LSC Greenbook

Analysis of the Enacted Budget

Department of Transportation

(Including the Ohio Rail Development Commission)

Main Operating Budget Funding

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OVERVIEW

The Ohio Department of Transportation (ODOT) is the agency responsible for planning, building, and maintaining the state's transportation system. Most of ODOT's resources are devoted to the state's system of highways and roads, but the Department also spends some money overseeing its responsibilities in the aviation, public transit, and rail modes of transportation. The vast majority of ODOT's total budget is derived from the federal Highway Trust Fund, the state motor fuel tax, and bond revenue. These proceeds are appropriated under a separate budget bill for transportation. For the FY 2016-FY 2017 biennium, the transportation budget bill is H.B. 53 of the 131st General Assembly, enacted in March 2015.

Alternatively, less than 1% of ODOT's overall budget comes from the GRF, and this small component of the Department's budget is funded by appropriations in H.B. 64, the state's main operating budget bill for the FY 2016-FY 2017 biennium. Overall, the GRF funding in H.B. 64 makes up almost 25% of the state's total funding of aviation, public transportation, and rail programs for the FY 2016-FY 2017 biennium. This Greenbook provides an analysis of the GRF portion of ODOT's budget, including permanent and uncodified law changes in H.B. 64 that affect ODOT. A separate Greenbook analysis for H.B. 53, the state's transportation budget for FY 2016-FY 2017, can be found on LSC's website.

H.B. 64 Appropriations

As Table 1 below shows, H.B. 64 provides $15.3 million in GRF funding each fiscal year for ODOT. This is a $5.9 million (63.1%) increase compared to actual GRF spending of $9.4 million in FY 2015. The increase is largely attributable to additional appropriations for aviation, rising from just under $600,000 in FY 2015 to $6.0 million in each fiscal year of the FY 2016-FY 2017 biennium.

Table 1. GRF Appropriations, FY 2016-FY 2017

Fund	FY 2015*	FY 2016	% change, FY 2015-FY 2016	FY 2017	% change, FY 2016-FY 2017
General Revenue	$9,380,053	$15,300,000	63.1%	$15,300,000	0.0%

*FY 2015 figures represent actual expenditures.

Total Funding for Aviation, Public Transit, and Rail Transportation Modes

An examination of only GRF funding for the aviation, public transit, and rail transportation modes would result in an incomplete depiction of state funding over the FY 2016-FY 2017 biennium for these ODOT programs. Table 2 below shows biennial funding for each transportation mode via appropriations through both H.B. 53 and H.B. 64, compared to spending on the programs in the FY 2014-FY 2015 biennium. Viewing from this perspective, the most significant difference between biennial appropriations is an increase of $9.7 million in funding for aviation, rising from $21.6 million in FY 2014-FY 2015 spending to $31.3 million in FY 2016-FY 2017 appropriations. The combined funding for public transit and rail ($94.8 million) are within around $700,000 of spending in the last biennium on these modes ($94.1 million).

Table 2. ODOT Budget for Functional Categories Funded by Both Transportation and Main Budget Bills, FY 2016-FY 2017 ($ in millions)

Functional Category	FY 2014-FY 2015 GRF*	FY 2014-FY 2015 Total*	% GRF FY 2014-FY 2015	FY 2016-FY 2017 GRF	FY 2016-FY 2017 Total	% GRF FY 2016-FY 2017
Public Transit**	$15.7	$55.7	28.2%	$14.6	$54.6	26.7%
Rail	$4.7	$38.3	12.3%	$4.0	$40.2	10.0%
Aviation	$1.4	$21.6	6.7%	$12.0	$31.3	38.3%
TOTAL	**$21.9**	**$117.9**	**18.6%**	**$30.6**	**$126.1**	**24.3%**

*FY 2014-FY 2015 figures represent actual expenditures.

**The Public Transit figures do not include two types of pass-through funding received by ODOT: (1) Federal Transit Administration (FTA) funds paid through line item 775452, Public Transportation – Federal, or (2) local funding from transit agencies and reimbursed to the agencies through line item 775454, Public Transportation – Other.

Aviation

As mentioned above, the largest change in GRF funding occurs in the aviation program, which receives appropriations of $6 million per year over the FY 2016-FY 2017 biennium. The increased GRF funding will be used on the Ohio Airport Grant Program, which provides capital improvement grants to certain publicly owned airports. Currently, program funding may provide up to 90% of the construction costs associated with airport pavement resurfacing, obstruction removal, and marking projects. The GRF funding increase results in aviation receiving 38.3% of total appropriations over the biennium from the GRF, a marked rise compared to that mode's 6.7% share of GRF spending in the prior biennium.

H.B. 53 provides approximately $9.7 million per year for aviation over the FY 2016-FY 2017 biennium. Around two-thirds of these moneys will support the operation of the state's aircraft fleet, while the remaining funding will (1) support a revolving loan program, (2) pay for operating expenses of ODOT's Office of Aviation, and (3) provide non-GRF funding for the Ohio Airport Grant Program.

Public Transit

Between H.B. 53 and H.B. 64, state-allotted funding for public transit amounts to $27.3 million in each year of the FY 2016-FY 2017 biennium. The GRF appropriations total $7.3 million annually and are targeted to support rural transit systems and small urban transit systems. Around $4.7 million of the GRF funding is for subsidy assistance to local transit agencies, while around $2.2 million is devoted to elderly and disabled fare assistance programs. The remaining $300,000 to $400,000 covers operating costs for ODOT's Office of Transit.

The $20 million in each fiscal year for transit agencies under H.B. 53 consists of Federal Highway Administration (FHWA) funding. This money is apportioned in two ways. First, $6 million each year is directed toward the large urban transit systems by formula under the Urban Transit Program. Secondly, $14 million each year will be devoted to the Ohio Transit Preservation Partnership Program to be distributed as competitive grants for which all 27 urban transit systems are eligible. Generally, the program grants must be matched so that the FHWA funds do not exceed 80% of the total project cost. The large urban transit agencies can take advantage of these moneys because they have a local dedicated source of funding for the required federal match.

Rail

The Ohio Rail Development Commission, an independent commission housed under ODOT, administers state rail funding. H.B. 64 provides GRF funding of $2 million per year in the FY 2016-FY 2017 biennium for rail, while H.B. 53 provides $18.1 million in funding each fiscal year for rail. The GRF funding under H.B. 64 is the grant component of the Rail Development Grant and Loan Program. This program is used to award financial assistance to railroads, businesses, and communities for the rehabilitation, acquisition, preservation, or construction of rail and rail-related infrastructure. An equal amount of funding ($2 million per fiscal year) in non-GRF money from H.B. 53 will fund the loan component of the program. The remaining $16.1 million per year in rail funding is mostly made up of federal subsidies for grade crossing and rail safety projects. A portion of this amount is also set aside to cover the operating expenses of the Ohio Rail Development Commission.

Transportation Law Provisions in H.B. 64

Diesel Emissions Reduction Grant Program

H.B. 64 authorizes the continuation of the Diesel Emissions Reduction Grant (DERG) Program overseen by the Ohio Environmental Protection Agency (EPA). Under this program, EPA provides grants to public and private diesel fleet owners to replace, repower, and retrofit diesel engines or install anti-idle equipment in their diesel-powered vehicles. H.B. 64 also allows DERG funds to be used for projects that involve the purchase or use of hybrid and alternative fuel vehicles pursuant to federal guidance. Although the program is overseen by the Ohio EPA, it is funded by federal Congestion Mitigation and Air Quality (CMAQ) moneys under ODOT's budget.

Under this program, public entities are reimbursed from moneys in the Highway Operating Fund (Fund 7002) designated for the DERG Program. Private entities are reimbursed in a slightly different manner. For private entity projects, both ODOT and the local public sector agency project sponsor must approve the reimbursement. These reimbursements are then paid from Fund 7002 in the form of direct payments to the vendor doing the work in a prorated share of federal/state participation. This differs from the reimbursement process in prior years whereby Fund 7002 moneys were transferred to the Diesel Emissions Reduction Fund (Fund 3FH0) and then distributed. Finally, the provision specifies that no new Fund 7002 appropriations for the program be made in FY 2016, and limits new appropriations for the program to no more than $5 million in FY 2017. In the FY 2014-FY 2015 biennium, total expenditures for the program were limited to $10 million per year.

Legislative Studies and Reports

Quarterly Report on MBE/EDGE Compliance

ODOT, like other state agencies, must comply with Minority Business Enterprise (MBE) and Encouraging Diversity, Growth and Equity (EDGE) laws in awarding contracts and performing procurement. The Ohio Department of Administrative Services (DAS) oversees MBE/EDGE compliance. Uncodified language in H.B. 64 requires ODOT to submit a quarterly report on MBE/EDGE compliance to the majority and minority leaders of the General Assembly and the Governor to reaffirm compliance with federal and state mandates.

Joint Legislative Task Force on Department of Transportation Issues

Section 755.40 of H.B. 53 of the 131st General Assembly, the transportation budget bill for the FY 2016-FY 2017 biennium, originally created the Joint Legislative Task Force on Department of Transportation Issues. The Task Force is to publish two reports that survey different transportation issues. The first of these reports is due in December 2015, and is to detail the Task Force's findings and recommendations in two areas: increasing speed limits on and access to rural highways and freeways, and the possibility of requiring only one license plate on cars. The second report has a December 2016 deadline, and is to include recommendations on ODOT funding, including the effectiveness of the state motor fuel tax in meeting state transportation funding needs, and alternative methods for funding roadways and infrastructure.

H.B. 64 amends Section 755.40 of H.B. 53 to require the Task Force to, in addition to the other topics of inquiry, study issues involving the cost and feasibility of establishing a limited driving privilege license. This topic is to be discussed in the first of the Task Force's two reports. Presumably, the Department of Public Safety (DPS) would be involved with the Task Force's examination of this new topic, since it is the state agency that administers state drivers' licenses.

Maritime Port Funding Study Council

Section 745.10 of H.B. 483 of the 130th General Assembly created the Maritime Port Funding Study Committee to study alternative funding mechanisms for maritime ports. The Study Committee was to issue a report of its findings and recommendations by January 2015. The budget bill extends the deadline to January 2016.

Bond Requirements for Public-Private Partnership (P3) Agreements

Under R.C. 5501.73, all Public-Private Partnership (P3) agreements that ODOT enters into must require the private entity to obtain both a performance bond and a payment bond, upon the terms of the P3 agreement. The budget bill amends the law to specify that the bonds are required only in cases when the P3 agreement contains a construction services component. The bill defines construction services as design-build, construction, reconstruction, replacement, improvement, or repair services. The bill also requires that bonds involved with a P3 agreement be executed by an entity authorized by the Department of Insurance to write surety bonds. Altogether, these changes have no fiscal effect. Under ODOT's current contracting guidelines for P3 projects without construction elements, surety bonds are not needed to cover possible contract defaults.

Vetoed Provisions

Force Account and Contract Limits for Township Road Maintenance

Under current law, townships may use two methods to construct and maintain roads within their jurisdiction: (1) by force account (i.e., using township employees, materials, etc.), or (2) by contract. When townships utilize the force account method, the county engineer must perform an assessment if the project is estimated to cost above certain dollar amounts (the amount of which depends on the project type), and if the project is assessed above a certain cost, the township is required to seek competitive bids on the project. Likewise, when a township proceeds by contract, the township must competitively bid the project if the project is estimated to cost above certain thresholds. H.B. 64 increased these force account and contract limits, in the following specific circumstances:

1. For road maintenance or repair projects by contract, competitive bidding must be used when the contract exceeds $90,000 (compared to $45,000 under current law);
2. For maintenance or repair projects by force account, the county engineer must complete a force account assessment for projects estimated to cost $45,000 or more (compared to $15,000 under current law);

3. For road construction or reconstruction projects by contract, competitive bidding must be used when the estimated project costs exceed $30,000 per mile (compared to $15,000 per mile under current law); and
4. For road construction or reconstruction projects by force account, the county engineer must complete a force account assessment for projects that cost $15,000 or more (compared to $5,000 under current law).

These changes were vetoed by the Governor. Raising the thresholds would likely have resulted in townships more frequently using their own labor, materials, and equipment in completing road projects by force account. The provision may also have resulted in a decline in administrative costs to townships and counties, since cost assessments for force account projects would be required for fewer projects. Alternatively, if fewer projects were competitively bid as a result of the increased thresholds, the provision could have resulted in higher road construction and repair costs.

Draft Legislation on Aviation Fuel Tax

H.B. 64, As Passed by the General Assembly, required ODOT, in collaboration with the aviation industry and other interested parties, to prepare draft legislation that would require all revenue from the sales and use tax on sales of aviation fuel be used exclusively for airport improvements, and specifically for the purposes currently funded through ODOT's Ohio Airport Grant Program. In vetoing this provision, the Governor declared that ODOT is not the appropriate agency to draft tax legislation.

Beachwood Noise Wall

The budget bill included an appropriation of $383,000 in FY 2016 using the Highway Operating Fund (Fund 7002) through new line item 772601, Beachwood Noise Wall, to be used to construct a noise wall along a section of Interstate Route 271 in Beachwood stretching from Shaker Boulevard to Woodland Road. Appropriations using the Highway Operating Fund typically are only made in the transportation budget bill. In the Governor's veto language relating to this provision, the Governor noted that ODOT has committed to completing this project regardless of this specific appropriation.

Relocation of Traffic Signal in Clinton County

H.B. 64 also contained a provision requiring ODOT to relocate a traffic light in Clinton County that is currently located at the intersection of the off ramp of the northeast bound lanes of Interstate Route 71 and State Route 73. The provision required the light to be moved to the intersection of State Route 73 and State Route 380. In vetoing this provision, the Governor noted that ODOT is studying this traffic light issue and will work with stakeholders to complete the project.

ANALYSIS OF ENACTED BUDGET

Category 1: Public Transportation

This category of appropriations provides GRF support for capital, operating, technical, and planning assistance to 61 transit systems. These efforts are overseen by ODOT's Office of Transit. Transit systems may be managed by a county, regional government entity, or a government-designated nonprofit corporation. Of the 61 transit systems, 27 are in urban areas, while 34 lie in rural areas. Service under each of the systems varies, but can broadly be categorized into two types based on population densities: (1) fixed routes, which are prevalent in big cities and (2) demand response, used often in and around small cities and rural areas. The Greater Cleveland Regional Transit Authority is the lone transit agency currently operating rail service, although the Southwest Ohio Regional Transit Authority, serving the Cincinnati area, will become the second when the Cincinnati streetcar line launches, most likely in 2016. Altogether, the transit network provided over 115 million trips in 2013, the 14th highest transit ridership ranking in the nation.

Appropriations for Public Transportation				
Fund		ALI and Name	FY 2016	FY 2017
General Revenue Fund				
GRF	775451	Public Transportation – State	$7,300,000	$7,300,000

Public Transportation – State (775451)

This line item is used for three purposes: (1) funding most of the Ohio Public Transportation Grant Program, (2) funding all of the Elderly and Disabled Fare Assistance Program, and (3) paying operating costs for the Office of Transit. Overall, the $7.3 million in each fiscal year would allow flat funding for allocations for the two ongoing programs and the operating expenses of the Office of Transit.

Ohio Public Transportation Grant Program

About $4.7 million is allocated in each year for the Ohio Public Transportation Grant Program (OPTGP) to award state funds to the small urban and rural transit systems. Program grants support transit systems' operating costs and capital projects, but may only be used to match a federal grant. OPTGP divides funding for two subprograms: the Urban Transit Program and the Rural Transit Program. This GRF funding for the Urban Transit Program would aim to support some of the 19 small urban systems across the state, plus all 34 of the rural transit systems are assisted under the Rural Transit Program. The eight large urban transit systems receive federal money under the Urban Transit Program, appropriated through H.B. 53.

ODOT has historically given priority to the Rural Transit Program over the urban one in allocating GRF funding, as rural transit systems are more reliant on state funding. In the FY 2014-FY 2015 biennium, ODOT put about $3.1 million in GRF money toward the Rural Transit Program, while the remaining $1.6 million went for the Urban Transit Program. Uncodified law in H.B. 64 requires at least $500,000 in each of FY 2016 and FY 2017 to be allocated to rural transit systems from funding to appropriation item 775451; however, ODOT anticipates similar allocations among the two types of transit systems that use GRF funding.

The GRF funding for public transit under H.B. 64 is combined with federal funding appropriated in H.B. 53 through Highway Operating Fund line item 772452, Public Transportation – Federal. Overall, around $26.3 million in each of FY 2016 and FY 2017 will support OPTGP using these Federal Transit Administration (FTA) funds that pass through the state. Once the funds are allocated by ODOT for each of the rural and urban components of OPTGP, the assistance to each transit system is distributed by formula. For the urban systems, the formula takes into account factors such as ridership, revenue service miles, fare box revenue, cost per hour, passengers carried per mile, and fare recovery rates. For rural systems, funds are apportioned based on a formula accounting for the number of passengers, revenue vehicle miles, and local contributions.

Elderly and Disabled Fare Assistance Program

About $2.2 million in each of FY 2016 and FY 2017 will be used to support affordable transportation for the elderly and people with disabilities under the Elderly and Disabled Fare Assistance Program. The program gives assistance to public transit agencies that offer half fares or lower to qualifying riders. According to ODOT, this program supported over 1.6 million trips on public transit vehicles in FY 2014. For rural areas, the elderly and disabled populations accounted for around 43% of all transit trips in FY 2013, according to the Department. The allocation of funds to individual transit systems under the program is formula-based; however, the eight large urban systems are not eligible for assistance under this program, as it would cost another $10.6 million annually to reimburse those systems under the program terms. Currently, 54 public transit systems offer half fares. The other systems have chosen not to offer reduced fares for financial reasons.

Public Transit Operating

This line item also covers operating costs for ODOT's Office of Transit, including payroll, supplies, and equipment, an allocation totaling around $300,000 annually. The Office's administration and oversight duties include such activities as program development, application review and project selection, contract preparation, site visits, financial audits, training, and technical assistance.

Category 2: Aviation

This category of appropriations is used by ODOT's Office of Aviation to assist airports in making improvements under the Ohio Airport Grant Program. The following table displays funding in the FY 2016-FY 2017 biennium for this purpose.

Appropriations for Aviation				
Fund		ALI and Name	FY 2016	FY 2017
General Revenue Fund				
GRF	777471	Airport Improvements – State	$6,000,000	$6,000,000

Airport Improvements – State (777471)

This line item receives appropriations of $6 million in each of FY 2016 and FY 2017, representing a $5.25 million increase in appropriations over annual appropriations in the FY 2014-FY 2015 period of $750,000. Uncodified law in the bill requires the funding to be used to continue the Ohio Airport Grant Program for grants to certain airports to (1) support capital improvements, (2) maintain infrastructure, and (3) ensure safety at the airports. The program provides capital improvement grants to publicly owned airports that do not receive Federal Aviation Administration (FAA) passenger or air cargo entitlements. These are typically small general aviation airports. There are 96 such airports eligible for program funding.

The Ohio Airport Grant Program has been operating for years; however, state funding has historically amounted to around $1 million per year. This includes annual funding of about $400,000 from the GRF and $600,000 from non-GRF sources. In prior years, ODOT paid 90% of project costs, and grants were typically for airport improvements such as obstruction removal, runway pavement, and general maintenance. With the increased funding provided for the program under H.B. 64, ODOT may alter their project awards by type of project, number of projects awarded, grant amount, or local match required.

Additionally, two types of non-GRF funding support the Ohio Airport Grant Program, both receiving appropriations through H.B. 53: (1) line item 777615 is funded by aviation license revenue, and provides $620,000 per fiscal year, and (2) line item 777472 receives FAA grant funding that is subsequently passed on to the airports, and receives $405,000 per fiscal year. Counting the $6 million in GRF funding, total appropriations for the program are $7.25 million in each of FY 2016 and FY 2017.

In prior years, this line item was also used to cover some Office of Aviation operating expenses, for activities such as airport and pavement condition inspections and airspace protection, planning, engineering, and technical assistance to Ohio's general aviation airports. However, since the uncodified law in H.B. 64 requires all GRF funding to be used for the Ohio Airport Grant Program, ODOT will presumably pay these operating costs out of non-GRF appropriations provided in H.B. 53.

Category 3: Rail

This category of appropriations is administered by the Ohio Rail Development Commission (ORDC). The Commission oversees programs that promote economic development projects involved with rail, as well as rail-highway safety. The following table shows the funding for the GRF appropriation item that supports rail under H.B. 64.

Appropriations for Rail				
Fund		ALI and Name	FY 2016	FY 2017
General Revenue Fund				
GRF	776465	Rail Development	$2,000,000	$2,000,000

Rail Development (776465)

This line item supports the Rail Development Grant and Loan Program overseen by ORDC. Overall, H.B. 64 includes $2 million in each fiscal year for this line item. These amounts are identical to the appropriations in the current biennium. This line item is used exclusively for grants under the Rail Development Grant and Loan Program, to provide financial assistance to railroads, businesses, and communities for the rehabilitation, acquisition, preservation, or construction of rail and rail-related infrastructure.

In addition to the $2 million in rail grant funding from the GRF under H.B. 64, about the same amount each fiscal year is provided for rail loans under H.B. 53. The loan funding is appropriated under Fund 4N40, line item 776664, Rail Transportation – Other. Overall, the $4 million appropriated in each fiscal year for the Rail Development Grant and Loan Program is consistent with prior year funding for this purpose.

Grants and loans under this program are awarded to public entities, railroads, and private companies. The loans may last up to seven years, up to a maximum of $500,000 per project. Grants have no such threshold and are determined at the discretion of the ORDC.

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FY 2016 - FY 2017 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

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

			FY 2014	FY 2015	Appropriation FY 2016	FY 2015 to FY 2016 % Change	Appropriation FY 2017	FY 2016 to FY 2017 % Change
DOT	**Department of Transportation**							
GRF	775451	Public Transportation-State	$ 10,134,611	$ 5,608,022	$ 7,300,000	30.17%	$ 7,300,000	0.00%
GRF	776465	Rail Development	$ 1,522,733	$ 3,201,886	$ 2,000,000	-37.54%	$ 2,000,000	0.00%
GRF	777471	Airport Improvements-State	$ 884,947	$ 570,145	$ 6,000,000	952.36%	$ 6,000,000	0.00%
General Revenue Fund Total			**$ 12,542,291**	**$ 9,380,053**	**$ 15,300,000**	**63.11%**	**$ 15,300,000**	**0.00%**
Department of Transportation Total			**$ 12,542,291**	**$ 9,380,053**	**$ 15,300,000**	**63.11%**	**$ 15,300,000**	**0.00%**