

# **Greenbook**

## **LBO Analysis of Enacted Transportation Budget – Part III**

**Public Works Commission  
Department of Development  
Ohio Turnpike and Infrastructure Commission  
Local Government Provisions**

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PWC Appropriation Spreadsheet	
DEV Appropriation Spreadsheet	

# **LBO Greenbook**

## **Transportation Budget – Other Agencies**

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### **Introduction**

Part III of the Greenbook for the FY 2022-FY 2023 transportation budget covers the two other state agencies which receive appropriations in H.B. 74: the Public Works Commission (PWC) for the Local Transportation Improvement Program and the Department of Development (DEV) for the Roadwork Development Grant Program. Part III also provides an overview of the Ohio Turnpike and Infrastructure Commission (OTIC) and its operating and capital budget for calendar year (CY) 2021. OTIC is a state agency but is not appropriated money from any state funds included in the transportation budget or the main operating budget. Finally, statutory and uncodified law changes that affect political subdivisions are summarized in this portion of the Greenbook. The statutory and uncodified language affecting the Ohio Department of Transportation (ODOT) and Department of Public Safety (DPS) specifically are discussed within Parts I and II of the Greenbook.

## Public Works Commission – Local Transportation Improvement Program

The bill provides appropriations of \$57.3 million in FY 2022 and \$59.3 million in FY 2023 to fund the Local Transportation Improvement Program (LTIP), used to provide grant funding to local governments for road and bridge projects. LTIP began in 1989. The program is funded by a share of the revenue generated by the Ohio motor fuel tax (MFT), approximately 2.3% of all MFT revenue, deposited into the Local Transportation Improvement Program Fund (Fund 7052).<sup>1</sup>

Because LTIP is supported by distributions from the MFT, the funding for the program, including administrative costs, is appropriated under two line items in the transportation budget. The first line item provides funding for grants and the second line item provides funding for LTIP operating costs.<sup>2</sup> PWC administers grants by program year (PY). The funding under the FY 2022-FY 2023 transportation budget encompasses program year PY 35 and PY 36 of LTIP.

Fund/ALI	FY 2021 Actual	FY 2022 Appropriation	FY 2023 Appropriation
Fund 7052 ALI 150701, Local Transportation Improvement Program	\$57,912,651	\$57,000,000	\$59,000,000
% change	--	-1.6%	3.5%
Fund 7052 ALI 150402, Local Transportation Improvement Program – Operating	\$265,615	\$303,970	\$307,070
% change	--	14.4%	1.0%
<b>Local Transportation Improvement Program total:</b>	<b>\$58,178,266</b>	<b>\$57,303,970</b>	<b>\$59,307,070</b>
% change	--	-1.5%	3.5%

### LTIP grants (ALI 150701)

The transportation budget provides funding of \$57 million in FY 2022 and \$59 million in FY 2023 to award grants to local governments for road and bridge projects. Although the number of projects funded by LTIP varies from year to year, PWC anticipates that the funding levels will cover awards for approximately 350 projects over the course of the FY 2022-FY 2023 biennium. Continuing temporary law allows for prior years' unused funds to be reappropriated.

<sup>1</sup> Beginning in FY 2020, the MFT was increased from 28¢ per gallon on all motor fuels to 38.5¢ per gallon for gasoline and 47¢ per gallon on all other fuels, including diesel. However, the amount due to PWC to fund LTIP remained the same because all of the new revenue received from the MFT increase was apportioned to ODOT and local governments.

<sup>2</sup> PWC also oversees the State Capital Improvement Program (SCIP) and the greenspace component of the Clean Ohio Conservation Program (COCP) which are appropriated under the capital budget. Operating costs for these programs, as well as debt service, however, is appropriated in the main operating budget.

Consequently, there may be more residual funding available for LTIP grants in FY 2022 and FY 2023 beyond the amounts provided in the transportation budget.

LTIP funding is allocated annually on a per-capita basis to each of the 19 district public works integrating committees (DPWICs) representing regions across Ohio. The membership of DPWICs consists of local officials representing all levels of government. LTIP grants may cover up to 100% of project costs. Eligible costs include property and facility acquisition, engineering and design, and construction. Each DPWIC has some discretion in evaluating and scoring applications using a locally developed methodology based on certain statutory criteria. After evaluating and scoring the projects, a DPWIC creates a list of high-priority projects. PWC then reviews the project selection and evaluation methodology to ensure fair and objective decision making. Once approved, a formal agreement is issued, with PWC providing technical assistance through the project's completion.

### **LTIP operating support (ALI 150402)**

Funding under this line item supports LTIP's administrative expenses, which are funded by investment income on revenues in Fund 7052. Administrative expenses include costs for project monitoring, processing disbursement requests, maintaining PWC's information systems, and preparing financial reports. At any given time, PWC maintains an active portfolio of approximately 350 ongoing LTIP projects.

LTIP comprises about 20% of total administrative costs among the three infrastructure programs under PWC's purview. The other 80% is paid under the operating line items for PWC's other grant programs: the State Capital Improvement Program (60%) and the greenspace component of the Clean Ohio Conservation Program (20%), each of which receive operating appropriations in the main operating budget bill.

During the FY 2020-FY 2021 biennium, PWC developed a new IT platform to process applications and track PWC projects from award to completion at a cost of about \$400,000. Since this project benefits all three PWC infrastructure programs (LTIP, the State Capital Improvement Program, and the Clean Ohio Conservation Program), the costs of the project were split among the operating line items of each program. PWC expects to roll out the new IT platform by the start of FY 2022. Of the total \$400,000 in project costs, LTIP's share was approximately \$80,000 (20% of total costs). Ongoing platform maintenance costs for FY 2022 and FY 2023 will be paid under this appropriation.

## Department of Development – Roadwork Development Program

The transportation budget also provides funding for the Roadwork Development Program overseen by the Department of Development (DEV). This funding is appropriated under the transportation budget because it comes from a portion of motor fuel tax (MFT).

Fund/ALI	FY 2021 Actual	FY 2022 Appropriation	FY 2023 Appropriation
4W00 ALI 195629, Roadwork Development	\$12,255,302	\$15,200,000	\$15,200,000
% change	--	24.0%	0.0%

The bill provides continuation funding of \$15.2 million each fiscal year for the Roadwork Development Grant Program, the same as has been appropriated since FY 2012. The program is funded by quarterly transfers of MFT revenue from the Highway Operating Fund (Fund 7002) to the Roadwork Development Fund (Fund 4W00). Because the use of Ohio MFT is restricted under Article XII, Section 5a of the Ohio Constitution, Roadwork Development Grants are limited to projects that 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 Controlling Board approval. In FY 2020, the Controlling Board approved 30 grants totaling approximately \$14.6 million. In FY 2021, approximately \$12.3 million in such grants was distributed.

# Ohio Turnpike Infrastructure Commission

## Overview

The Ohio Turnpike Infrastructure Commission (OTIC) is a state agency but is not appropriated money from any state funds included within the transportation or main operating budget bills. However, the Commission is required to submit its budget to the Office of Budget and Management, the General Assembly, and the Legislative Service Commission for their review under section 5537.17 of the Revised Code. This analysis consists of a summary of the Commission's capital and operating budgets for calendar year (CY) 2021.

OTIC is a public entity overseen by a ten-member board charged with funding and maintaining the Ohio Turnpike that spans northern Ohio. A 241-mile east-west toll road built during the 1950s, the Turnpike is marked as portions of three federal interstate highways, stretching from eastern Ohio on I-76, running through most of northern Ohio on I-80, and ending at the western boundary of Ohio on I-90. The chief source of revenue covering operating and capital expenses is toll revenue. OTIC contracts with the Ohio State Highway Patrol (District 10) to provide law enforcement and motorist assistance along the Turnpike.

## OTIC operating and capital budgets for CY 2021

### Operating budget

The Commission's CY 2021 operating budget was adopted on December 21, 2020. The table below displays actual operating revenues and expenditures for CY 2019 and CY 2020, as well as those budgeted for CY 2021. Operating results for CY 2020 were significantly affected by the COVID-19 pandemic. Revenue is projected to come out to \$328.3 million in CY 2021, about \$11.3 million higher compared to CY 2020, largely because of an anticipated recovery in toll revenue as traffic volumes increase. Operating expenditures are slated to rise to \$133.1 million in CY 2021, up from \$123.6 million in CY 2020.

Net operating profits are used to finance OTIC's capital improvement program, including both the bonds issued to fund Turnpike capital projects and the additional bond debt for ODOT infrastructure projects. Of the \$195.2 million in expected CY 2021 operating profits, OTIC has committed (1) around \$118.6 million to debt service payments, and (2) around \$76.6 million for transfer to capital funds that support projects on the Ohio Turnpike.

Table 1. OTIC Operating Budgets, CY 2019-CY 2021 (\$ millions)				
Revenues and Expenditures	CY 2019 Actual	CY 2020 Actual	CY 2021 Adopted Budget	% of Total CY 2021 Budget
<b>Revenue Sources</b>				
Tolls	\$307.6	\$281.1	\$302.8	92.2%
Concessions	\$17.1	\$11.8	\$13.9	4.2%
Investment Earnings	\$22.0	\$7.4	\$1.3	0.4%
Other*	\$10.2	\$14.0	\$7.3	2.2%

Table 1. OTIC Operating Budgets, CY 2019-CY 2021 (\$ millions)				
Revenues and Expenditures	CY 2019 Actual	CY 2020 Actual	CY 2021 Adopted Budget	% of Total CY 2021 Budget
Fuel Tax Allocation	\$3.5	\$2.7	\$3.0	0.9%
<b>Total Revenue</b>	<b>\$360.4</b>	<b>\$317.0</b>	<b>\$328.3</b>	
<b>Operating Expenditures</b>				
Services & Toll Operations	\$62.0	\$52.6	\$55.9	42.0%
Roadway & Structure Maintenance	\$46.8	\$43.1	\$46.1	34.6%
Traffic Control, Safety, Patrol, & Communications	\$14.9	\$14.2	\$15.6	11.7%
Administration & Insurance	\$14.8	\$13.7	\$15.5	11.6%
<b>Total Expenditures</b>	<b>\$138.5</b>	<b>\$123.6</b>	<b>\$133.1</b>	
<b>Net Operating Profit</b>	<b>\$221.9</b>	<b>\$193.4</b>	<b>\$195.2</b>	

Note: Percentages may not sum to 100 due to rounding.

\*The CY 2020 amount includes \$3.3 million in Coronavirus Relief Fund revenue.

## Capital budget

In December 2020, OTIC also adopted Resolution 78-2020, outlining a \$205.0 million spending plan for maintenance and construction along the Ohio Turnpike for CY 2021. Under the resolution, the Commission approved approximately \$183.6 million for certain capital projects, and the remaining \$21.4 million is set aside for unidentified capital funding needs that may arise. The table on the following page breaks down the capital program costs for CY 2021 by purpose.

The Toll Collection System Modernization Program is the largest single planned expenditure for CY 2021, at \$73.8 million, or 36.0% of the overall capital budget. The modernization project began in 2019 and is planned for completion in 2023. It entails the addition of two new toll plazas, the removal of nine others, the removal of nearly all E-ZPass toll lane entrance and exit gates, and some other improvements. The total project cost is projected to be around \$204 million to \$232 million. In the long run, OTIC estimates savings of \$257 million in operating costs from these improvements over 30 years.

Core maintenance, including road and bridge repair, replacement, and resurfacing, together make up about \$86.6 million in planned spending, or 41.7% of capital costs for CY 2021. Rounding out capital expenses and accounting for \$23.2 million, or 11.9% of the capital budget, are expenditures for maintenance vehicles and equipment, toll and service plaza upgrades, computer and communications equipment, and slope and drainage repairs.

Table 2. OTIC Capital Program Allocations, CY 2021		
Capital Program	Amount Allocated (\$ millions)	% of Total Capital Budget
Toll Collection System Modernization	\$73.8	36.0%
Bridge Repair and Resurfacing	\$24.0	11.7%
Pavement Replacement	\$49.1	24.0%
Road Resurfacing	\$13.5	6.0%
Equipment and Facilities	\$12.2	6.6%
Small Projects and Others	\$5.0	2.4%
Service Plaza Improvements	\$6.0	2.9%
Uncommitted	\$21.4	10.4%
Total	\$205.0	



## **Local government provisions**

### **State Capital Improvement Program – road slip funding**

The transportation budget provides PWC with an additional \$2 million in capital funding to offer local governments grants for emergency road-slip repair projects. These grants would be issued under PWC's Emergency Program, a pot of money under the State Capital Improvement Program to be distributed at the discretion of the PWC Director. Eligible projects are those requiring immediate attention to preserve public health and safety and for which no other viable source of local funding is available. Counties, cities, villages, townships, and water districts qualify for this funding.

### **Motor fuel tax – temporary provisions affecting local government revenue distributions**

The transportation budget includes temporary law that affects the distribution of MFT revenue, affecting the amounts that ODOT and political subdivisions will receive over the course of the FY 2022-FY 2023 biennium. Similar provisions have been included in prior transportation budget acts. The first of these provisions is Section 757.10 of the bill. It allows the first 2% of MFT revenue to be deposited into the Highway Operating Fund (Fund 7002) for use by ODOT before any of the statutory distributions of the revenue governed under section 5735.051 of the Revised Code occur.

Section 757.30 of the bill requires cash transfers of around \$156.5 million in FY 2022 and \$158.2 million in FY 2023 from the Highway Operating Fund (Fund 7002), which is used by ODOT, to the Gasoline Excise Tax Fund, which is used to distribute MFT revenue to political subdivisions under the statutory formula allocations to local governments. Under this formula, municipalities receive 42.86% of the distributions, counties receive 37.14%, and townships receive 20.00%. Prior transportation budget acts have contained a similar provision, but in different annual amounts. The cash transfer amounts in the bill are appreciably smaller than those under the transportation budget for the FY 2020-FY 2021 biennium, H.B. 62 of the 133<sup>rd</sup> General Assembly, which required cash transfers of \$302.6 million in FY 2020 and \$311.2 million between the two funds.

### **Toledo Area Regional Transit Authority – process for expansion and altered local taxation**

The bill allows the Toledo Area Regional Transit Authority (TARTA) to potentially expand its territory of operations and change the local taxation structure in place to support its operations. Overall, this provision may allow TARTA to expand into additional local jurisdictions and change their local funding situation, subject to voter approval.

Specifically, the bill allows a county, municipality, or township to join, with voter approval, a regional transit authority (RTA). As part of the ballot question, the bill allows voters to elect to repeal all RTA property taxes levied and instead levy an RTA sales and use tax. The bill allows this process to take place if two criteria are met: (1) the RTA is in a county with a population of 400,000 or more, and (2) the RTA receives revenue from property taxes. Because of these two criteria, the provision presumably applies only to TARTA and potentially may affect other local

governments in the Toledo metropolitan area, both those already served by TARTA and those contemplating joining TARTA territory of service. The provision includes a deadline for the RTA to complete this process by the end of December 2022.<sup>3</sup>

All Other-Part III/zg

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<sup>3</sup> A similar provision authorizing this process was in this permanent law (section 306.322 of the Revised Code) with a deadline of November 2013, but TARTA did not move through the process. The bill amends section 306.322 to move the deadline to the end of December 2022.

FY 2022 - FY 2023 Final Appropriations

All Fund Groups

Line Item Detail by Agency			Appropriations			FY 2021 to FY 2022	Appropriations	FY 2022 to FY 2023
			FY 2020	FY 2021	FY 2022	% Change	FY 2023	% Change
Report For: Transportation Budget			Version: As Enacted					
PWC Public Works Commission								
7052	150402	Local Transportation Improvement Program - Operating	\$ 292,952	\$ 265,615	\$ 303,970	14.44%	\$ 307,070	1.02%
7052	150701	Local Transportation Improvement Program	\$ 67,282,808	\$ 57,912,651	\$ 57,000,000	-1.58%	\$ 59,000,000	3.51%
Dedicated Purpose Fund Group Total			\$ 67,575,760	\$ 58,178,266	\$ 57,303,970	-1.50%	\$ 59,307,070	3.50%
Public Works Commission Total			\$ 67,575,760	\$ 58,178,266	\$ 57,303,970	-1.50%	\$ 59,307,070	3.50%

FY 2022 - FY 2023 Final Appropriations

All Fund Groups

Line Item Detail by Agency						Appropriations	FY 2021 to FY 2022	Appropriations	FY 2022 to FY 2023		
						FY 2020	FY 2021	FY 2022	% Change	FY 2023	% Change
Report For: Transportation Budget						Version: As Enacted					
DEV Department of Development											
4W00	195629	Roadwork Development				\$ 15,174,870	\$ 12,255,302	\$ 15,200,000	24.03%	\$ 15,200,000	0.00%
Dedicated Purpose Fund Group Total						\$ 15,174,870	\$ 12,255,302	\$ 15,200,000	24.03%	\$ 15,200,000	0.00%
Department of Development Total						\$ 15,174,870	\$ 12,255,302	\$ 15,200,000	24.03%	\$ 15,200,000	0.00%