,462,349**	**$140,904,501**

Administration – State (779491)

This line item provides the management support needed to administer the Department's programs, including the Director's executive leadership staff, quality and human resources, financing and forecasting, information technology, facilities management, and local programs. The line item supports approximately 811 positions with an operations budget averaging about $119 million per year.

The line item also provides funding for 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 headquarters 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 is intended to fund any new capital projects that may be necessary to prevent excessive maintenance or repair costs. The budget allocates $17.4 million in FY 2012 and $22 million in FY 2013 for these purposes, which will provide enough funding to replace two county garages per fiscal year. However, this rate of replacement is slower than what DOT would like in order to systematically replace buildings that reach the end of their useful lives.

In total, the appropriations for this line item are $136.5 million in FY 2012 and $140.9 million in FY 2013. The FY 2012 appropriation is 15.0% higher than FY 2011 spending of $118.7 million, while the FY 2013 amount provides an increase of 3.3% over that for FY 2012.

Permanent and Temporary Law

Deputy Inspector General for ODOT Fund (Section 512.30)

The bill authorizes the transfer of a total of $400,000 in cash per fiscal year from the Highway Operating Fund (Fund 7002) in $200,000 semiannual payments to the Deputy Inspector General for ODOT Fund (Fund 5FA0). If additional amounts are necessary to fund the Deputy Inspector General's operations, the bill specifies that the

Inspector General, with the consent of the Director of Budget and Management, may seek Controlling Board approval for additional transfers of cash and appropriations. The cash transfers are appropriated in line item 965603, Deputy Inspector General for ODOT, which falls under the Office of the Inspector General's section of the main operating budget.

Authorization for Ohio Building Authority and OBM to Effectuate Certain Lease Rental Payments (Section 509.10)

This provision requires the Director of Budget and Management to initiate and process payments from lease rental payment line items during the FY 2012-FY 2013 biennium. Payments must be made upon certification by the Ohio Building Authority (OBA) of the dates and amounts due on those dates.

Lease and Debt Service Payments to the OBA and Treasurer (Section 509.20)

This provision authorizes additional appropriations if they are necessary for lease and other payments to OBA or to the Treasurer of State under leases and agreements relating to bonds or notes issued by OBA or the Treasurer of State.

FY 2012 - FY 2013 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

Report For Transportation Budget **Version:** Enacted

DOT Department of Transportation

			FY 2010	FY 2011	Appropriations FY 2012	FY 2011 to FY 2012 % Change	Appropriations FY 2013	FY 2012 to FY 2013 % Change
2120	772426	Highway Infrastructure Bank-Federal	$ 3,576,301	$ 3,430,729	$ 6,775,000	97.48%	$ 6,725,000	-0.74%
2120	772427	Highway Infrastructure Bank-State	$ 12,340,914	$ 3,429,475	$ 12,700,000	270.32%	$ 12,750,000	0.39%
2120	772430	Infrastructure Debt Reserve Title 23-49	$ 515,961	$ 484,491	$ 525,000	8.36%	$ 525,000	0.00%
2130	772431	Roadway Infrastructure Bank - State	$ 7,149,783	$ 761,488	$ 2,500,000	228.30%	$ 2,500,000	0.00%
2130	772433	Infrastructure Debt Reserve - State	$ 290,076	$ 292,220	$ 1,000,000	242.21%	$ 1,000,000	0.00%
2130	775457	Transit Infrastructure Bank - State	$0	$0	$ 250,000	N/A	$ 250,000	0.00%
2130	777477	Aviation Infrastructure Bank-State	$0	$0	$ 1,250,000	N/A	$ 1,250,000	0.00%
7002	770003	Administration-State-Debt Service	$ 3,408,989	$ 1,800,975	$ 0	-100.00%	$ 0	N/A
7002	771411	Planning and Research-State	$ 14,970,391	$ 16,267,059	$ 23,474,971	44.31%	$ 23,057,800	-1.78%
7002	771412	Planning and Research-Federal	$ 22,668,185	$ 21,918,784	$ 28,647,965	30.70%	$ 28,925,138	0.97%
7002	772421	Highway Construction-State	$ 401,409,085	$ 406,296,880	$ 499,073,672	22.83%	$ 476,482,710	-4.53%
7002	772422	Highway Construction-Federal	$ 1,000,136,852	$ 1,238,952,797	$ 1,146,641,723	-7.45%	$ 1,180,471,714	2.95%
7002	772424	Highway Construction-Other	$ 61,574,327	$ 55,520,522	$ 80,000,000	44.09%	$ 80,000,000	0.00%
7002	772437	GARVEE Debt Service - State	$ 17,550,249	$ 21,774,976	$ 31,918,500	46.58%	$ 33,276,100	4.25%
7002	772438	GARVEE Debt Service - Federal	$ 127,253,563	$ 124,977,432	$ 139,155,600	11.34%	$ 144,590,400	3.91%
7002	772453	Federal Stimulus - Forest Highways	$ 85,662	$0	$ 0	N/A	$ 0	N/A
7002	772454	Department of Agriculture - Federal	$0	$ 15,557	$ 0	-100.00%	$ 0	N/A
7002	773431	Highway Maintenance-State	$ 360,521,774	$ 402,738,412	$ 454,853,435	12.94%	$ 469,400,101	3.20%
7002	775452	Public Transportation-Federal	$ 25,530,082	$ 30,006,011	$ 27,060,785	-9.82%	$ 27,060,785	0.00%
7002	775454	Public Transportation-Other	$ 741,516	$ 828,457	$ 1,500,000	81.06%	$ 1,500,000	0.00%
7002	775459	Elderly and Disabled Special Equipment	$ 3,173,349	$ 3,812,824	$ 4,730,000	24.06%	$ 4,730,000	0.00%
7002	775463	Federal Stimulus - Transit	$ 6,680,059	$ 5,910,901	$ 0	-100.00%	$ 0	N/A
7002	776462	Grade Crossings-Federal	$ 17,473,031	$ 8,035,951	$ 14,200,000	76.71%	$ 14,240,000	0.28%
7002	777472	Airport Improvements-Federal	$ 45,204	$0	$ 405,000	N/A	$ 405,000	0.00%
7002	777475	Aviation Administration	$ 2,673,413	$ 2,831,375	$ 5,453,108	92.60%	$ 5,374,144	-1.45%
7002	779491	Administration-State	$ 107,073,181	$ 118,716,708	$ 136,462,349	14.95%	$ 140,904,501	3.26%
		Highway Operating Fund Group Total	**$ 2,196,841,944**	**$ 2,468,804,024**	**$ 2,618,577,108**	**6.07%**	**$ 2,655,418,393**	**1.41%**
4N40	776663	Panhandle Lease Reserve Payments	$0	$0	$ 764,300	N/A	$ 0	-100.00%

Line Item Detail by Agency

			FY 2010	FY 2011	Appropriations FY 2012	FY 2011 to FY 2012 % Change	Appropriations FY 2013	FY 2012 to FY 2013 % Change
DOT	**Department of Transportation**							
4N40	776664	Rail Transportation-Other	$ 681,998	$ 948,000	$ 2,111,500	122.73%	$ 2,875,800	36.20%
5W90	777615	County Airport Maintenance	$ 685,603	$ 548,468	$ 620,000	13.04%	$ 620,000	0.00%
		State Special Revenue Fund Group Total	**$ 1,367,601**	**$ 1,496,467**	**$ 3,495,800**	**133.60%**	**$ 3,495,800**	**0.00%**
7045	772428	Highway Infrastructure Bank-Bonds	$ 227,941,097	$ 185,563,794	$ 45,400,000	-75.53%	$ 98,000,000	115.86%
		Infastructure Bank Obligations Fund Group Total	**$ 227,941,097**	**$ 185,563,794**	**$ 45,400,000**	**-75.53%**	**$ 98,000,000**	**115.86%**
7042	772723	Highway Construction-Bonds	$ 131,692,568	$ 136,770,685	$ 36,600,000	-73.24%	$ 91,600,000	150.27%
		Highway Capital Improvement Fund Group Total	**$ 131,692,568**	**$ 136,770,685**	**$ 36,600,000**	**-73.24%**	**$ 91,600,000**	**150.27%**
Department of Transportation Total			**$ 2,557,843,211**	**$ 2,792,634,970**	**$ 2,704,072,908**	**-3.17%**	**$ 2,848,514,193**	**5.34%**

Public Works Commission

- Total budget of $57.2 million per year mostly funds grants for local road and bridge projects
- Capital appropriations of nearly $200 million provided for SCIP infrastructure projects

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.

Appropriation Overview

The Commission's programs and operations are funded by a variety of appropriations bills. The transportation budget bill 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, summarized in Table 11 below.

Table 11. Appropriations by Fund Group, FY 2012-FY 2013 (Am. Sub. H.B. 114)

Program	FY 2011*	FY 2012	% Change, FY 2011-FY 2012	FY 2013	% Change, FY 2012-FY 2013
LTIP – Capital and Operating	$123,513,353	$56,299,246	(66.7%)	$56,296,555	(0.9%)
SCIP – Operating only	$797,992	$918,000	(0.1%)	$910,000	(0.9%)
Total	**$124,311,345**	**$57,217,246**	**(66.3%)**	**$57,206,555**	**(0.02%)**

*FY 2011 figures represent actual expenditures.

Although typically the capital appropriations bill and the capital reappropriations bill provide capital funding for SCIP, H.B. 114 provides this funding for FY 2012, the details of which are provided in the **SCIP Capital Appropriations** section below. The main operating budget bill contains the debt service appropriations for SCIP and COCP, as well as the operating funding for the latter. Of the total amount provided over the biennium in the transportation budget bill, about $1.2 million per year funds the operating expenses of the Commission.

PWC's transportation budget appropriation is $57.2 million in each fiscal year of the FY 2012-FY 2013 biennium. Although this appears at first to be a substantial reduction in funding compared to FY 2011, LTIP funding was temporarily boosted by $100 million per year in FY 2010 and FY 2011 through transfers from the Highway Operating Fund (Fund 7002), fulfilling the intent of H.B. 554, the Jobs Stimulus Bill of the 127th General Assembly. That bill authorized an additional $200 million for local road and bridge projects.

Summary of FY 2012-FY 2013 Budget Issues

SCIP Capital Appropriations

H.B. 114 provides the bond issuance authority and capital appropriations necessary to implement program year (PY) 25 of SCIP (corresponding to FY 2012), which is authorized by Section 2p, Article VIII of the Ohio Constitution. Beginning with PY 25, the state may issue up to $150 million per year in bonds for SCIP to provide grants and loans to local governments. In addition, the bill provides $49 million in capital appropriations for the SCIP revolving loan program.

Development of New Information Technology Platform

One of PWC's major objectives in the FY 2012-FY 2013 biennium will be to continue the design and development of a new IT platform. The Commission's existing IT infrastructure, which manages large amounts of project and financial data, dates to the early 1990s. During the FY 2010-FY 2011 biennium, PWC contracted with a vendor to perform an assessment of its IT systems. The assessment covered PWC's business processes, analyzed PWC operations and computer systems, and suggested a technical transition plan and road map to a future IT platform. The costs for this project amounted to about $103,000 over the course of the biennium.

The FY 2012-FY 2013 budget will allow PWC to continue working with the consultant to develop and revise the transition plan. Specifically, the consultant will work with PWC to decide on the final project road map and software solution and finalize functional and technical requirements. PWC is also planning on submitting a request for proposals and selecting a vendor to implement the new IT platform during this time. These activities may cost up to $50,000 per fiscal year. The current timeline proposes implementation of the new system during the FY 2014-FY 2015 biennium. According to PWC, the implementation costs would be funded with the investment income earned on the Commission's various funds.

Continuing Initiatives

In addition to the development of a new IT system, PWC will focus on the administration of PYs 25 and 26 of the SCIP and LTIP programs. Other objectives are to (1) provide ongoing technical assistance to district integrating committees and local governments, (2) maintain information systems such as the statewide infrastructure needs database, (3) develop forms and procedures to make the application review and approval process more efficient, and (4) prepare 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

The following PWC appropriations in the transportation budget provide aid to local governments through LTIP. These appropriations are funded by one cent per gallon of the motor vehicle fuel tax. The transportation budget also includes funding for the operating expenses associated with SCIP.

Appropriation Amounts for PWC				
Fund		**ALI and Name**	**FY 2012**	**FY 2013**
Local Transportation Improvement Program Fund Group				
7052	150701	Local Transportation Improvement Program	$56,000,000	$56,000,000
7052	150402	Local Transportation Improvement Program Operating	$299,246	$296,555
Local Transportation Improvement Program Fund Group Subtotal			***$56,299,246***	***$56,296,555***
Local Infrastructure Improvements Fund Group				
7038	150321	State Capital Improvements Program – Operating Expenses	$918,000	$910,000
Local Infrastructure Improvements Fund Group Subtotal			***$918,000***	***$910,000***
Total Funding: PWC			**$57,217,246**	**$57,206,555**

Local Transportation Improvement Program (150701)

This line item provides the spending authority necessary for LTIP to provide funds to counties, cities, townships, and villages to assist in the costs associated with local road and bridge projects. Grants are allocated each fiscal year on a per capita basis to each of the Commission's 19 public works district integrating committees. Grants may be used to pay for up to 100% of project costs, which can include acquisition of property and facilities, engineering and design, and construction. Although the number of projects funded with LTIP moneys varies from year to year, the Commission's annual LTIP funding provides for roughly 200 projects each year. The FY 2012-FY 2013 biennium encompasses PYs 25 and 26 of LTIP. The budget funds this line item at $56.0 million in each fiscal year, returning the funding for this line item to more typical levels. Funding for LTIP was temporarily boosted by $100 million per year in FY 2010 and FY 2011 through transfers from the Highway Operating Fund (Fund 7002), fulfilling the intent of H.B. 554, the Jobs Stimulus Bill of the 127th General Assembly.

Local Transportation Improvement Program Operating (150402)

This line item provides the funding to administer LTIP. The budget appropriates $299,246 in FY 2012 and $296,555 in FY 2013 to cover these costs. These amounts are approximately the same as the FY 2011 appropriations for this purpose and will allow the Commission to maintain current service levels. Administrative activities include project monitoring, processing disbursement requests, and maintaining PWC's information system technology. LTIP comprises about 20% of the Commission's total administrative costs among the three infrastructure programs under its purview (the others are SCIP and COCP). FY 2011 expenses in this line item amounted to $255,000.

State Capital Improvements Program – 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. The costs that PWC incurs for overseeing SCIP are paid by investment income from the bond proceeds. In recent years, this revenue source has declined significantly as a result of very low interest rates on deposits. FY 2011 interest income for the State Capital Improvements Fund (Fund 7038) amounted to just $192,500 while FY 2010 investment income was about $888,000, both of which are considerably lower than the $4.3 million and $2.2 million earned in FY 2008 and FY 2009, respectively. The budget appropriates $918,000 in FY 2012 and $910,000 in FY 2013 to administer the SCIP Program. Spending in this area was approximately $800,000 in FY 2011. The majority of the funding is for personnel and maintenance. The FY 2012-FY 2013 funding levels will allow PWC to maintain current service levels.

Overall, SCIP administration comprises about 60% of the Commission's total operating costs. 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.

H.B. 114 provides the bond issuance authority and capital appropriations necessary to implement PY 25 of SCIP, which is authorized by Section 2p, Article VIII of the Ohio Constitution. PY 25 corresponds with FY 2012. Beginning with PY 25, the state may issue up to $150 million per year in bonds for SCIP to provide grants and loans to local governments. In addition, the bill provides $49 million in appropriations for the SCIP revolving loan program. Projects eligible for SCIP funding 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 uses what will now be $15 million set aside each fiscal year for villages and townships with populations of less than 5,000, and the Emergency Assistance Program, which uses what will now be $3 million set aside in each fiscal year for infrastructure emergencies to be awarded at the Director's discretion. The bill raised the amount available for these set-asides in proportion to the scheduled increase in SCIP issuance authority from $120 million to $150 million.

Line Item Detail by Agency

Report For Transportation Budget **Version:** Enacted

			FY 2010	FY 2011	Appropriations FY 2012	FY 2011 to FY 2012 % Change	Appropriations FY 2013	FY 2012 to FY 2013 % Change
PWC	**Public Works Commission**							
7052	150402	Local Transportation Improvement Program - Operating	$ 230,358	$ 255,202	$ 299,246	17.26%	$ 296,555	-0.90%
7052	150701	Local Transportation Improvement Program	$ 82,610,921	$ 123,258,151	$ 56,000,000	-54.57%	$ 56,000,000	0.00%
Local Transportation Improvement Program Fund Group Total			**$ 82,841,279**	**$ 123,513,353**	**$ 56,299,246**	**-54.42%**	**$ 56,296,555**	**0.00%**
7038	150321	State Capital Improvements Program - Operating Expenses	$ 700,709	$ 797,992	$ 918,000	15.04%	$ 910,000	-0.87%
Local Infrastructure Improvement Fund Group Total			**$ 700,709**	**$ 797,992**	**$ 918,000**	**15.04%**	**$ 910,000**	**-0.87%**
Public Works Commission Total			**$ 83,541,988**	**$ 124,311,345**	**$ 57,217,246**	**-53.97%**	**$ 57,206,555**	**-0.02%**

Department of Development

- $15.2 million per fiscal year for roadwork development grants
- 18.7% below appropriations for the FY 2010-FY 2011 biennium due to reallocation of TID funding to DOT

ANALYSIS OF ENACTED BUDGET

Roadwork Development (195629)

The Ohio Department of Development (ODOD) receives appropriations for this line item in the transportation budget. Roadwork Development Grants are awarded to local governments, port authorities, or transportation improvement districts for the purpose of making public roadwork improvements to facilitate the expansion or attraction of a business. The Roadwork Development Fund (Fund 4W00) is funded by a transfer of motor fuel tax revenues from the Department of Transportation (DOT). Because the use of motor fuel tax revenues is restricted under Ohio Constitution, Article XII, Section 5a, 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 the table below shows, the budget funds the Roadwork Development Grant Program at $15.2 million in each fiscal year of the FY 2012-FY 2013 biennium. Because the transportation budget act moved the funds allocated for transportation improvement districts (TIDs) from ODOD to DOT, these levels are 18.7% below FY 2010 and FY 2011 appropriations. FY 2011 expenditures amounted to $19.2 million. Additionally, the bill also requires the Director of Budget and Management to transfer $32,027 in cash from the Department of Public Safety's Security Deposit Fund (Fund R052) to Fund 4W00.

Appropriation Amounts for Roadwork Development				
Fund	**ALI and Name**		**FY 2012**	**FY 2013**
State Special Revenue Fund (SSR) Group				
4W00	195629	Roadwork Development	$15,199,900	$15,199,900
		State Special Revenue Fund Group Subtotal	***$15,199,900***	***$15,199,900***
Total Funding: Roadwork Development			**$15,199,900**	**$15,199,900**

FY 2012 - FY 2013 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

Report For Transportation Budget   **Version:** Enacted

			FY 2010	FY 2011	Appropriations FY 2012	FY 2011 to FY 2012 % Change	Appropriations FY 2013	FY 2012 to FY 2013 % Change
DEV	**Department of Development**							
4W00	195629	Roadwork Development	$ 12,020,885	$ 19,167,597	$ 15,199,900	-20.70%	$ 15,199,900	0.00%
State Special Revenue Fund Group Total			**$ 12,020,885**	**$ 19,167,597**	**$ 15,199,900**	**-20.70%**	**$ 15,199,900**	**0.00%**
Department of Development Total			**$ 12,020,885**	**$ 19,167,597**	**$ 15,199,900**	**-20.70%**	**$ 15,199,900**	**0.00%**

Ohio Turnpike Commission

- Total CY 2011 revenue estimated at $251.8 million; $85.3 million capital budget for new projects in CY 2011
- Second round of toll rate changes planned to go into effect January 1, 2012
- Main operating budget authorizes lease of Ohio Turnpike
- OTC will repair currently failing grade separations in Sandusky County

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 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) 2010, OTC had 809 full-time employees and 257 part-time employees.

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 of the Revised Code. The following overview presents information that legislators may find helpful in reviewing the OTC's operations.

E-Z Pass and New Toll Rate Structure

The E-Z Pass electronic toll collection system became operational on the Ohio Turnpike on October 1, 2009. The cost of the new toll collection system, related equipment, and construction expenses is expected to total $49.3 million once all contracts are closed. In conjunction with the conversion to E-Z Pass, OTC also adopted a new toll rate structure. Tolls are now based on (1) the number of axles a vehicle has, (2) the height over the first two axles, and (3) distance traveled. Under the former system, tolls were based only on gross weight and distance traveled. As a result of the new rate structure, the number of vehicle classes decreased from 11 to seven.

Together, the implementation of E-Z Pass and the new toll rate structure has boosted toll revenues. In the 12-month period after the new tolls went into effect, toll revenues increased by 31.0% compared to the same period a year earlier. Combined with budget reductions and other cost savings measures, improving toll revenues have allowed OTC to proceed with needed capital projects. As part of the toll rate restructuring plan, OTC is scheduled to implement another round of toll rate increases on January 1, 2012 with toll rates increasing anywhere from 9% to 11% or so.

Highlights of the Ohio Turnpike Capital Program

As noted above, OTC's increased toll revenue, together with various cost containment measures that have been employed, will enable a higher level of sustained capital spending in order to complete planned capital projects. Major capital projects for CY 2011 include third lane construction, replacement of the original concrete pavement, service plaza renovations, and annual roadway resurfacing. These projects are discussed in more detail below. Overall, OTC has approved $85.3 million in new capital spending for CY 2011. The CY 2011 capital spending plan for new projects represents a decrease of $4.2 million, or 4.7%, compared to the approved CY 2010 plan of $89.5 million. Other capital projects include bridge repair and repainting, correction of slope failures, roadway lighting, replacement of maintenance vehicles and equipment, and engineering and design work.

Third Lane Project

For CYs 2011 and 2012, OTC is budgeting $34 million to resume construction of a third lane along 7.3 miles of the Ohio Turnpike in Summit County. OTC projects $14 million of this amount will be spent this calendar year and $20 million will be spent in CY 2012. Of the 160 miles included in OTC's third lane construction project, 148 miles have been completed. The last remaining segment to be widened will be a 4.6 mile section in Lucas and Wood counties.

Concrete Base Replacement

The OTC's CY 2011 budget provides the funding for the beginning of a long-term project to replace deteriorating sections of the original concrete base of the Ohio Turnpike. In the budget, 5.3 miles of the original base in Sandusky County are scheduled for replacement at a budgeted cost of $14 million. Overall, OTC estimates that the entire project is likely to cost around $1 million per lane mile, or a total of $964 million in present value dollars. Currently, OTC plans to fund this project entirely with toll revenues.

Service Plaza Reconstruction

Also on tap for CY 2011 and CY 2012 is the reconstruction of the Mahoning Valley/Glacier Hills service plazas in Mahoning County. Overall, $31 million is slated for this project, with $17 million of that total to be spent during CY 2011. During CY 2010, construction began on the new Indian Meadow/Tiffin River service plazas in Williams County. The Williams County service plazas are scheduled to open in July 2011. Once all of this work has been completed, only one of the original set of service plazas, located in Lucas County, will remain.

Roadway Resurfacing

For CY 2011, OTC plans $22.5 million in roadway resurfacing work covering 28.7 miles over three separate segments. Resumption of OTC's annual resurfacing program began in CY 2010 after having been deferred for several years due to insufficient funding.

CY 2011 Budget

OTC's annual operating budget for CY 2011 was adopted on December 20, 2010, under Resolution 49-2010. Accompanying the operating budget, the Commission also approved OTC's CY 2011 capital projects budget, under Resolution 50-2010. The table below displays the actual or budgeted amounts for the past three operating budgets, not including depreciation. The table illustrates the increases in toll revenue brought about by the changes to OTC's toll rate structure in CY 2009. Net operating profits are used to finance OTC's capital improvements program.

Table 12. OTC Operating Budget, CY 2009-CY 2011

	CY 2009 Actual	CY 2010 Actual	CY 2011 Adopted	% CY 2010-CY 2011
Revenue Sources				
Tolls	$187.3	$232.2	$232.6	0.2%
Concessions	$13.6	$13.7	$14.0	2.7%
Fuel Tax Allocation	$2.2	$2.2	$2.1	(6.3%)
Investment Earnings	$1.2	$1.3	$1.1	(12.5%)
Other	$5.0	$5.9	$2.0	(65.9%)
Total Revenues	**$209.3**	**$255.2**	**$251.8**	**(1.3%)**
Operating Expenditures				
Services and Toll Operations	$53.8	$54.6	$53.4	(2.2%)
Roadway and Structure Maintenance	$35.7	$37.6	$40.6	8.1%
Traffic Control, Safety, Patrol, and Comm.	$15.5	$15.0	$15.8	5.6%
Administration and Insurance	$8.6	$8.7	$10.4	19.6%
Debt Service Payments	$49.1	$49.5	$53.3	7.7%
Total Operating Expenditures	**$162.8**	**$165.4**	**$173.6**	**5.0%**
Net Operating Profit	**$46.5**	**$89.8**	**$78.2**	**12.9%**

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

Main Operating and Transportation Budget Law Changes Affecting the Ohio Turnpike

Potential lease of the Ohio Turnpike (R.C. 126.60 to 126.65)

The main operating budget act, H.B. 153, provides the authority for the Director of Budget and Management and the Director of Transportation to contract for the operation and maintenance of the Ohio Turnpike to more efficiently and effectively provide those activities. The following provides a brief description of the major provisions in the bill relating to such a transaction.

- Before releasing any invitation for qualifications or for proposals, the Director of Budget and Management must submit the material terms and conditions of the invitation to the General Assembly. If the General Assembly acts by concurrent resolution to approve the invitation within 90 days of the receipt of the Director's submission, the Director of Budget and Management may proceed to release the invitation.
- The Director of Budget and Management must publish notice to inform interested parties of the opportunity to submit their qualifications or a proposal. The notice must be published at least 30 days prior to the deadline for submitting qualifications or proposals. The bill also specifies the actions the directors of Budget and Management and Transportation must or may take in evaluating qualifications and proposals.
- The Director of Budget and Management, in consultation with the Director of Transportation, may contract for the services of commercial appraisers, engineers, investment bankers, financial advisors, accounting experts, and other consultants, independent contractors or providers of professional services that are necessary to effectuate the contract.
- Any contract for the operation and maintenance of the Turnpike may not exceed 75 years in length and may contain various other terms as are deemed appropriate by the Director of Budget and Management in consultation with the Director of Transportation.
- The bill exempts a successful bidder from various taxes, including real property taxes and assessments under certain conditions, gross receipts taxes, and income taxes levied by the state and local governments. The transaction itself is also exempt from sales and use taxation if the state retains ownership of the assets being transferred.
- The Director of Budget and Management may provide compensation for the preparation of a responsive proposal from unsuccessful bidders for a proposal to lease the Ohio Turnpike.
- All money received by the Director of Budget and Management pursuant to a contract for the operation or maintenance of the Ohio Turnpike must be deposited into the Highway Services Fund, which the bill creates.

Failed Grade Separations on the Ohio Turnpike at Certain County and Township Roads (R.C. 5537.051)

The transportation budget act makes OTC responsible for major maintenance, repairs, and replacement of grade separations at intersections of any turnpike project with county and townships roads in a county that, as of January 1, 2011, had closed one or more roads as a result of grade separation failure. The act specifies that the appropriate board of county commissioners or the board of township trustees is responsible for routine maintenance of such failed grade separations. The major maintenance and repair and replacement of failed grade separations is to commence no later than July 1, 2011 and to be completed before December 31, 2014.

OTC will incur significant new costs to perform this work on failing grade separations in Sandusky County, where there are currently 11 grade separations with failing embankments. The cost to repair one quadrant of an overpass is likely to be between $150,000 and $250,000, not including engineering costs. If all four quadrants of an overpass require repair, this means that the cost per overpass, excluding engineering work, would be in the $600,000 to $1 million range.

Windshield Display of Electronic Devices (R.C. 4513.24)

Continuing law generally prohibits the display of material on the front windshield of a motor vehicle other than a bus, but exempts a sign, poster, or decal that is not more than four inches in height and six inches in width that is located in the lower left-hand or right-hand corner of the windshield. The transportation budget act provides that the prohibition does not apply to a person who is driving a passenger car or a commercial car (that is, the cab or tractor of a truck) with an electronic device, including an antenna, electronic tolling or other transponder (such as that used on the Ohio Turnpike for E-Z Pass), camera, directional navigation device, or other similar electronic device located in the front windshield if the device does not restrict the vehicle operator's sight lines to the road and highway signs and signals. In addition, in the case of a passenger car, the device must not conceal the vehicle identification number. In the case of a commercial car, the device must be mounted not more than six inches below the upper edge of the windshield and outside the area swept by the vehicle's windshield wipers.

TransBudgGreenbook/sle