

# **LSC Greenbook**

**Analysis of the Enacted Budget**

## **Transportation Budget Bill**

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

**Department of Transportation**

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Legislative Service Commission  
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## TABLE OF CONTENTS

<b>Overview .....</b>	<b>1</b>
Appropriation Overview .....	1
Funding Distribution.....	2
By Functional Category.....	2
By Category of Expense .....	2
Sources of Revenue .....	3
Ohio's Federal Highway Trust Fund Allocation .....	4
State Motor Fuel Tax.....	4
Highway Construction Bonds.....	5
Construction Cost Outlook and Forecast.....	7
H.B. 53 Highlights.....	8
Vetoed – Codification of the Ohio Bridge Partnership Program .....	8
Indefinite Delivery Indefinite Quantity Contracting .....	9
Pilot Program for 100-Year Service Life Design Standard for Bridges.....	9
Assumption of Environmental Review Duties from Federal Agencies .....	9
Local Matching of Federal and State Highway Funding .....	10
Regulation of Outdoor Advertising Devices.....	10
Elimination of State Vehicle Biodiesel Consumption Requirements.....	10
Signs on Interstate Freeways Indicating "Keep Right Except to Pass" .....	11
Joint Legislative Task Force on Department of Transportation Issues.....	11
ODOT Report on a Portion of the Eastern Corridor Project .....	11
Continuing Temporary Law Provisions .....	12
Use of Flexible Federal Funds for Public Transit Assistance .....	12
Evaporation Discount for Fuel Dealers and Wholesalers .....	12
State Motor Fuel Tax Distributions .....	12
Transfers and Reappropriations .....	13
<b>Transportation System Statistics .....</b>	<b>14</b>
Snapshot of Ohio's Public Roadways.....	14
State Motor Fuel Tax Uses .....	14
ODOT Construction Allocations by Work Type .....	15

**H.B. 53 – FY 2016-FY 2017 Transportation Budget Bill**  
**Department of Transportation**

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<b>Analysis of Enacted Budget</b> .....	<b>16</b>
Introduction .....	16
Category 1: Highway Construction and Maintenance .....	18
Core Four Highway Construction and Maintenance Line Items (772421, 772422, 772424, and 773431) .....	18
Summary .....	18
Program Details.....	19
State and Federal Bond-Funded Highway Construction and Maintenance .....	26
State Highway Bonds (772723).....	26
Federal GARVEE Bonds (772428) .....	27
State Infrastructure Bank (772426, 772427, and 772431) .....	27
H.B. 53 Provisions Affecting Highway Construction and Maintenance.....	28
Category 2: Planning and Research.....	30
Planning and Research – Federal (772412) .....	30
Planning and Research – State (771411).....	31
H.B. 53 Provisions Affecting Planning and Research .....	31
Category 3: Public Transportation.....	33
Public Transit Assistance (772422 and 775452).....	33
Public Transportation – Other (775454).....	35
Category 4: Rail .....	36
Rail Safety (776462 and 772421) .....	36
Rail Transportation – Other (776664) .....	37
H.B. 53 Provision – Rail Safety Oversight .....	37
Category 5: Aviation.....	38
Aviation Administration (777475) .....	38
Aviation Infrastructure Bank – State (777477) .....	39
Airport Improvement Program (777615 and 777472) .....	39
Category 6: Debt Service .....	40
Federal GARVEE Bond Debt Service (772437 and 772438).....	40
Transportation Facilities Lease Rental Bond Payments (770003).....	40
State Infrastructure Bank Debt Service (772433 and 772430).....	41
Category 7: Administration.....	42
Administration – State (779491).....	42

**ATTACHMENT:**

Budget Spreadsheet By Line Item

# Department of Transportation

- Total biennial budget of over \$5.87 billion with focus on highway system preservation
- Over 85% of funding supports highway construction and maintenance program
- Debt service comprises around 6.4% of budget, at almost \$374 million of appropriations

## OVERVIEW

The Ohio Department of Transportation (ODOT) plans, designs, constructs, and maintains the state's network of highways and bridges and provides financial and technical assistance to the state's public transit systems, general aviation airports, and railways. ODOT's primary funding sources include state and federal motor fuel taxes and highway construction bonds, the proceeds of which are appropriated in H.B. 53. The Department also receives a small portion of its funding from the GRF for nonhighway programs, such as rail, transit, and aviation. These GRF appropriations are provided in the main operating budget bill, and are analyzed in a separate LSC Greenbook. ODOT is the state's second largest agency in terms of employees by headcount, with a staff of around 5,120, of which roughly 4,880 are full-time permanent, located in 12 districts throughout the state, as well as headquarters in Columbus.

## Appropriation Overview

Fund Group	FY 2015*	FY 2016	% Change, FY 2015-FY 2016	FY 2017	% Change, FY 2016-FY 2017
Highway Operating	\$2,904,586,567	\$2,597,221,370	-10.6%	\$2,614,614,032	0.7%
Capital Projects	\$216,617,631	\$277,539,813	28.1%	\$372,308,081	34.2%
Dedicated Purpose	\$3,495,800	\$3,495,800	0.0%	\$3,495,800	0.0%
<b>TOTAL</b>	<b>\$3,124,699,998</b>	<b>\$2,878,256,983</b>	<b>-7.9%</b>	<b>\$2,990,417,913</b>	<b>3.9%</b>

\*FY 2015 figures represent estimated expenditures.

As shown in Table 1 above, ODOT's budget under H.B. 53 is \$2.88 billion in FY 2016, a \$246.4 million (7.9%) decrease when compared to FY 2015 funding of \$3.12 billion. The decline is mostly attributable to a reduction in Highway Operating Fund Group appropriations. More specifically, the \$930 million in revenue from infrastructure bonds issued by the Ohio Turnpike and Infrastructure Commission was entirely appropriated under ODOT's FY 2014-FY 2015 budget. The FY 2017 appropriations total \$2.99 billion, an increase of \$112.2 million (3.9%) over FY 2016 funding level.

Appropriations under the Highway Operating Fund Group provide 88% of the operating and capital support for ODOT programs over the FY 2016-FY 2017 biennium. The next largest funding sources are state and federal bond proceeds that support highway construction in the Capital Projects Fund Group. Together, these bond-funded revenue sources account for 11.1% of biennial funding for ODOT under the transportation budget. The small amount remaining is set aside for a rail loan program and a county airport grant program budget under the Dedicated Purpose Fund Group. However, note that additional GRF funding for rail and aviation is typically appropriated under the main operating budget. H.B. 64, the main operating budget for the FY 2016-FY 2017 biennium currently pending in the Senate, provides funding for these purposes.

## Funding Distribution

### By Functional Category

As shown in Table 2 below, the vast majority of ODOT's budget continues to be dedicated to highway construction and maintenance, comprising about \$5 billion (85.9%) of appropriations over the biennium. The amount appropriated for debt service is \$373.8 million (6.4%). Administration is \$182 million (3.1%) of the budget, and planning and research is \$108.4 million (1.8%) of spending. Finally, \$161 million (2.7%) is for combined appropriations for public transit, rail, and aviation. Recall, however, that additional funding for transit, rail, and aviation are provided under the main operating budget. H.B. 64, as Passed by the House, includes appropriations of \$30.6 million in GRF funding for these categories over the biennium.

<b>Table 2. FY 2016-FY 2017 Budget by Functional Category (in millions)</b>				
<b>Functional Category</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>Biennium Total</b>	<b>% of Total Budget</b>
Highway Construction and Maintenance	\$2,466.4	\$2,577.1	\$5,043.5	85.9%
Debt Service	\$188.1	\$185.7	\$373.8	6.4%
Administration	\$89.3	\$92.7	\$182.0	3.1%
Planning and Research	\$54.0	\$54.4	\$108.4	1.8%
Public Transportation	\$52.7	\$52.7	\$105.5	1.8%
Rail	\$18.1	\$18.1	\$36.2	0.6%
Aviation	\$9.6	\$9.7	\$19.3	0.3%
<b>TOTAL</b>	<b>\$2,878.3</b>	<b>\$2,990.4</b>	<b>\$5,868.7</b>	<b>100.0%</b>

Note: Figures may not add to totals due to rounding.

### By Category of Expense

Table 3 below shows the budget by category of expense. Of the \$5.87 billion in total funding, approximately 81.9% is budgeted for capital improvements and personnel costs. Capital spending is planned to grow by 5%, from \$1.92 billion in

FY 2016 to \$2.01 billion in FY 2017. ODOT's personnel expenses are slated to increase by 2.5%, from \$432.1 million in FY 2016 to \$443 million in FY 2017.

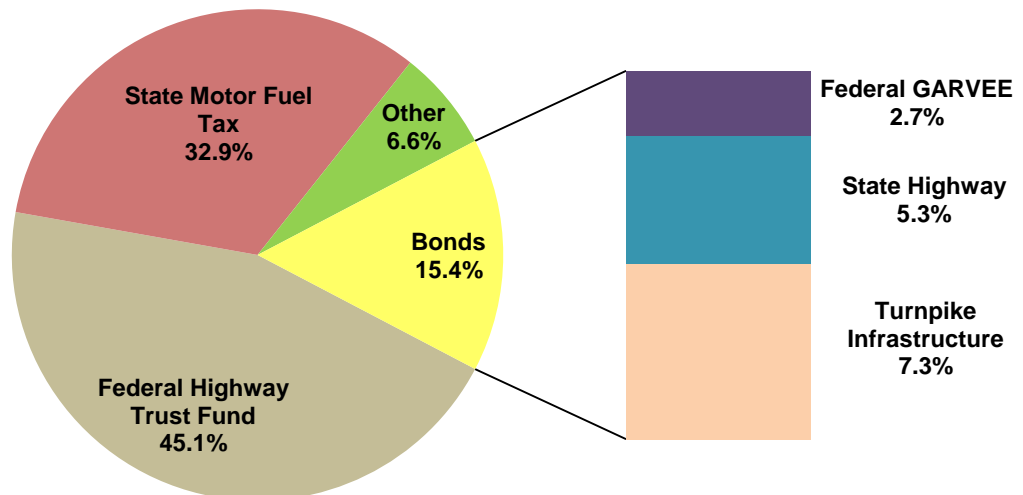
Category of Expense	FY 2016	FY 2017	Biennium Total	% of Total Budget
Capital Improvements	\$1,915.5	\$2,012.2	\$3,927.7	66.9%
Personal Services	\$432.1	\$443.0	\$875.1	14.9%
Supplies and Maintenance	\$189.5	\$194.2	\$383.7	6.5%
Debt Service	\$188.1	\$185.7	\$373.8	6.4%
Equipment	\$54.3	\$54.7	\$109.0	1.9%
Subsidies	\$41.2	\$41.2	\$82.5	1.4%
Purchased Services	\$38.0	\$39.9	\$77.9	1.3%
Transfers and Other	\$19.5	\$19.5	\$39.0	0.7%
<b>TOTAL</b>	<b>\$2,878.3</b>	<b>\$2,990.4</b>	<b>\$5,868.7</b>	<b>100.0%</b>

Note: Figures may not add to totals due to rounding.

### Sources of Revenue

Revenue supporting ODOT operations derives from three main sources. These are (1) the federal Highway Trust Fund, (2) the state motor fuel tax, and (3) bond proceeds. Chart 1 below displays these sources of revenue for the three-year period from FY 2012 to FY 2014. The federal Highway Trust Fund (HTF) comprised approximately 45.1% of total funding to ODOT over the time frame, around \$3.9 billion in total. Next, proceeds from the state motor fuel tax generated about one-third of ODOT revenue, at roughly \$2.84 billion. Bond proceeds provided funding of \$1.33 billion, or 15.4% of revenue in the three-year period. There were small amounts from the GRF and certain dedicated purpose funds, which together provided the remaining 6.6% of ODOT funding, or \$573 million.

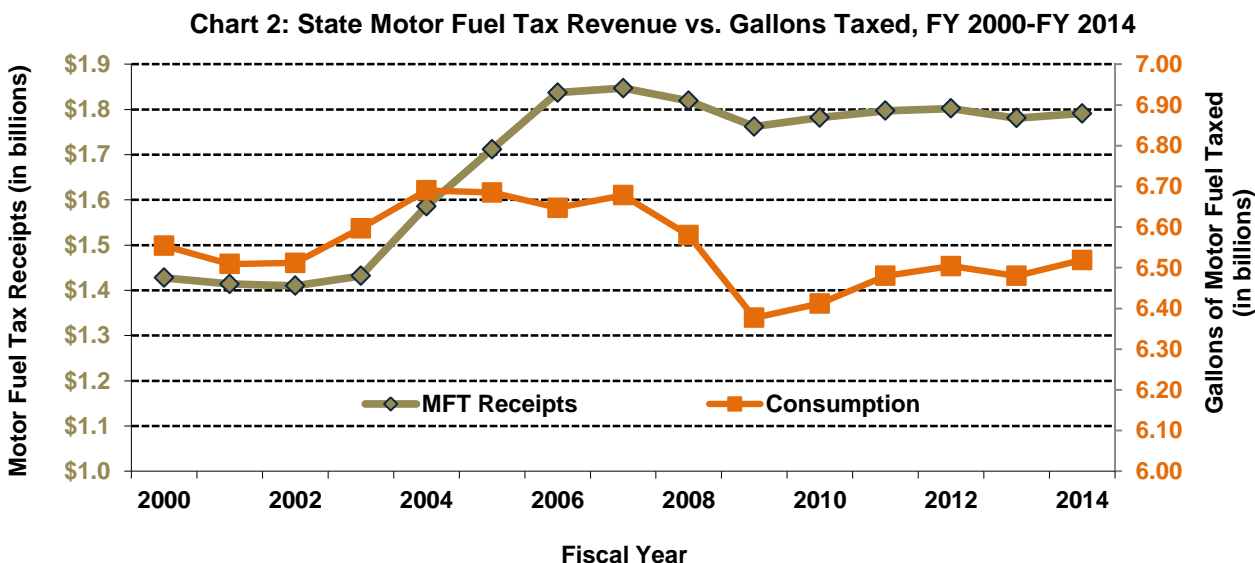
**Chart 1: ODOT Revenue Sources, FY 2012-FY 2014**



### Ohio's Federal Highway Trust Fund Allocation

ODOT 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 HTF and apportioned to the states. Ohio received approximately \$1.59 billion of these funds in FY 2014. For various reasons, there is some uncertainty regarding the sustainability of federal highway funding. First, federal gas tax receipts in the HTF have been declining in recent years, the result of more fuel-efficient vehicles and a reduction in the number of vehicle miles traveled, among other factors. Additionally, HTF revenue has not been sufficient to support the current level of spending from the HTF, necessitating transfers from other funds to cover the shortfall. While overall transportation funding has been a problem, the short-term nature of federal transportation funding authorizations adds to the uncertainty. While Congress passed the Moving Ahead for Progress in the 21st Century Act (MAP-21) in 2012, the most recent legislation extends federal highway funding only through May 2015. For budgeting purposes, ODOT assumes no growth in federal gas tax revenues beyond that point, until a longer term federal reauthorization is enacted.

### State Motor Fuel Tax



The state motor fuel tax (MFT) of 28 cents per gallon is another principal source of revenue to ODOT. As Chart 2 above indicates, MFT receipts totaled just under \$1.80 billion in FY 2014, about where they were over the prior three fiscal years, having leveled off after significant declines in FY 2008 and FY 2009 caused by the recession during those years. The large revenue gain in the mid-2000s can largely be attributed to the six cents per gallon increase in the state tax, phased in over three years between FY 2004, FY 2005, and FY 2006, bringing the MFT up to the current 28 cents per gallon

level. Although increasing employment and the ongoing economic recovery at the national and state levels would ordinarily portend gains in consumption and gas tax revenue, for the FY 2016-FY 2017 period, ODOT is conservatively forecasting flat MFT revenue of roughly \$1.80 billion. This is in line with FY 2014 receipts and the estimated revenue from this source in FY 2015.

Changes in MFT revenue not only impact ODOT programs, but also have a ripple effect on the other recipients of the MFT, such as local governments and other state agencies like the Public Works Commission, which operates the Local Transportation Improvement Program. That road and bridge program is supported by revenue from the one cent per gallon of the 28 cents per gallon MFT. Altogether, the MFT has provided roughly \$800 million to \$1.0 billion in revenue for ODOT in recent fiscal years after accounting for these distributions to other state and local entities.

### **Highway Construction Bonds**

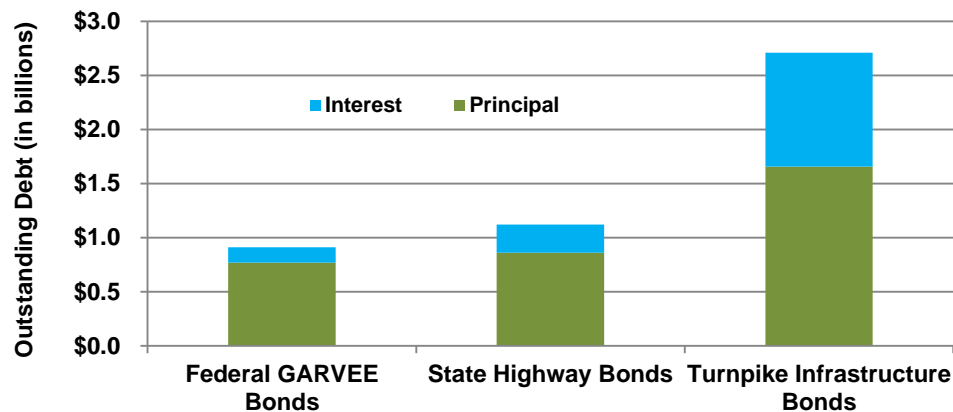
In addition to state motor fuel tax funds and federal highway program revenues, ODOT also receives proceeds from bond issuances in order to finance highway construction projects. H.B. 53 provides appropriations to spend proceeds of these bonds. There are three types of bonds that are issued on behalf of ODOT: (1) state highway bonds, which are retired with state motor fuel tax revenues, (2) federal grant anticipation revenue vehicle (GARVEE) bonds, which are retired primarily with federal HTF allocations, and (3) Turnpike infrastructure bonds, which are private revenue bonds issued by the Ohio Turnpike and Infrastructure Commission (OTIC) backed by Turnpike toll receipts.

Overall, H.B. 53 provides total bond-funded appropriations of \$649.8 million over the FY 2016-FY 2017 biennium, which for this two-year period consists only of state highway and federal GARVEE bonds. There are no Turnpike infrastructure bond-funded appropriations under H.B. 53. The \$930 million in highway funding provided by Turnpike infrastructure bonds was entirely appropriated in the FY 2014-FY 2015 biennium and will be used to complete ten Major New construction projects already under way.

Chart 3 on the following page displays the total outstanding debt on the three bond types that support ODOT construction funding. As of the end of FY 2014, ODOT had outstanding debt (principal and interest) of nearly \$2.03 billion on the state highway bonds and federal GARVEE bonds. In addition, OTIC had \$2.71 billion in outstanding debt on their infrastructure bonds issued for ODOT highway construction projects.



**Chart 3: Outstanding Bond Debt Supporting ODOT Highway Construction and Maintenance, Year-End FY 2014**



**Turnpike Infrastructure Bonding**

H.B. 51 of the 130th General Assembly, the FY 2014-FY 2015 transportation budget bill, expanded OTIC's role in financing roadway projects in the state. The bill granted OTIC new authority to issue revenue bonds. The Commission set up new infrastructure funds to be used to finance the ODOT projects it approves for funding. Infrastructure projects receiving this financing fall under ODOT's Major New construction program, which approves projects with total costs of over \$12 million and that add new highway capacity, reduce congestion, or improve connectivity. ODOT expects to either expend or encumber the entirety of the \$930 million in infrastructure bond proceeds that were appropriated in the current FY 2014-FY 2015 biennium. Consequently, H.B. 53 contains no new appropriations for the next biennium using Turnpike infrastructure bonding revenue. As of May 1, 2015, a total of approximately \$244.7 million of this funding had been spent, while \$646.4 million in infrastructure bond proceeds had been encumbered, for a combined total of \$891.1 million. No new ODOT appropriations using Turnpike bond money are expected until FY 2018.

**State Highway Bonding**

H.B. 53 provides the authority to issue up to \$313 million in state highway bonds over the FY 2016-FY 2017 biennium. This is a 42.3% increase in bonding authority over the \$220 million provided for in the FY 2014-FY 2015 biennium. The Ohio Constitution allows only \$220 million to be issued in any single fiscal year and no more than \$1.2 billion in outstanding principal at any one time. Total appropriations using state highway bond proceeds are \$312.6 million in the upcoming biennium.

Under H.B. 53, about three-quarters of state highway bond proceeds in the upcoming biennium are directed toward pavement and bridge preservation, while the remainder is dedicated to Major New construction projects. The main operating budget, H.B. 64, includes the appropriations for debt service payments on these state highway

bonds under the budget of the Commissioners of the Sinking Fund. The payments are estimated to total approximately \$127.2 million in FY 2015. For the upcoming biennium, funding for this purpose is \$119.9 million in FY 2016 and \$134.1 million in FY 2017. ODOT maintains a policy of dedicating no more than 20% of state revenue dedicated to debt service on these bonds.

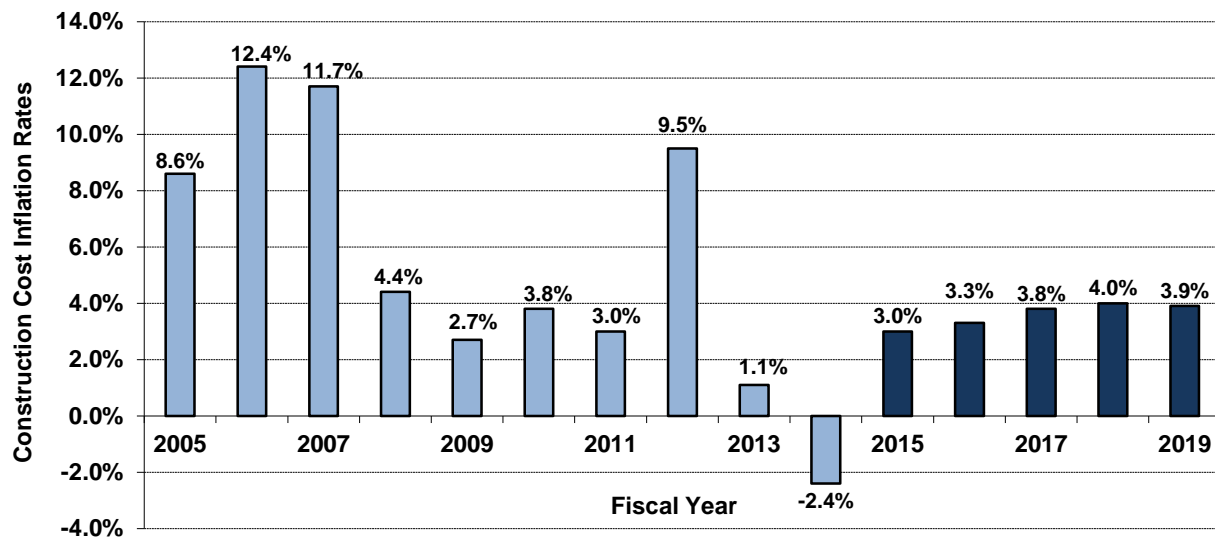
### **GARVEE Bonding**

Appropriations of \$337.3 million over the next biennium are funded by GARVEE bonds. Similar to the use of state highway bonds, under H.B. 53 about 78% of the GARVEE bond revenue will pay for pavement and bridge preservation, while the remaining 22% is directed to Major New construction projects. The debt service on GARVEE bonds is paid out of the Highway Operating Fund and is estimated to amount to \$169.7 million in FY 2015 (18.6% from state gas tax funds and 81.4% from federal gas tax funds). FY 2016 appropriations for this purpose are \$176.8 million (14% state and 86% federal), and in FY 2017 it amounts to \$172.4 million (15% state and 85% federal). As with state debt service costs, ODOT's policy is to have no more than 20% of federal revenue dedicated to GARVEE bond debt service. GARVEE bond debt service amounted to 13.5% of federal revenues in FY 2014.

### **Construction Cost Outlook and Forecast**

As part of the budget planning process, ODOT's Bid Analysis and Review Team produces a five-year Construction Cost Outlook and Forecast. As shown in Chart 4 below, construction cost inflation has fluctuated substantially over the last decade. While strong demand for construction commodities pushed inflation rates higher between FY 2005 and FY 2007, there was a pronounced decline in the rate of inflation during the recession and its aftermath. Despite a notable uptick in inflation in FY 2012, rates again fell in FY 2013 and actually deflated in FY 2014. For FY 2015, the expectation is that construction cost inflation will rise by 3% and tick moderately upwards but no higher than 4% in each of the next four fiscal years.

Chart 4: Construction Cost Inflation Rates, FY 2005-FY 2019



### H.B. 53 Highlights

Several changes to permanent law in the Ohio Revised Code and provisions of uncodified law in H.B. 53 affect revenue and expenditures to ODOT in conducting their operations. This section outlines the major policy changes and summarizes their potential fiscal effects.

#### Vetoed – Codification of the Ohio Bridge Partnership Program

H.B. 53, as passed by the General Assembly, sought to create the Ohio Bridge Partnership Program as a permanent statutory program through FY 2019 and allocate \$10 million for the program in the FY 2016-FY 2017 biennium. These provisions were vetoed by the Governor.

Originally, ODOT announced the creation of the Ohio Bridge Partnership Program in October 2013, committing \$120 million in federal funds to repair and replace county and municipal bridges across the state. This money is to be spent over three years from FY 2015 to FY 2017 to fund the repair or replacement of 220 local bridges. Of the total amount, \$110 million will be used for county bridges and the remaining \$10 million will be used for municipal bridges. In terms of revenue sources, \$100 million is supported through proceeds of GARVEE bonds, while the remaining \$20 million will be traditional federal HTF subsidies.

The provisions in H.B. 53 would have established the program in permanent law and required ODOT to identify an additional \$10 million in the next biennium on top of the \$120 million already committed for the program. The bill also repealed the program at the end of FY 2019. All of these provisions were vetoed. Nonetheless, included in Governor Kasich's veto message was a pledge to allocate an additional \$10 million in

the FY 2016-FY 2017 biennium for this program (in addition to the \$120 million already committed in the current biennium). ODOT has not stated a specific source of revenue that would cover this extra \$10 million in the next biennium.

In order to qualify for funding under the Ohio Bridge Partnership Program, a bridge (1) must meet the federal definition of a bridge and be more than 20 feet long, (2) must be currently open to traffic, and (3) must be designated as "structurally deficient." As a condition for receiving federal aid, ODOT must spend at least 15% of its federal allocations on bridges that are not part of the National Highway System. Spending on the Ohio Bridge Partnership Program will be counted toward that requirement.

### **Indefinite Delivery Indefinite Quantity Contracting**

The transportation budget bill enables ODOT to enter into up to two indefinite delivery indefinite quantity (IDIQ) contracts annually during the FY 2016-FY 2017 biennium. The bill defines an IDIQ contract as a contract for an indefinite quantity, within stated limits, of supplies or services that will be delivered by the awarded bidder over a defined contract period. Subject to the terms and conditions that ODOT develops in setting the parameters of these IDIQ contracts, this additional flexibility could lead to savings on the selected projects that utilize the IDIQ contract opportunity, depending on the supplies or services to be provided, and the circumstances involved with the projects. On the other hand, the IDIQ contracts might result in higher costs than could have been agreed to under the Department's standard operating procedure, if other variables transpired.

### **Pilot Program for 100-Year Service Life Design Standard for Bridges**

H.B. 53 requires ODOT to operate a pilot program to utilize a 100-year service life design standard for the construction of between five and eight new bridges across the state. The 100-year service life design standard must be the standard set forth in the "Design Guide for Bridges Service Life (2013)" publication that was published by the Transportation Research Board. The bill specifies that ODOT shall select the bridges to be constructed across the state representing a mixture of counties that are urban, suburban, and rural in nature. This pilot program would likely result in an increase of costs to ODOT from the Highway Operating Fund over the course of the pilot program, the amount of which depends on the types of bridges that ODOT selects. Currently, ODOT uses a 75-year service life design standard as defined by the American Association of State Highway and Transportation Officials (AASHTO).

### **Assumption of Environmental Review Duties from Federal Agencies**

The bill allows ODOT to assume responsibility from the federal government for certain duties involved with environmental review of proposed transportation projects required under the National Environmental Policy Act (NEPA). The federal Moving

Ahead for Progress in the 21st Century Act of 2012 (MAP-21) enabled state departments of transportation to assume this role in lieu of federal government agencies, such as the Federal Highway Administration (FHWA). According to ODOT, other states, including Florida and Texas, have already assumed these duties, resulting in cost and time savings on projects, largely because of the avoidance of duplicative review practices done on the state and federal levels. Any cost savings to the state as a result of this provision would be borne out of the Highway Operating Fund.

### **Local Matching of Federal and State Highway Funding**

Current law allows ODOT to waive the county, municipal, or township portion of highway construction costs provided that preliminary design, right-of-way acquisition, and environmental studies have been completed. The bill eliminates the requirement that this preliminary work be done in order for ODOT to provide funding to local governments. The effect would be to allow ODOT to pay for more kinds of local costs in matching federal funding of highway construction projects. This provision could result in a potential rise in expenditures from Highway Operating Fund (Fund 7002) line item 772421, Highway Construction – State, to provide state funds to cover local matching requirements, under ODOT's discretion and subject to the availability of funds for this purpose.

### **Regulation of Outdoor Advertising Devices**

The bill specifies that any fines or fees collected with regard to outdoor advertising devices, such as billboards, must be deposited into the Highway Operating Fund (Fund 7002) to be used solely for the purposes of enforcing and administering the requirements related to outdoor advertising devices. According to ODOT, the fine and fee revenue is already being deposited into the Highway Operating Fund, and the Department has received an average of approximately \$725,000 annually in fees from this activity in recent years. ODOT indicates that the cost to enforce the outdoor advertising device law has fluctuated, sometimes exceeding annual revenue. Nonetheless, the Department expects the costs to fall more in line with revenues generated in the future.

### **Elimination of State Vehicle Biodiesel Consumption Requirements**

H.B. 53 eliminates the current requirements that vehicles owned or leased by state agencies use minimum amounts of E-85 blend gasoline and blended biodiesel. In current law, the Department of Administrative Services enforces these requirements. According to a performance audit of ODOT conducted by the Auditor of State in 2012, these biodiesel requirements cost the Department approximately \$800,000 per year in extra fuel costs over what ODOT would have paid for fuel from traditional sources. The Highway Operating Fund would realize these cost savings.

### **Signs on Interstate Freeways Indicating "Keep Right Except to Pass"**

H.B. 53 requires ODOT to erect signs stating "Keep Right Except to Pass" on interstate freeways that consist of at least three lanes. According to ODOT, this provision would result in around \$150,000 in costs paid out of the Highway Operating Fund to produce and install the new signs. The bill includes no enforcement or penalties from motorists not complying with the signs' directive.

### **Joint Legislative Task Force on Department of Transportation Issues**

The bill creates the Joint Legislative Task Force on Department of Transportation Issues within the General Assembly. The Task Force is to study the following issues:

1. Methods for increasing the speed on, and access to, rural highways and freeways;
2. Methods for saving money on license plates, including a single license plate requirement;
3. The effectiveness of the state motor fuel tax in meeting ODOT funding needs; and
4. Alternative methods to fund Ohio roadways and infrastructure.

For (1) and (2) listed above, the Task Force must publish a report of its findings and recommendations by December 15, 2015. Presumably, the Ohio Department of Public Safety (DPS) would be involved with (2), since DPS is the agency that oversees the license plate requirement in the state. For issues (3) and (4), the Task Force must publish a report on those findings and recommendations by December 15, 2016. The Task Force is abolished once the second report is produced.

In a separate piece of temporary law, H.B. 53 also allows the General Assembly to create a Transportation Oversight Committee on Rural Busing. If the Committee is established, it is to study whether rural busing routes are sufficiently meeting the transit needs of the communities they serve, and to produce a report of its findings by December 15, 2016.

### **ODOT Report on a Portion of the Eastern Corridor Project**

Also in uncodified law, H.B. 53 requires ODOT to submit a report of the advancement of developing the Department's preferred alignment of the construction project named "SR 32F – New Connector from the Red Bank Road to Bells Lane" to the President of the Senate and Speaker of the House of Representatives by the end of December 2015. This is a Major New construction project overseen by ODOT's Transportation Review Advisory Council (TRAC), part of the larger Eastern Corridor project running through Clermont and Hamilton counties in southwest Ohio. Various sections of the Eastern Corridor project are already under construction, but this portion that would realign State Route 32 remains in the preconstruction and planning phase.

## Continuing Temporary Law Provisions

### Use of Flexible Federal Funds for Public Transit Assistance

For FY 2016 and FY 2017, as in the current biennium, the transportation budget bill designates \$20 million per year in flexible federal highway dollars to further assist transit agencies. Of the total amount, \$6 million per year will be distributed to 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, capitalized operating expenses (e.g., preventive maintenance, tires, and fuel), and facility rehabilitation and renovation. More detail concerning this arrangement can be found under "**Category 3: Public Transit**" starting on page 33 of this Greenbook.

### Evaporation Discount for Fuel Dealers and Wholesalers

The Ohio Revised Code requires motor fuel dealers to report and pay the MFT on the number of gallons of taxable fuel handled. Statutorily, motor fuel dealers are allowed to subtract 3% of those gallons as an allowance for shrinkage (except that only 2% could be claimed for fuel sold to a retail dealer) while retail dealers of motor fuel are permitted to apply for a refund under the tax base of 1% of the gallons that they handle on which tax has been paid.

Recent transportation budget bills have temporarily reduced the amount of this credit. H.B. 53 continues this for the FY 2016-FY 2017 biennium by setting the shrinkage allowance at the same amount authorized in the FY 2014-FY 2015 transportation budget bill. This allows wholesalers to subtract 1% of those gallons 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. Retail dealers in motor fuel do not pay the MFT directly, but instead purchase fuel from wholesalers who have paid the tax. The price that retailers pay to wholesalers therefore includes the MFT. Overall, this provision would result in additional retained motor fuel tax revenue, by approximately \$33.2 million annually in the upcoming biennium. This revenue is distributed from the Highway Operating Fund to various entities as statutorily prescribed by formula, but most would be kept by ODOT.

### State Motor Fuel Tax Distributions

Temporary law in the bill requires the Treasurer of State to deposit the first 2% of the state motor fuel tax received each month into the Highway Operating Fund before making the other distributions required by law in the FY 2016-FY 2017 biennium. The same provision was in place for the current biennium, and results in slightly more revenue to the Highway Operating Fund and an offsetting decrease in revenue to the other state and local government funds that receive state motor fuel tax distributions by formula under permanent law. As shown in Chart 5 on page 15 below, the Highway

Operating Fund receives a majority of total motor fuel tax distributions, but it still only amounted to 55.8% of the total revenue from that funding source.

Another provision in H.B. 53 requires the Director of Budget and Management to transfer cash in equal monthly increments totaling \$165.7 million in each year of the FY 2016-FY 2017 biennium from the Highway Operating Fund (Fund 7002) to the Gasoline Excise Tax Fund (Fund 7060). Municipal corporations receive 42.86%, counties receive 37.14%, and townships receive 20% of the revenues from this source. The total amounts transferred for FY 2016 and FY 2017 are about 5% less than the \$173.9 million transferred to local governments under this provision in FY 2015. As a result, this would modestly decrease the share of motor fuel tax revenue received by local governments under this provision. However, local governments also receive MFT revenue from the State and Local Highway Distribution Fund (Fund 7068) apart from the revenue from Fund 7060. Total allocations to local governments amounted to \$569.8 million in FY 2014, when adding together distributions from both Fund 7060 and Fund 7068.

### **Transfers and Reappropriations**

The bill includes several continuing provisions of temporary law that provide for the transfer of appropriations and cash in the Highway Operating Fund and other funds, including the reappropriation of unspent amounts. The bill allows the Office of Budget and Management (OBM) to approve ODOT requests to (1) transfer appropriations between various line items within the Highway Operating Fund to cover unforeseen costs and optimize the use of federal funds, (2) transfer appropriations and cash between various State Infrastructure Bank funds and line items, (3) transfer appropriations and cash from the Highway Operating Fund to the State Infrastructure Bank funds subject to certain requirements, and (4) transfer appropriations and cash of the Ohio Toll Fund and any subaccounts created within the Ohio Toll Fund. Additionally, the bill permits the Director of Transportation to request the Controlling Board to increase appropriations out of the Highway Operating Fund in the event that revenues or apportionments or allocations from the federal and local governments exceed estimates. Finally, the bill specifies that appropriations of the Highway Operating Fund, the Highway Capital Improvement Fund (Fund 7042), and the State Infrastructure Bank funds remaining unencumbered at the end of FY 2015 and FY 2016 be reappropriated for the same purposes in FY 2016 and FY 2017, respectively, subject to approval by OBM.



## TRANSPORTATION SYSTEM STATISTICS

### Snapshot of Ohio's Public Roadways

Ohio's public roadway system consists of federal interstate routes, U.S. routes, state routes, and local public roadways. The entire system contains 121,391 centerline miles of roadway (i.e., the total linear mileage of a roadway, regardless of the number of lanes). Of this total, local governments are responsible for maintaining 105,364 centerline miles (86.8% of the total) while ODOT is responsible for maintaining the other 16,027 centerline miles (13.2% of the total).

ODOT is responsible for maintaining all interstate highways (excluding the 241-mile long Ohio Turnpike, managed by the Ohio Turnpike and Infrastructure Commission) and U.S. and state routes outside municipal boundaries. Municipal corporations (cities and villages) are responsible for U.S. and state routes within their borders. Local governments are also responsible for all local public roadways.

Roadway Type	ODOT Maintained	Locally Maintained	Total
Interstate Routes	1,332	0	1,332
U.S. Routes	3,026	887	3,913
State Routes	11,669	2,311	13,980
Local Public Roadways	0	102,166	102,166
<b>TOTAL</b>	<b>16,027</b>	<b>105,364</b>	<b>121,391</b>

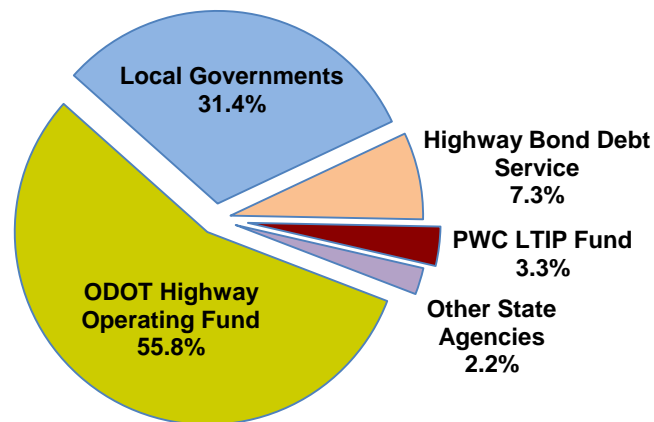
As of May 2013, there were 184.1 million daily vehicle miles traveled on Ohio's state highway system, on average. Of these, 161.6 million vehicle miles (87.8%) were traveled by passenger vehicles, and 22.5 million miles (12.2%) were traveled by trucks. Overall, Ohio's highway transportation infrastructure system ranks 8th in the nation in the number of centerline miles of public roadway with just over 120,000, and ranks 2nd in the number of bridges with about 28,000.

### State Motor Fuel Tax Uses

Revenue from the 28 cents per gallon state MFT is distributed to various state agencies and local governments using a statutory formula. As Chart 5 below shows, the Highway Operating Fund, which ODOT uses to finance road and bridge construction and maintenance, was allocated \$1.01 billion in FY 2014, the largest share (55.8%) of MFT revenue in that fiscal year. The \$569.8 million distributed to local governments accounted for the next largest share (31.4%) of MFT outlays. A portion of MFT revenue is used to cover debt service on highway capital improvement bonds issued to finance highway construction, pavement maintenance, and bridge preservation projects. In

FY 2014, these payments amounted to \$132.5 million (7.3%) of MFT receipts. One cent per gallon of the MFT is dedicated to funding the Local Transportation Improvement Program (LTIP) overseen by the Public Works Commission. This money is directed to local governments for road and bridge projects. In FY 2014, MFT distributions for this purpose amounted to \$59.7 million (3.3%) of MFT receipts for the fiscal year.

**Chart 5: Motor Fuel Tax Distribution in FY 2014**



**ODOT Construction Allocations by Work Type**

As Table 5 below shows, ODOT allocated approximately \$2.4 billion to construction projects in FY 2014. Overall, almost \$1.8 billion (74.4%) was allocated to pavement, Major New, and bridge construction projects. Locally funded projects are projects for which local governments reimburse ODOT and accounted for \$342.9 million (14.3%) of ODOT's FY 2014 funding allocations. Finally, safety upgrades, noise walls, pavement markers, guardrails, mowing, rest area maintenance, and fence repair accounted for \$274.1 million (11.4%) of the FY 2014 total.

<b>Table 5. ODOT Highway Construction Allocations, FY 2014</b>		
<b>Work Type</b>	<b>FY 2014 Allocation (in millions)</b>	<b>% of Total</b>
Pavement	\$713.9	29.7%
Major New	\$557.5	23.2%
Bridge	\$516.4	21.5%
Locally Funded	\$342.9	14.3%
Other	\$274.1	11.4%
<b>TOTAL</b>	<b>\$2,404.8</b>	<b>100.0%</b>

## **ANALYSIS OF ENACTED BUDGET**

### **Introduction**

This section provides an analysis of H.B. 53 appropriations for each non-GRF appropriation item in ODOT's budget. The Department's GRF appropriations are provided in the main operating budget bill, which for the FY 2016-FY 2017 biennium is H.B. 64 of the 131st General Assembly. In this analysis, ODOT's line items are grouped into seven 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 H.B. 53. If the appropriation is earmarked, the earmarks are listed and described. The seven categories used in this analysis are as follows:

1. Highway Construction and Maintenance
2. Planning and Research
3. Public Transportation
4. Rail
5. Aviation
6. Debt Service
7. Administration

To aid the reader in finding each item in the analysis, Table 6 on the following page indicates 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 that the items appear in the transportation budget bill.

<b>Table 6. Categorization of ODOT's Line Items for Analysis of Enacted Budget</b>				
<b>Fund</b>	<b>ALI</b>	<b>ALI Name</b>		<b>Category</b>
<b>Highway Operating Fund Group</b>				
2120	772426	Highway Infrastructure Bank – Federal	1	Highway Construction and Maintenance
2120	772427	Highway Infrastructure Bank – State	1	Highway Construction and Maintenance
2120	772430	Infrastructure Debt Reserve Title 23-49	6	Debt Service
2130	772431	Roadway Infrastructure Bank – State	1	Highway Construction and Maintenance
2130	772433	Infrastructure Debt Reserve – State	6	Debt Service
2130	777477	Aviation Infrastructure Bank – State	5	Aviation
7002	770003	Transportation Facilities Lease Rental Bond Payments	6	Debt Service
7002	771411	Planning and Research – State	2	Planning and Research
7002	771412	Planning and Research – Federal	2	Planning and Research
7002	772421	Highway Construction – State	1 2	Highway Construction and Maintenance Rail
7002	772422	Highway Construction – Federal	1 3	Highway Construction and Maintenance Public Transportation
7002	772424	Highway Construction – Other	1	Highway Construction and Maintenance
7002	772437	Major New State Infrastructure Bond Debt Service – State	6	Debt Service
7002	772438	Major New State Infrastructure Bond Debt Service – Federal	6	Debt Service
7002	773431	Highway Maintenance – State	1	Highway Construction and Maintenance
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
7002	777472	Airport Improvements – Federal	5	Aviation
7002	777475	Aviation Administration	5	Aviation
7002	779491	Administration – State	7	Administration
<b>Dedicated Purpose Fund Group</b>				
4N40	776664	Rail Transportation – Other	4	Rail
5W90	777615	County Airport Maintenance	5	Aviation
<b>Capital Projects Fund Group</b>				
7042	772723	Highway Construction – Bonds	1	Highway Construction and Maintenance
7045	772428	Highway Infrastructure Bank – Bonds	1	Highway Construction and Maintenance

### Category 1: Highway Construction and Maintenance

This category of appropriations includes the major sources of state and federal funding for the design, purchase of right-of-way, building, and rehabilitation of the highway system. Table 7 below displays the appropriations for this purpose, listed by fund group in order from highest funding in the biennium to lowest.

<b>Table 7. Appropriations for Highway Construction and Maintenance</b>				
<b>Fund</b>	<b>ALI</b>	<b>ALI Name</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Highway Operating Fund Group</b>				
7002	772422	Highway Construction – Federal	\$986,223,456	\$1,012,306,620
7002	772421	Highway Construction – State	\$599,586,058	\$576,282,383
7002	773431	Highway Maintenance – State	\$506,200,000	\$519,400,000
7002	772424	Highway Construction – Other	\$80,000,000	\$80,000,000
2120	772427	Highway Infrastructure Bank – State	\$9,825,000	\$9,825,000
2120	772426	Highway Infrastructure Bank – Federal	\$3,500,000	\$3,500,000
2130	772431	Roadway Infrastructure Bank – State	\$3,500,000	\$3,500,000
<b>Highway Operating Fund Group Subtotal</b>			<b>\$2,188,939,514</b>	<b>\$2,204,814,003</b>
<b>Capital Projects Fund Group</b>				
7045	772428	Highway Infrastructure Bank – Bonds	\$131,209,431	\$206,053,254
7042	772723	Highway Construction – Bonds	\$146,330,382	\$166,254,827
<b>Capital Projects Fund Group Subtotal</b>			<b>\$277,539,813</b>	<b>\$372,208,081</b>
<b>Total Funding: Highway Construction</b>			<b>\$2,466,374,327</b>	<b>\$2,577,022,084</b>

### Core Four Highway Construction and Maintenance Line Items (772421, 772422, 772424, and 773431)

#### Summary

This core group of four line items (referred to as the "Core Four" in this Greenbook) funds ODOT's highway construction and maintenance programs using a combination of federal, state, and local participation funds. The Core Four of funding comprises the largest component of ODOT's budget, totaling about \$4.36 billion in the FY 2016-FY 2017 biennium, making up 74.3% of total appropriations to ODOT in H.B. 53.

Of the Core Four, line items 772421, Highway Construction – State, and 773431, Highway Maintenance – State, are supported by state motor fuel tax revenues. Line item 772422, Highway Construction – Federal, uses revenues from the federal Highway Trust Fund apportioned to the state by Congress, while line item 772424, Highway Construction – Other, uses local participation dollars.

Appropriation items 772421 and 772422 are the primary source of state and federal dollars 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. Appropriation item 772424 provides for local highway and bridge design, resurfacing, restoration, replacement, and upgrading; new construction; noise walls and barriers; and pedestrian and bicycle facilities. Appropriation item 773431 funds a portion of the Highway Operating Program, while the balance funds ODOT's maintenance contracts, all of which are discussed in greater detail below.

Table 8 below summarizes the H.B. 53 appropriations by program for the Core Four highway construction and maintenance line items, followed by a detailed description of each program. Please note that the figures listed in the table may represent only a portion of the total for that program since some are funded by other line items in ODOT's budget. This is especially the case for both the Preservation of Pavement and Bridges and Major New construction programs, which are also significantly funded by state highway bonds and federal GARVEE bonds, as shown further below in this category of the Greenbook. Also, the Core Four line item appropriations additionally include funding directed toward public transit and rail-highway grade crossings, which are discussed in the Public Transportation and Rail categories of this Greenbook, respectively; thus, these funding amounts are not included in Table 8.

<b>Table 8. Highway Construction and Maintenance Program Allocations from Core Four Line Items (in millions)*</b>			
<b>Program</b>	<b>FY 2015 Est.</b>	<b>FY 2016 Rec.</b>	<b>FY 2017 Rec.</b>
Preservation of Pavement and Bridges	\$936.9	\$875.1	\$901.3
Highway Operating	\$575.0	\$608.1	\$624.6
Local Government Programs	\$374.8	\$375.9	\$396.5
Other Construction Programs	\$86.0	\$104.9	\$104.9
Safety Programs	\$102.0	\$102.0	\$102.0
Highway Maintenance Contracts	\$46.9	\$51.3	\$51.3
Major New Construction	\$75.8	\$54.7	\$7.4
<b>TOTAL</b>	<b>\$2,197.3</b>	<b>\$2,172.0</b>	<b>\$2,188.0</b>

\*Additional funding for these programs comes from the state and federal bond-funded line items in ODOT's budget through line items 772428 and 772723, discussed within this category below.

## **Program Details**

### **Preservation of Pavement and Bridges**

The transportation budget bill provides \$875.1 million in FY 2016 and \$901.3 million in FY 2017 within the amount allocated for Preservation of Pavement and Bridges area of funding among these Core Four highway construction and maintenance

line items. However, H.B. 53 also supplements the state and federal motor fuel tax revenues used for the Pavement and Bridge Preservation Program with an additional \$217 million in FY 2016 and \$276 million in FY 2017 generated from bond proceeds (in line items 772428 and 772723). This brings the total Pavement and Bridge Preservation appropriations under the transportation budget bill to \$1.09 billion in FY 2016 and \$1.18 billion in FY 2017. The total FY 2016 appropriations for the program are 10% higher than estimated FY 2015 program spending of \$993 million, while the FY 2017 budget is 7.8% higher than that for FY 2016.

This program provides funds to ODOT districts in order to maintain the existing programs on 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 funding is used to remedy deficiencies in bridge paint condition, wearing surfaces, and deck condition. Costs covered by this funding include engineering and design services, right-of-way acquisition, utility relocation, construction, and inspection among the 12 ODOT district offices throughout the state. Generally, two-thirds of the program's funding is allocated to pavement projects while the remaining one-third is allocated to bridge preservation. The priority is to take care of pavement and bridge preservation needs first before addressing new capacity or congestion reduction projects.

### **Highway Operating**

Appropriations of \$608.1 million in FY 2016 and \$624.6 million in FY 2017 cover the operating costs, such as payroll, supplies, and equipment for all of ODOT's highway construction programs. The FY 2016 funding level is 5.8% above estimated FY 2015 spending of \$575 million under this area. Over the next two fiscal years, \$744.3 million (60.4%) will be directed to personnel costs, \$276.2 million (22.4%) to supplies and maintenance, \$94.7 million (7.7%) to equipment, \$85 million (6.9%) to capital expenditures related to ODOT's facilities, and \$32.5 million (2.6%) to purchased personal services and other miscellaneous expenses.

Specifically, the amounts budgeted are to cover district and central office costs for personnel that administer ODOT highway operations. The \$744.3 million budgeted for ODOT's Highway Operating Program personnel costs represents 85.1% of all Department expenditures for staff wages and fringe benefits. This is in line with the total Department share of personnel costs over the current biennium.

ODOT's operations include 12 district headquarters, 101 maintenance facilities, and 95 outposts statewide, as well as the central office in Columbus. Other costs covered in this area of funding include 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, legal

counsel and contract administration, and construction project administration. In the FY 2014-FY 2015 biennium, this program also began funding the capital costs of ODOT's facilities. However, some of those capital costs are not included in the program allocations noted in the table above, since in the FY 2016-FY 2017 biennium some of these expenses will be paid out of line item 77003, Transportation Facilities Lease Rental Bond Payments. More discussion on this line item can be found in "**Category 6: Debt Service**" of this Greenbook.

### **Local Government Programs**

This program allocates federal funds for several local government programs, which are described in further detail below. H.B. 53 appropriates \$375.9 million in FY 2016 and \$396.5 million in FY 2017 for these programs. The FY 2016 amount is in line with FY 2015 funding, while the FY 2017 amount is 5.5% higher than the FY 2016 allocation.

**Metropolitan Planning Organizations.** This program provides funds to each of the 17 Metropolitan Planning Organizations (MPOs) and five large cities for multi-modal transportation system improvement projects and programs in Ohio's urban areas. The MPOs are located in urban regions with populations of more than 50,000 people, while the five large cities have populations between 25,000 and 50,000 in Ohio.

The federal funding to the MPOs and large cities is allocated to three programs. First, the Surface Transportation Program (STP) provides flexible funding to preserve local roads, bridges, pedestrian and bicycle infrastructure, and transit projects. ODOT supplies STP funding for the local organizations by population. A total of \$101.3 million was allocated to STP in FY 2014. The second program is the Congestion Mitigation and Air Quality (CMAQ) Program. The purpose of the CMAQ Program is to help entities attain federal Clean Air Act requirements. A total of \$90.5 million was available in CMAQ allocations from FY 2014 funds. Finally, the Transportation Alternatives Program provides funding for various surface transportation projects, such as the conversion of unused railroad corridors to bike trails and the building of safe routes for nondrivers. In FY 2014, 10% of the amount each MPO received in STP funding was allocated for the Transportation Alternatives Program, for an aggregate of \$10.1 million.

**Local Participation.** Local participation funding represents the local share of construction projects to be awarded and administered by ODOT. Funding could be supplied entirely by the local government or funded 80% by the federal government with the local government supplying the 20% match.

H.B. 53 amends section 5531.08 of the Revised Code to give ODOT more flexibility in paying for the local match. In current law, ODOT can only pay local costs for actual construction. However, the policy change allows ODOT to pay for local costs of preconstruction, such as preliminary studies, right-of-way acquisitions, and



engineering and design work. This could result in a potential increase in state expenditures out of the Highway Operating Fund to provide additional funds to cover local matching requirements.

**Local Bridge Programs.** Three ODOT programs use federal funding that is passed down to local governments for bridge projects: (1) the Ohio Bridge Partnership Program, (2) the County Local Bridge Program, and (3) the Municipal Bridge Program.

The Ohio Bridge Partnership Program was formed in October 2013 and committed \$120 million in federal funding to repair or replace 220 county and municipal bridges. Although all of the \$120 million is committed in the current biennium, the construction will go through FY 2017. In order to be selected for the program, a bridge (1) must meet the federal definition of a bridge and be more than 20 feet long, (2) must be currently open to traffic, and (3) must be designated as "structurally deficient."

H.B. 53, as passed by the General Assembly, sought to create the Ohio Bridge Partnership Program as a permanent statutory program through FY 2019 and to allocate another \$10 million for the program in the FY 2016-FY 2017 biennium above the \$120 million committed in the FY 2014-FY 2015 biennium. These provisions were vetoed by the Governor. Nonetheless, included in Governor Kasich's veto message was a statement that ODOT would commit another \$10 million to the program in the FY 2016-FY 2017 biennium, using additional funding that comes to the Department. The actual source of funding of this extra \$10 million has not yet been identified by ODOT.

The County Local Bridge Program is managed by the County Engineers Association of Ohio, which is responsible for project selection, funding criteria, and program priorities. The program provides counties with ongoing federal money for bridge replacement or rehabilitation. Each county has a \$7.5 million federal funding limit for projects within any four-year program period, subject to a six-year statewide programming limit. The program was allocated a total of \$34.4 million in FY 2014 funding.

The Municipal Bridge Program provides federal funds for ODOT for construction costs of municipal bridge projects, up to 80% of total project construction costs. Around \$8 million each year goes to fund projects under the program.

**County Surface Transportation Program.** The County Surface Transportation Program has two components: (1) a regular construction funding program for eligible roadway improvements and (2) a program administered by the Department of Public Safety (DPS) for safety studies. Out of the program, \$1 million is set aside for safety studies. Like the County Local Bridge Program, it is managed by the County Engineers Association of Ohio, and each county is permitted to program eligible construction projects up to a \$5 million overall funding limit for projects within any four-year

program period, subject to a six-year statewide programming limit. Specific project funding limits under the County Surface Transportation Program are \$300,000 per county for each guardrail project, \$150,000 per county for each pavement marking project, and \$75,000 per county for each raised pavement marker project. The program is allocated around \$14 million annually.

**County Highway Safety Program.** The County Highway Safety Program provides funding to counties for highway safety treatments or corrective activity to alleviate a safety problem or potentially hazardous situation. The standard federal participation rate is 80% of roadway projects and sign upgrades, 90% of safety studies, and 100% of guardrail, pavement marking, and curve sign upgrade projects. Although there are limits on funding per type of project, in general, the maximum funding is \$5 million per project. This program is also allocated around \$14 million annually.

**Small City Program.** This federally funded program provides assistance to cities with populations between 5,000 and 24,999. This program may be used by incorporated localities for any road, safety, or signal project on the federal-aid highway system. The program receives around \$8 million in funding annually.

**Safe Routes to Schools.** This program provides funds to local communities to make walking and bicycling to school a safe and routine activity. Funding is available for a wide variety of programs and projects, from building safer street crossings to establishing programs that encourage children and their parents to walk and bicycle safely to school. Approximately \$4 million each year is provided for this purpose.

#### **Other Construction Programs**

There are a number of programs that fall under the Other Construction Programs banner, for which H.B. 53 includes appropriations for \$104.9 million in each year of the FY 2016-FY 2017 biennium. The funding is derived from state and federal motor fuel tax sources, and is used for many purposes, including, but not limited to, the following:

1. Allocation of federally earmarked funds to the appropriate local government entity;
2. Construction of the Appalachian corridor highways in Ohio;
3. Assistance for geological site management projects, including slopes and slides, rockfalls, underground mines, and erosion;
4. Emergency funding 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. Grant assistance to businesses through the Jobs and Commerce Unrestricted Program in removing transportation barriers in order to create jobs;

6. Exploration and development of public-private partnerships (P3s);
7. Funding for the replacement and rehabilitation for the rest areas on the state and national highway system;
8. Construction, reconstruction, and maintenance of public access roads to and within facilities owned or operated by the Department of Natural Resources, the Ohio Expositions Commission, the Ohio History Connection, and within the boundaries of metropolitan parks;
9. Retrofitting of roadways with noise barriers statewide; and
10. Transportation improvement projects that improve safety for motorists and horse drawn vehicles in areas with substantial Amish populations.

### **Safety Programs**

This program provides funding for 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 2% annually. Ohio's fatality rate per 100 million vehicle miles traveled was 0.88 in 2013, the most recent year that the National Highway Traffic Safety Administration (NHTSA) has published data. This is an 11.1% decrease from the rate of 0.99 in 2012, and an overall improvement of 26.7% from the highest recent rate of 1.20 occurring in 2005. The national average fatality rate per 100 million vehicle miles traveled in 2013 was 1.11.

Eligible safety projects include signing, striping, clearing brush, traffic signal coordination, two-way left turn lanes, additional lanes, and other roadway modifications. Allocations of \$102 million in each fiscal year of the FY 2016-FY 2017 biennium for these purposes are approximately the same amount as estimated FY 2015 spending on these projects. Of the total funding in the next biennium, 22.5% comes from state MFT revenues, and the remaining 77.5% is derived from federal Highway Trust Fund allocations.

### **Highway Maintenance Contracts**

These contracts provide for the maintenance of the state highway system, including keeping the system in a safe and attractive condition, collecting traffic management information, providing tourist material and clean rest areas for the public, and maintaining ODOT facilities and equipment. Appropriation item 773431, Highway Maintenance – State, is the sole line item for this program, which funds contracts that support several activities, described below. H.B. 53 provides \$51.3 million in each year of the FY 2016-FY 2017 biennium, a rise of 9.4% (\$4.4 million) over estimated FY 2015 spending of \$46.9 million. The bulk of these additional funds are budgeted in the category of capital expenses, and a portion of these represent contingency funds that ODOT 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.

**Rest Area Maintenance and District Cleaning.** This program employs individuals with disabilities to clean roadside rest areas and ODOT facilities along the highway system. ODOT uses contracted cleaning services to carry out this work. ODOT currently has 106 rest areas, 88 central county garages, 107 outpost facilities, and 12 district headquarters, in addition to the central office headquarters.

**Traffic System Maintenance.** This program maintains traffic control devices on the state highway system. Examples of traffic control signals include highway lighting, signage, striping, and raised pavement markers. The program also includes the state's Intelligent Traffic Systems, which provides real-time travel information to ODOT managers and the traveling public for travel route decision making.

**Roadway Maintenance.** This program consists of pothole patching, chip and crack sealing, surface paving and treatment, spot berming and restoration, and full depth repair of roadways to repair isolated damage. Also included are upgrades and repairs to guardrail systems to meet current standards. The replacement schedule for a guardrail is 20 years. Finally, this program also is responsible for the removal of vegetation, mowing, tree and flower planting, erosion control, drainage ditch obstructions, litter, and the repair of pavement drop-offs.

### **Major New Construction**

This program provides funding for projects that increase mobility, provide connectivity, ease accessibility of a region for economic development, grow the capacity of a transportation facility, and reduce congestion throughout the state. These projects must have costs of \$12 million or more. State motor fuel tax 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 ODOT's list of funding priorities, the program usually absorbs the brunt of the impact if state and federal revenues decrease or if other program costs escalate.

Major New program funding would appear to fall rather precipitously from estimated FY 2015 spending of \$75.7 million through the Core Four line items that fund highway construction or maintenance. Overall, the decrease in the amount from the line items that are part of Table 8 is from \$54.7 million in FY 2016 to \$7.4 million in FY 2017. However, Major New will continue to receive significant funding from other funding sources. First, additional funding for Major New projects is provided through state highway bonds and federal GARVEE bond proceeds, which amounts to \$60.5 million in

FY 2016 and \$96.3 million in FY 2017. Next, recall that ODOT budgeted all of the \$930 million in proceeds it received from the Turnpike from the sale of infrastructure bonds in the FY 2014-FY 2015 biennium, so all of this funding will be encumbered by the end of FY 2015. As a result, none of that money is appropriated in the FY 2016-FY 2017 biennium, even though actual spending using those funds will continue to be paid out over this time frame. Finally, ODOT has more vigorously pursued the financing of large Major New projects through P3 agreements such as that with the Portsmouth Gateway Group to build the Portsmouth Bypass, estimated to cost \$429 million. The project will be constructed privately under a P3 agreement, allowing the state to make payments over a negotiated period of time.

**State and Federal Bond-Funded Highway Construction and Maintenance**

Besides the Core Four line items, bond funding supplements state motor fuel tax and federal HTF money for the two highway construction programs under ODOT: the Preservation of Pavement and Bridges Program and the Major New Construction Program. Table 9 below displays the funding allocations of state highway construction bonds, funded through line item 772723, and federal GARVEE bonds, paid through line item 772428. Between the two programs for the FY 2016-FY 2017 biennium, almost \$650 million in funding derives from bonds over the two-year period. Over three-quarters of appropriations would support preservation of pavement and bridges, while the remainder would fund Major New construction projects. More detail on each of the bond funding types is provided below the table.

<b>Table 9. Highway Construction and Maintenance Funding through Bonds, Program Allocations (in millions)</b>					
<b>Program</b>	<b>Bond Type</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>Biennial Total</b>	<b>% of Total</b>
Preservation of Pavement and Bridges	State Highway	\$100.8	\$129.2	\$230.0	35.4%
	Federal GARVEE	\$116.2	\$146.8	\$263.0	40.5%
	<b>Total – Program</b>	<b>\$217.0</b>	<b>\$276.0</b>	<b>\$493.1</b>	<b>75.9%</b>
Major New Construction	State Highway	\$45.5	\$37.0	\$82.5	12.7%
	Federal GARVEE	\$15.0	\$59.3	\$74.3	11.4%
	<b>Total – Program</b>	<b>\$60.5</b>	<b>\$96.3</b>	<b>\$156.8</b>	<b>24.1%</b>
<b>TOTAL</b>		<b>\$277.5</b>	<b>\$372.3</b>	<b>\$649.8</b>	<b>100.0%</b>

**State Highway Bonds (772723)**

The debt service on state bonds is paid from state motor fuel tax revenues from the Highway Operating Fund. The bill authorizes the state to issue up to \$313 million in General Obligation (GO) bonds over the FY 2016-FY 2017 biennium to finance highway projects. Similar to GARVEE bonds, ODOT uses state highway bonds to finance large construction projects to avoid tying up cash that could be used elsewhere. To provide

flexibility with respect to cash needs, a provision in the bill permits the Director of Budget and Management to transfer cash from the Highway Operating Fund (Fund 7002) to the Highway Capital Improvement Fund (Fund 7042) up to the amounts previously transferred between the two funds. The issuance of these bonds is constitutionally restricted to no more than \$220 million in any fiscal year and no more than \$1.2 billion in outstanding principal at any one time. The debt service on the bonds issued is paid out of Fund 7072, line item 155902, Highway Capital Improvement Bond Retirement Fund, which is found under the Commissioners of the Sinking Fund appropriations within the main operating budget.

H.B. 53 provides state highway bond appropriations of \$146.3 million in FY 2016 and \$166.3 million in FY 2017 for a biennial total of \$312.6 million, just under the \$313 million in state highway bonds authorized to be issued for the two-year period. The funding level for FY 2016 is 22.3% above FY 2015 estimated spending of \$119.6 million under the line item, while FY 2017 appropriations represent a 13.7% rise above FY 2016.

#### **Federal GARVEE Bonds (772428)**

This line item primarily funds system preservation projects with GARVEE bonds, which are issued against and retired through ODOT's federal HTF revenues. The debt service on these bonds is paid out of the Highway Operating Fund in line items 772437 and 772438, discussed below in "**Category 6: Debt Service**" of this Greenbook. Although the line item references the "Infrastructure Bank," it is not related to the State Infrastructure Bank Program.

For the FY 2016-FY 2017 biennium, GARVEE bond appropriations are \$337.3 million over the biennium. Taking a look at H.B. 53 funding by fiscal year, the bill provides GARVEE bond funding of \$131.2 million in FY 2016 and \$206.1 million in FY 2017. The amount appropriated in FY 2016 is 35.3% (\$34.2 million) higher than FY 2015 estimated expenditures of \$97 million, while the FY 2017 amount is 57% (\$74.8 million) greater than FY 2016 funding.

#### **State Infrastructure Bank (772426, 772427, and 772431)**

These line items support the highway construction component of the State Infrastructure Bank (SIB) revolving loan program.<sup>1</sup> A total of \$33.7 million is appropriated for these SIB line items in the next biennium. 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 originally capitalized in 1997 with \$137 million in federal and state funds.

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<sup>1</sup> There is also an Aviation Infrastructure Bank component of SIB, discussed in "**Category 5: Aviation**" of this Greenbook.

The \$33.7 million in funding in the FY 2016-FY 2017 biennium is split equally between fiscal years. The three line items making up the funding are separate because of the funding source: 772426 must meet federal highway funding requirements, 772427 is partially limited with federal regulations, and 772431 is state supported. Of the total, 58.4% (\$19.7 million) is appropriated under line item 772427, while the remaining 41.6% is split evenly in funding under the other two line items, amounting to \$7 million for each over the FY 2016-FY 2017 biennium.

The availability of dollars is dependent upon SIB activity and loan repayments. SIB may also issue bonds on behalf of the borrower. There is no set limit and 100% financing is available. Loans have ranged in size from \$72,000 up to \$20 million, and may require the borrower to pay closing costs. Loans are offered to projects that typically do not qualify for federal or state funds.

As of the end of FFY 2012, SIB has issued 168 loans totaling \$489.1 million and seven bonds amounting to \$45.1 million since its inception. The average loan size is \$2.9 million, and the average bond amount is \$6.4 million. Most of the total funding has gone to highway-related projects (81.9%), though SIB has also funded rail, transit, airport, and bikeway projects. There were a total of 86 active loans and three active bonds as of June 30, 2014, with 82 loans already completely paid back.

Lastly, two other line items (772430 and 772433) are used to pay debt service on bonds issued to further capitalize the SIB program in the mid-2000s. These line items are discussed in more detail below in "**Category 6: Debt Service**" of this Greenbook.

### **H.B. 53 Provisions Affecting Highway Construction and Maintenance**

Besides the H.B. 53 provisions already noted in this category, a number of changes to the Revised Code or new uncodified law in the bill would affect ODOT's highway construction and maintenance duties in a general capacity. Below is an analysis of these provisions.

#### **H.B. 53 Earmarks from Line Item 772421, Highway Construction – State**

The transportation budget bill provides uncodified law carried over from previous biennia specifying that appropriation item 772421, Highway Construction – State, may be used for the construction, reconstruction, or maintenance of certain roads. For this bill, the language specifically earmarks \$2,228,000 in each fiscal year from the line item construction and maintenance of park drives or park roads within the boundaries of metropolitan parks. The line item also must be used to pay for work on public access roads, including support features, to and within state facilities owned or operated by the Department of Natural Resources. The line item may be used to perform road reconstruction or maintenance work on behalf of the Ohio Expositions Commission at the state fairgrounds and for the Ohio History Connection, formerly named the Ohio Historical Society, at state historic sites.

H.B. 53 also earmarks up to \$3.5 million in each fiscal year for distribution to transportation improvement districts (TIDs) out of line item 772421, Highway Construction – State. These funds are to be distributed to TIDs to assist with eligible transportation improvement projects, up to the lesser of 25% of the project cost, or \$250,000 per fiscal year. Funds may be used for preliminary engineering, design, right-of-way acquisition, and construction costs, but may not be used for administrative or staffing expenses. A similar provision was in place for the FY 2014-FY 2015 biennium under H.B. 51 of the 130th General Assembly.

#### **Indefinite Delivery Indefinite Quantity Contracting**

The transportation budget bill enables ODOT to enter into up to two indefinite delivery indefinite quantity (IDIQ) contracts annually during the FY 2016-FY 2017 biennium. The bill defines an IDIQ contract as a contract for an indefinite quantity, within stated limits, of supplies or services that will be delivered by the awarded bidder over a defined contract period. Subject to the terms and conditions that ODOT develops in setting the parameters of these IDIQ contracts, this additional flexibility could also lead to potential savings on the selected projects that utilize the IDIQ contract opportunity, depending on the supplies or services to be provided, and the circumstances involved with the projects. On the other hand, the IDIQ contracts might result in higher costs than could have been agreed to under ODOT's standard operating procedure, if other variables transpired.

#### **Pilot Program for 100-Year Service Life Design Standard for Bridges**

H.B. 53 requires ODOT to operate a pilot program to utilize a 100-year service life design standard for the construction of between five and eight new bridges across the state. The 100-year service life design standard must be the standard set forth in the "Design Guide for Bridges Service Life (2013)" publication that was published by the Transportation Research Board. The bill specifies that ODOT shall select the bridges to be constructed across the state representing a mixture of counties that are urban, suburban, and rural in nature. This pilot program would likely result in an increase of costs to ODOT from the Highway Operating Fund over the course of the pilot program, the amount of which depends on the types of bridges that ODOT selects. Currently, ODOT uses a 75-year service life design standard under the American Association of State Highway and Transportation Officials (AASHTO) standards.

#### **Signs on Interstate Freeways Indicating "Keep Right Except to Pass"**

H.B. 53 requires ODOT to erect signs stating "Keep Right Except to Pass" on interstate freeways that consist of at least three lanes. According to ODOT, this provision would result in around \$150,000 in costs paid out of the Highway Operating Fund to produce and install the new signs. Additionally, note that the bill includes no enforcement or penalties applicable to motorists for not complying with this requirement.



## Category 2: Planning and Research

This category of appropriations is used to support the Division of Planning. Within the Division, the Statewide Planning and Research Section, Estimating Section, and Systems Planning and Program Management Section together coordinate the management of statewide planning efforts. This includes long-range transportation planning, collaboration with other agencies and district offices, the production of traffic forecasts, and research to address transportation issues. The Office of Environmental Services reviews and monitors compliance with state and federal environmental regulations. The Office of Technical Services collects data on Ohio's roadways and traffic systems. The Office of Local Programs coordinates construction projects with local governments, through the Local Technical Assistance Program.

Table 10. Appropriations for Planning and Research				
Fund	ALI	ALI Name	FY 2016	FY 2017
<b>Highway Operating Fund Group</b>				
7002	771412	Planning and Research – Federal	\$33,405,195	\$30,780,847
7002	771411	Planning and Research – State	\$20,616,087	\$23,590,435
<b>Total Funding: Planning and Research</b>			<b>\$54,021,282</b>	<b>\$54,371,282</b>

### Planning and Research – Federal (772412)

This line item provides the federal dollars to support planning and research operations, receiving \$33.4 million in such funding in FY 2016 and \$30.8 million for this purpose in FY 2017. Current federal law requires that states set aside 2% of their federal-aid highway program apportionments for statewide planning and research. Within this set-aside, states must use at least 25% for research purposes, including research, development, and technology transfer activities necessary for planning, constructing, and maintaining highway, public transit, transportation alternatives, and intermodal systems. Most research and development requires a 20% state match, the funding for which is provided in line item 771411. ODOT 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% matches each from the state and local governments.

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 Department's 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, which generates substantial research with minimal financial investment.

### **Planning and Research – State (771411)**

H.B. 53 provides appropriations of \$20.6 million for the state planning and research line item in FY 2016 and \$23.6 million for FY 2017. The funding for FY 2016 is 5.2% below FY 2015 estimated spending of \$21.7 million, while the amount for FY 2017 is 14.4% higher than the FY 2016 amount. Accounting for the increase is \$2.7 million more in budgeted capital costs, and \$350,000 in additional personnel expenses. Overall, approximately 57.3% of this line item each fiscal year is devoted to payroll, supplies, and equipment for the ODOT staff involved in planning and research operations.

Activities funded under this line item 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 planning, research, and development authorized by federal transportation planning, described in more detail under line item 771412, Planning and Research – Federal. In addition, the line item funds the Local Technical Assistance Program, which assists local government personnel in understanding and adopting the latest data concerning roads, bridges, safety regulations, and transportation.

### **H.B. 53 Provisions Affecting Planning and Research**

#### **Assumption of Duties from Federal Agencies**

The bill allows ODOT to enter into agreements with federal agencies to assume certain duties of the U.S. Department of Transportation, as authorized under federal law. The main purpose of this provision is to allow ODOT to receive review and approval authority for the National Environmental Policy Act (NEPA) from the Federal Highway Administration (FHWA). Currently, ODOT, through the Office of Environmental Services, already conducts much of the work needed for projects to receive approval of NEPA rules, but the FHWA subsequently must give their own approval. The Department maintains that this provision will eliminate the duplicative review processes on the state and federal levels, and result in efficiencies in moving projects along and approving them on a faster time frame.

#### **Development of Metrics to Enable Strategic Planning Across Transportation Modes**

The bill requires ODOT to develop metrics that allow the comparison of data across transportation modes and to incorporate the full spectrum of state strategic

transportation goals using those metrics, in order to assist in statewide strategic planning goals. H.B. 53 specifically requires the metrics to include:

1. Anticipated future costs of maintaining infrastructure in acceptable condition in the short-term and long-term;
2. Short-term economic impact of one to five years, and long-term economic impact of 30 years and longer;
3. Economic impact on a region's future rate of job growth and job retention; and
4. Motorist, bicycle, and pedestrian counts, and the number of accidents by mode.

ODOT stated that the Department already incorporates much of these metrics into the strategic planning and research conducted by the Division of Planning. As such, defining these additional specific metrics to be measured would likely result in no increase in administrative expenses out of the Highway Operating Fund.

### Category 3: Public Transportation

This category of appropriations funds ODOT's Office of Transit within the Division of Planning. The Office provides capital, operating, technical, and planning assistance to the 61 transit systems receiving state assistance. Of the 61 transit systems, 28 systems are in urban areas and 33 are in rural areas. Data gathered by ODOT show that over 115.1 million passenger trips were provided by the state's transit systems during CY 2013, the most recent year of available data. In rural areas, many public transit services are used heavily by senior citizens and the disabled.

Table 11 shows funding for public transit included in the transportation budget bill. The majority of assistance for transit derives from federal dollars, used for grants to aid both operating costs and capital purchases. Funding is also provided from the state GRF, appropriated to ODOT in the main operating budget bill.

<b>Table 11. Appropriations for Public Transportation</b>				
<b>Fund</b>	<b>ALI</b>	<b>ALI Name</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Highway Operating Fund Group</b>				
7002	775452	Public Transportation – Federal	\$31,232,549	\$31,232,549
7002	772422	Highway Construction – Federal	\$20,000,000	\$20,000,000
7002	775454	Public Transportation – Other	\$1,500,000	\$1,500,000
<b>Total Funding: Public Transportation</b>			<b>\$52,732,549</b>	<b>\$52,732,549</b>

#### **Public Transit Assistance (772422 and 775452)**

##### **Highway Construction – Federal (772422)**

Under H.B. 53, \$20 million in flexible federal dollars each year will be used under this line item to provide funding to Ohio's transit systems. For FY 2016 and FY 2017, ODOT will continue to distribute \$6 million per year to urban transit systems by formula, while the remaining \$14 million per year in program funding will be competitively awarded through the Ohio Transit Preservation Partnership Program to replace transit vehicles that are beyond their useful lives, assist with operating expenses (e.g., preventive maintenance, tires, and fuel), and aid in facility rehabilitation and renovation. This is the same funding level, both for the set-aside and for the discretionary amounts, as in effect during the FY 2014-FY 2015 biennium.

Temporary law in H.B. 53 permits the Director of Transportation to use revenue from the motor fuel tax to match approved federal grants awarded to ODOT, regional transit authorities, or eligible public transportation systems, for public transportation highway purposes, or to support local or state-funded projects for public transportation highway purposes. However, under the Ohio Constitution, motor fuel tax revenues may not be used for operating assistance or for the purchase of vehicles, equipment, or

maintenance facilities. This language also appeared in the transportation budget bill for the FY 2014-FY 2015 biennium.

**Public Transportation – Federal (775452)**

This line item provides federal funding for a plethora of programs that aim to support public transit systems in Ohio. The Federal Transit Administration (FTA) distributes funds to the states to pass through to local entities under varying apportionment formulas and requirements, by program.

Funding of \$31.2 million for each fiscal year is about 13.2% above the \$27.6 million in estimated FY 2015 spending through the line item. Almost all of the \$3.6 million increase for FY 2016 and FY 2017 can be explained by funding for the Specialized Transportation Program that is being absorbed under this line item, as described in the section below. Table 12 below shows the allocations within the line item as it includes the Specialized Transportation Program estimated spending in FY 2015.

<b>Table 12. Line Item 775452, Public Transportation – Federal, Program Funding Summary (millions)</b>			
<b>Program</b>	<b>FY 2015 Est. Spending</b>	<b>FY 2016 Allocation</b>	<b>FY 2017 Allocation</b>
Ohio Public Transportation Grant Program	\$26.1	\$26.3	\$26.3
Specialized Transportation Program*	\$4.7*	\$3.6	\$3.6
Technical Assistance Program	\$1.5	\$1.0	\$1.0
<b>TOTAL</b>	<b>\$32.3</b>	<b>\$31.2</b>	<b>\$31.2</b>

\*FY 2015 estimated spending for the Specialized Transportation Program is under a different line item – 772459, Elderly and Disabled Special Equipment.

The programs described below are not fully funded through this line item. They receive local matching funds, passing through the state under line item 772454, Public Transportation – Other. Additionally, for the Ohio Public Transportation Grant Program, large urban systems receive their program funding in line item 772422, detailed above, while small urban and rural transit systems typically receive GRF funding, appropriated in the main operating budget bill.

**Ohio Public Transportation Grant Program.** Money from this line item generally covers the 28 urban transit systems under the Ohio Public Transportation Grant Program. The program awards grants to transit systems to cover wages, fuel, insurance, training, and vehicle and facility maintenance, as well as for planning assistance and capital purchases. Funds are allocated to transit systems based on the number of passengers transported, miles traveled, cost per mile, and the amount of local funds contributed. Capital items that are covered under the grant program include transit vehicles, computer equipment, and transit system buildings. Rural transit

systems typically receive their assistance under the program through GRF funding, appropriated to ODOT in the main operating budget bill.

**Specialized Transportation Program.** This is a federal program used to purchase vehicles for urban and rural nonprofit agencies providing transportation services to the elderly and people with disabilities. A 20% local match is required, the funds for which are deposited into the Highway Operating Fund (Fund 7002) and expended through line item 775454. ODOT is recognized as the recipient of the federal funds and is required to oversee their distribution and subsequent investment in local transportation services. Thus, ODOT purchases the vehicles on behalf of the recipient agencies and receives reimbursement from the FTA.

In prior years, the program was funded under a separate line item (772459, Elderly and Disabled Special Equipment); however, this year it is consolidated into line item 775452. FY 2014 spending under this program was \$4.2 million; the amount estimated for FY 2015 is \$4.7 million. With funding now consolidated under line item 775452, ODOT expects to allocate approximately \$3.6 million toward the program in each year of the FY 2016-FY 2017 biennium.

**Ohio Technical Assistance Program.** This program provides funding to public entities to assist in the coordination of service, or for other purposes like contract rate analysis, the establishment of an operating service plan, and the development of transit materials for employees of systems and citizens. ODOT staff serve as consultants to public transit system operators, offering guidance on ODOT grant programs and conducting program reviews and quality assurance reviews, site visits, and training workshops.

#### **Public Transportation – Other (775454)**

This line item provides the 20% local matching funds collected for vehicles purchased through the Specialized Transportation Program described above. The Department requires the local portion of funding up front and then purchases vehicles on behalf of the recipient agencies. H.B. 53 appropriates \$1.5 million per fiscal year for this line item, the same levels as the FY 2014-FY 2015 biennium.

### Category 4: Rail

This category of appropriations is administered by the Ohio Rail Development Commission (ORDC), an independent commission within ODOT. ORDC's programs support economic development and rail-highway safety, including equipment upgrades and removal of hazardous rail crossings. ORDC also has historically received GRF funding in the main operating budget bill, used for administrative expenses as well as financial assistance to railroads, businesses, and communities for rail-related infrastructure. Supplementary GRF appropriations are provided under H.B. 64.

<b>Table 13. Appropriations for Rail</b>				
<b>Fund</b>	<b>ALI</b>	<b>ALI Name</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Highway Operating Fund Group</b>				
7002	772421	Highway Construction – State	\$1,105,000	\$1,131,000
7002	776462	Grade Crossing – Federal	\$14,098,000	\$14,072,000
<b>Highway Operating Fund Group Subtotal</b>			<b>\$15,203,000</b>	<b>\$15,203,000</b>
<b>Dedicated Purpose Fund Group</b>				
4N40	776664	Rail Transportation – Other	\$2,875,800	\$2,875,800
<b>Dedicated Purpose Fund Group Subtotal</b>			<b>\$2,875,800</b>	<b>\$2,875,800</b>
<b>Total Funding: Rail</b>			<b>\$18,078,800</b>	<b>\$18,078,800</b>

#### **Rail Safety (776462 and 772421)**

The transportation budget bill provides \$14.1 million in each fiscal year for line item 776462, Grade Crossing – Federal, equal to anticipated FY 2015 spending on the line item. Constituting almost 78% of all H.B. 53 appropriations in the rail transportation category, the line item uses federal funding 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.

According to the Railroad Information System, a database that is maintained by ORDC and the Public Utilities Commission of Ohio that contains a comprehensive listing of highway-railroad grade crossings in the state, there are 5,764 public, at-grade crossings open to traffic. Of this amount, 3,212 (55.7%) have lights and gates, 633 (11%) have lights only, and 1,919 (33.3%) have neither lights nor gates.

ORDC uses these funds to operate four grade crossing safety programs: (1) a formula-based program, allocated by statewide hazard rankings, (2) a corridor-based program, under which stretches of track with multiple grade crossings receive upgrades and improvements, including closures of redundant crossings, (3) a constituent-identified program, based on referrals from county task forces, railroads, local

governments, county engineers, and ODOT districts to identify hazards and locations where warning device upgrades may be necessary, and finally (4) a preemptive program to interconnect grade crossings and nearby highway traffic signals so that the normal sequence of a traffic signal is interrupted to clear the grade crossing area of vehicular traffic before a train arrives. In total, ORDC initiated 139 projects under the programs in FY 2013 and FY 2014.

H.B. 53 supplements the federal funding for grade crossing safety with roughly \$1.1 million per fiscal year in state motor fuel tax funds appropriated under line item 772421, Highway Construction – State. This amount allocated is consistent with state funding for rail through line item 772421 in the FY 2014-FY 2015 biennium.

### **Rail Transportation – Other (776664)**

This line item provides for the loan component of the Rail Development Grant and Loan Program, which supports 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. H.B. 53 appropriates approximately \$2.9 million in each fiscal year for line item 776664, equal to anticipated FY 2015 spending under this line item. Overall, the number and amount of grants or loans issued depend on the characteristics of projects that apply for rail support. A portion of this line item also has been used to fund ORDC's operating expenses so that all GRF funds may be used for grant projects.

The grant component of the program is funded through GRF line item 776465, Rail Development, appropriated under H.B. 64, the main operating budget bill for the FY 2016-FY 2017 biennium. Program assistance in either grant or loan form is awarded to public entities, railroads, and private companies.

### **H.B. 53 Provision – Rail Safety Oversight**

H.B. 53 specifies that ODOT is the designated state agency responsible for overseeing the safety practices of rail fixed guideway systems, and gives the Department the authority to both (1) enforce the correction of identified hazardous conditions and make plans to mitigate and correct those conditions, and (2) approve, oversee, and enforce the development, updating, and implementation of a transit agency's public transportation safety plan. This may result in an increase in administrative costs to ODOT in performing these oversight duties, likely borne out of the Highway Operating Fund.



**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. The funding provided under H.B. 53 is supplemented with GRF appropriations in the main operating budget bill.

<b>Table 14. Appropriations for Aviation</b>				
<b>Fund</b>	<b>ALI</b>	<b>ALI Name</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Highway Operating Fund Group</b>				
7002	777475	Aviation Administration	\$6,620,899	\$6,666,416
2130	777477	Aviation Infrastructure Bank – State	\$2,000,000	\$2,000,000
7002	777472	Airport Improvements – Federal	\$405,000	\$405,000
<b>Highway Operating Fund Group Subtotal</b>			<b>\$9,025,899</b>	<b>\$9,071,416</b>
<b>Dedicated Purpose Fund Group</b>				
5W90	777615	County Airport Maintenance	\$620,000	\$620,000
<b>Dedicated Purpose Fund Group Subtotal</b>			<b>\$620,000</b>	<b>\$620,000</b>
<b>Total Funding: Aviation</b>			<b>\$9,645,899</b>	<b>\$9,691,416</b>

**Aviation Administration (777475)**

This line item, along with a portion of a GRF allocation funded in the main operating budget, funds the operating costs of the Office of Aviation, which is responsible for managing state-owned aircraft and providing oversight of airports and the registration of aircraft in Ohio. State-owned aircraft are used to transport state officials, including the Governor, legislators, and state personnel, on official business, and to perform ODOT missions such as aerial photography, emergency management, forestry missions, homeland security, prisoner transfers, Department of Natural Resources (DNR) missions, wild animal inoculations, and assisting in marijuana eradication. ODOT maintains a fleet of 24 state aircraft, which includes 16 owned by the Ohio State Highway Patrol, three by DNR, and five by ODOT itself. 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 ODOT. In addition, the line item funds the oversight of about 1,000 public and private airports in the state, as well as 10,600 FAA-registered general aviation aircraft based in Ohio.

H.B. 53 provides funding of approximately \$6.6 million in FY 2016 and \$6.7 million in FY 2017 for these purposes. The FY 2016 amount is a 34.2% increase when compared to estimated FY 2015 spending of \$4.9 million for aviation administration. The \$1.7 million increase is almost entirely budgeted under the supplies

and maintenance expense account of the line item. ODOT intends to commit this increased funding to unmanned aerial vehicle (UAV) studies and collaboration with other state and federal agencies on UAV oversight.

#### **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. H.B. 53 allocates \$2 million each fiscal year for Aviation Infrastructure Bank loans, doubling the \$1 million budgeted for the loans in FY 2015.

Moneys from an initial program capitalization of GRF, federal, and motor fuel tax funds allow the program to operate as a revolving loan program, a component of the State Infrastructure Bank. ODOT provides low-interest loans to local governments to fund either aviation capital improvement projects at 100% of total costs or to match available federal funding. Since the program's inception in 1995, \$28.1 million in loans has been authorized for 14 aviation projects.

#### **Airport Improvement Program (777615 and 777472)**

These two line items make up the funding in the transportation budget bill for the Airport Improvement Program, which provides grants to publicly owned airports for pavement maintenance and obstruction removal. Any of the 99 publicly owned airports in the state are eligible for these grants, which cover 90% of the cost of obstruction removal or pavement resurfacing or reconstruction, not including project design expenses. In FY 2014, the Aviation Improvement Program awarded seven grants totaling approximately \$959,000, an amount in line with award funding in the two prior years.

Line item 777615, County Airport Maintenance, receives appropriations of \$620,000 in each fiscal year, funded out of the Airport Assistance Fund (Fund 5W90). This fund is supported by a general aviation license tax of \$15 per aircraft seat and an annual flat rate of \$15 for gliders and balloons. Meanwhile, line item 777472, Airport Improvements – Federal, provides expenditure authority for any grants that ODOT may receive from the FAA. The federally funded line item receives flat appropriations of \$405,000 in each of FY 2016 and FY 2017. The main operating budget bill typically provides additional moneys for the Airport Improvement Program, with that money coming from the GRF.

**Category 6: Debt Service**

This category of appropriations provides funding for debt service on bonds issued to pay for highway construction and maintenance, as well as other infrastructure projects under the State Infrastructure Bank. Supplementary to the funding listed below in Table 15, the main operating budget includes appropriations for debt service payments on state highway bonds under the budget of the Commissioners of the Sinking Fund. Those are General Obligation (GO) bond payments, paid out of the GRF. Expenditures to cover these debt service payments are estimated to total approximately \$127.2 million in FY 2015.

<b>Table 15. Appropriations for Debt Service</b>				
<b>Fund</b>	<b>ALI</b>	<b>ALI Name</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Highway Operating Fund Group</b>				
7002	772438	Major New State Infrastructure Bond Debt Service – Federal	\$152,033,800	\$146,534,600
7002	772437	Major New State Infrastructure Bond Debt Service – State	\$24,802,700	\$25,859,100
7002	770003	Transportation Facilities Lease Rental Bond Payments	\$10,100,000	\$12,162,500
2130	772433	Infrastructure Debt Reserve – State	\$650,000	\$650,000
2120	772430	Infrastructure Debt Reserve Title 23-49	\$525,000	\$525,000
<b>Total Funding: Debt Service</b>			<b>\$188,111,500</b>	<b>\$185,731,200</b>

**Federal GARVEE Bond Debt Service (772437 and 772438)**

Appropriation items 772438, Major New State Infrastructure Bond Debt Service – Federal, and 772437, Major New State Infrastructure Bond Debt Service – State, provide the annual debt service for the federal grant anticipated revenue vehicle (GARVEE) bond debt issued by the state. GARVEE bonds allow the state to issue debt to finance qualified construction projects using the expected federal Highway Trust Fund revenues distributed to the state. As of the end of FY 2014, \$912 million in federal grant GARVEE bond principal and interest was outstanding. H.B. 53 provides \$349.2 million in appropriations under these line items in the FY 2016-FY 2017 biennium, about 3.7% higher than total estimated spending over the current FY 2014-FY 2015 biennium of \$336.8 million for this debt service.

**Transportation Facilities Lease Rental Bond Payments (770003)**

This line item receives appropriation of approximately \$22.3 million over the biennium. This represents the amount required to cover debt service payments on the bonds issued for the rehabilitation and construction of ODOT facilities. The projects include improvements to between 15 and 25 of ODOT's full-service maintenance facilities, outposts, and supply storage facilities statewide. Funding for these projects

was authorized under H.B. 497, the capital budget bill of the 130th General Assembly, paying for capital costs in the FY 2015-FY 2016 capital biennium.

**State Infrastructure Bank Debt Service (772433 and 772430)**

Appropriation items 772433 and 772430 both pay debt service on bonds that were issued in the mid-2000s by the state to infuse capital into the State Infrastructure Bank (SIB) Program. A total of \$10 million in bonds were issued, the proceeds of which were used to make loans to political subdivisions for transportation infrastructure projects under SIB. Revenue from the loan repayments is used to make the debt service payments. The \$1.2 million appropriated in each fiscal year under these line items is identical to the amount budgeted for these purposes in FY 2014-FY 2015.

**Category 7: Administration**

The appropriation described below provides for the management support of all the Department's programs.

<b>Table 16. Appropriations for Administration</b>				
<b>Fund</b>	<b>ALI</b>	<b>ALI Name</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Highway Operating Fund Group</b>				
7002	779491	Administration – State	\$89,292,626	\$92,690,582
<b>Total Funding: Administration</b>			<b>\$89,292,626</b>	<b>\$92,690,582</b>

**Administration – State (779491)**

This line item provides funding for the Director's executive leadership staff, quality and human resources, financing and forecasting, information technology, and local programs. The line item supports approximately 453 full-time equivalent (FTE) positions with an operating program budget of about \$182 million over the FY 2016-FY 2017 biennium (\$89.3 million in FY 2016 and \$92.7 million in FY 2017). These amounts are in line with the estimated \$92.5 million in spending for these purposes in FY 2015. Spending was higher from the line item in FY 2014, at \$114 million; however, funding for ODOT's highway facilities management functions now has been moved away from this line item and instead covered by the various line items that support the Highway Operating Program.

The \$3.3 million (3.5%) decline in funding in FY 2016 compared to FY 2015 estimated spending under this line item is attributed to a \$12 million reduction in budgeted supplies and maintenance costs. Offsetting some of that anticipated reduction are (1) higher budgeted purchased personal services costs, slated to rise about \$4 million in FY 2016, and (2) increased personnel and equipment costs, which are budgeted a combined \$4.8 million in additional funding in FY 2016. Purchased personal services costs make up most of the combined \$3.4 million increase in FY 2017 funding compared to FY 2016, accounting for \$2.2 million more in expenses, or about \$13 million total in FY 2017.

# FY 2016 - FY 2017 Final Appropriation Amounts

# All Fund Groups

## Line Item Detail by Agency

Line Item Detail by Agency			Estimate	Appropriation	FY 2015 to FY 2016	Appropriation	FY 2016 to FY 2017	
			FY 2014	FY 2015	FY 2016	% Change	FY 2017	% Change
<b>Report For Transportation Budget</b>			<b>Version: As Enacted</b>					
<b>DOT Department of Transportation</b>								
2120	772426	Highway Infrastructure Bank - Federal	\$ 1,597,802	\$ 5,000,000	\$ 3,500,000	-30.00%	\$ 3,500,000	0.00%
2120	772427	Highway Infrastructure Bank - State	\$ 15,852,233	\$ 10,350,000	\$ 9,825,000	-5.07%	\$ 9,825,000	0.00%
2120	772430	Infrastructure Debt Reserve Title 23-49	\$ 554,458	\$ 525,000	\$ 525,000	0.00%	\$ 525,000	0.00%
2130	772431	Roadway Infrastructure Bank - State	\$ 1,851,528	\$ 2,475,000	\$ 3,500,000	41.41%	\$ 3,500,000	0.00%
2130	772433	Infrastructure Debt Reserve - State	\$ 525,458	\$ 650,000	\$ 650,000	0.00%	\$ 650,000	0.00%
2130	777477	Aviation Infrastructure Bank - State	\$ 1,250,712	\$ 1,000,000	\$ 2,000,000	100.00%	\$ 2,000,000	0.00%
7002	770003	Transportation Facilities Lease Rental Bond Payments	\$0	\$ 0	\$ 10,100,000	N/A	\$ 12,162,500	20.42%
7002	771411	Planning and Research - State	\$ 19,750,016	\$ 21,738,277	\$ 20,616,087	-5.16%	\$ 23,590,435	14.43%
7002	771412	Planning and Research - Federal	\$ 37,915,043	\$ 28,959,514	\$ 33,405,195	15.35%	\$ 30,780,847	-7.86%
7002	772421	Highway Construction - State	\$ 581,273,452	\$ 605,240,020	\$ 600,691,058	-0.75%	\$ 577,413,383	-3.88%
7002	772422	Highway Construction - Federal	\$ 1,296,533,589	\$ 1,063,145,274	\$ 1,006,223,456	-5.35%	\$ 1,032,306,620	2.59%
7002	772424	Highway Construction - Other	\$ 56,313,192	\$ 80,000,000	\$ 80,000,000	0.00%	\$ 80,000,000	0.00%
7002	772425	Highway Construction - Turnpike	\$ 61,853,940	\$ 300,000,000	\$0	N/A	\$0	N/A
7002	772437	Major New State Infrastructure Bond Debt Service - State	\$ 25,158,929	\$ 31,635,300	\$ 24,802,700	-21.60%	\$ 25,859,100	4.26%
7002	772438	Major New State Infrastructure Bond Debt Service - Federal	\$ 141,968,839	\$ 138,027,800	\$ 152,033,800	10.15%	\$ 146,534,600	-3.62%
7002	772454	Department of Agriculture - Federal	\$ 482,490	\$ 0	\$0	N/A	\$0	N/A
7002	773431	Highway Maintenance - State	\$ 467,794,281	\$ 470,006,152	\$ 506,200,000	7.70%	\$ 519,400,000	2.61%
7002	775452	Public Transportation - Federal	\$ 26,154,915	\$ 27,590,748	\$ 31,232,549	13.20%	\$ 31,232,549	0.00%
7002	775454	Public Transportation - Other	\$ 1,117,420	\$ 1,500,000	\$ 1,500,000	0.00%	\$ 1,500,000	0.00%
7002	775459	Elderly and Disabled Special Equipment	\$ 4,167,592	\$ 4,730,000	\$0	N/A	\$0	N/A
7002	775463	Federal Stimulus - Transit	\$ 1,179,169	\$ 0	\$0	N/A	\$0	N/A
7002	776462	Grade Crossings - Federal	\$ 14,811,023	\$ 14,129,500	\$ 14,098,000	-0.22%	\$ 14,072,000	-0.18%
7002	776475	Rail - Federal Rail Administration	\$ 303,081	\$0	\$0	N/A	\$0	N/A
7002	777472	Airport Improvements - Federal	\$ 1,043,952	\$ 405,000	\$ 405,000	0.00%	\$ 405,000	0.00%
7002	777475	Aviation Administration	\$ 4,053,952	\$ 4,935,000	\$ 6,620,899	34.16%	\$ 6,666,416	0.69%

# FY 2016 - FY 2017 Final Appropriation Amounts

# All Fund Groups

## Line Item Detail by Agency

			Estimate	Appropriation	FY 2015 to FY 2016	Appropriation	FY 2016 to FY 2017	
			FY 2014	FY 2015	FY 2016	% Change	FY 2017	% Change
<b>DOT Department of Transportation</b>								
7002	779491	Administration - State	\$ 113,992,072	\$ 92,543,982	\$ 89,292,626	-3.51%	\$ 92,690,582	3.81%
<b>Highway Operating Fund Group Total</b>			<b>\$ 2,877,499,138</b>	<b>\$ 2,904,586,567</b>	<b>\$ 2,597,221,370</b>	<b>-10.58%</b>	<b>\$ 2,614,614,032</b>	<b>0.67%</b>
4N40	776664	Rail Transportation - Other	\$ 2,390,517	\$ 2,875,800	\$ 2,875,800	0.00%	\$ 2,875,800	0.00%
5W90	777615	County Airport Maintenance	\$ 591,727	\$ 620,000	\$ 620,000	0.00%	\$ 620,000	0.00%
<b>Dedicated Purpose Fund Group Total</b>			<b>\$ 2,982,244</b>	<b>\$ 3,495,800</b>	<b>\$ 3,495,800</b>	<b>0.00%</b>	<b>\$ 3,495,800</b>	<b>0.00%</b>
7042	772723	Highway Construction - Bonds	\$ 127,939,671	\$ 119,617,631	\$ 146,330,382	22.33%	\$ 166,254,827	13.62%
7045	772428	Highway Infrastructure Bank - Bonds	\$ 82,403,804	\$ 97,000,000	\$ 131,209,431	35.27%	\$ 206,053,254	57.04%
<b>Capital Projects Fund Group Total</b>			<b>\$ 210,343,475</b>	<b>\$ 216,617,631</b>	<b>\$ 277,539,813</b>	<b>28.12%</b>	<b>\$ 372,308,081</b>	<b>34.15%</b>
3B90	776662	Rail Transportation - Federal	\$ 492,421	\$ 0	\$ 0	N/A	\$ 0	N/A
<b>Federal Fund Group Total</b>			<b>\$ 492,421</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>N/A</b>	<b>\$ 0</b>	<b>N/A</b>
<b>Department of Transportation Total</b>			<b>\$ 3,091,317,278</b>	<b>\$ 3,124,699,998</b>	<b>\$ 2,878,256,983</b>	<b>-7.89%</b>	<b>\$ 2,990,417,913</b>	<b>3.90%</b>