Greenbook

LBO Analysis of Enacted Transportation Budget – Part III

Public Works Commission
Development Services Agency
Ohio Turnpike and Infrastructure Commission
Other Provisions

Tom Middleton, Senior Budget Analyst, and other LBO staff
August 2019

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Attachments:
  PWC Appropriation Spreadsheet
  DSA Appropriation Spreadsheet
Introduction

The Ohio Department of Transportation (ODOT) and the Department of Public Safety (DPS) are the two main agencies that are funded in the transportation budget bill, H.B. 62. Part I and Part II of the Greenbook for H.B. 62 analyze the enacted budget for ODOT and DPS, respectively. Together, ODOT and DPS account for 98.2% of the FY 2020-FY 2021 biennial appropriation total provided in H.B. 62.

Two other state agencies receive appropriations in H.B. 62: the Public Works Commission (PWC) to operate the Local Infrastructure Improvement Program, and the Development Services Agency (DSA) to administer the Roadwork Development Grant Program. These programs make up the remaining 1.8% of all H.B. 62 appropriations, and are analyzed in this Part III of the Greenbook for H.B. 62.

Part III also provides an overview of the Ohio Turnpike and Infrastructure Commission (OTIC) and its operating and capital budget for calendar year (CY) 2019. OTIC is a state agency but is not appropriated money from any state funds included in the transportation budget or the main operating budget. However, OTIC is required to submit its proposed budget to the Office of Budget and Management, the General Assembly, and the Legislative Service Commission under R.C. 5537.17.

Finally, H.B. 62 includes statutory and uncodified law changes that affect other state agencies and political subdivisions. These provisions and their fiscal effects are summarized in a section immediately following the analysis of the enacted budget for PWC and DSA and the overview of the OTIC budget. The statutory and uncodified language affecting ODOT and DPS are discussed within Parts I and II of this Greenbook. A comprehensive listing of these changes can be found in the LSC Comparison Document for H.B. 62.
Public Works Commission

Local Transportation Improvement Program

H.B. 62 provides about $63.3 million in each year to fund PWC’s Local Transportation Improvement Program (LTIP), in operation since FY 1989. LTIP provides grant funding to local governments for road and bridge projects. The program is funded by a share of the revenue generated by the Ohio motor fuel tax (MFT), with PWC’s share of MFT revenue deposited into the Local Transportation Improvement Program Fund (Fund 7052). Because LTIP is supported by distributions from the MFT, the funding for the program, including administrative costs, is appropriated under the transportation budget bill.¹

<table>
<thead>
<tr>
<th>Fund/ALI</th>
<th>FY 2019 Actual</th>
<th>FY 2020 Appropriation</th>
<th>FY 2021 Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund 7052 ALI 150701, Local Transportation Improvement Program</td>
<td>$59,393,276</td>
<td>$63,000,000</td>
<td>$63,000,000</td>
</tr>
<tr>
<td>% change</td>
<td>--</td>
<td>6.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Fund 7052 ALI 150402, Local Transportation Improvement Program – Operating</td>
<td>$242,992</td>
<td>$374,938</td>
<td>$303,311</td>
</tr>
<tr>
<td>% change</td>
<td>--</td>
<td>54.3%</td>
<td>-19.1%</td>
</tr>
<tr>
<td>Local Transportation Improvement Program total</td>
<td>$59,636,268</td>
<td>$63,374,938</td>
<td>$63,303,311</td>
</tr>
<tr>
<td>% change</td>
<td>--</td>
<td>6.3%</td>
<td>-0.1%</td>
</tr>
</tbody>
</table>

LTIP grants (ALI 150701)

This line item is used to award grants to local governments for road and bridge projects. Although the number of projects funded by LTIP varies from year to year, PWC anticipates that the $63 million in funding each fiscal year will cover awards for approximately 350 projects over the course of the FY 2020-FY 2021 biennium, or program year (PY) 33 and PY 34 of LTIP. In addition, continuing temporary law allows for prior years’ unused funds to be reappropriated. Consequently, there may be more residual funding available for LTIP grants in FY 2020 and FY 2021 beyond the amounts provided under H.B. 62.

Grant application and award process

LTIP funding is allocated annually on a per capita basis to each of the 19 district public works integrating committees (DPWICs) representing regions across Ohio. The membership of DPWICs consists of local officials representing all levels of government. LTIP grants may cover up to 100% of project costs. Eligible costs include property and facility acquisition, engineering

¹ In addition to LTIP, PWC oversees two other programs: the State Capital Improvement Program (SCIP) and a greenspace component of the Clean Ohio Conservation Program (COCP). These two other programs are funded by general obligation (GO) bonds. Funding for these PWC programs is appropriated under the capital budget bill, while the debt service on the bonds and funding for the operating costs of SCIP and COCP is appropriated under the main operating budget bill.
and design, and construction. Each DPWIC has some discretion in evaluating and scoring applications using a locally developed methodology based on certain statutory criteria. These evaluation criteria focus on the financial need of the subdivision, the project’s strategic importance to the district and subdivision, and emphasize the repair and replacement of infrastructure rather than new and expansionary infrastructure. After scoring the projects, a DPWIC creates a list of high-priority projects. PWC then reviews the project selection and evaluation methodology to ensure objective decision-making. Once approved, a formal agreement is issued, with PWC providing technical assistance through the project’s completion.

**LTIP operating support (ALI 150402)**

Spending from line item 150402 supports LTIP’s administrative expenses, which are funded by investment income on revenues in Fund 7052. Administrative expenses include costs for project monitoring, processing disbursement requests, maintaining PWC’s information systems, and preparing financial reports. LTIP comprises about 20% of total administrative costs among the three infrastructure programs under PWC’s purview. As mentioned previously, PWC expects to approve approximately 350 LTIP projects for PY 33 and PY 34.

The increase in funding under line item 150402 is mostly attributable to PWC’s intention to develop a new information technology (IT) platform to process applications and track PWC projects. Since this project will benefit all three PWC infrastructure programs (LTIP, SCIP, and COCP), the costs of the project will be split among the operating line items of each program. LTIP’s share of these costs is projected to be almost $80,000 in FY 2020 and $9,000 in FY 2021, covering 20% of total project costs. In total, PWC will pay approximately $444,000 for the IT project.

**Law changes affecting PWC**

**State Capital Improvement Program funding for emergencies**

Under continuing law, PWC operates the State Capital Improvement Program (SCIP), a separate infrastructure program that is funded under the capital budget bill and the main operating budget bill.² Within SCIP funding, R.C. 164.08 allows a set-aside amount of up to 2% of annual funding that PWC may designate for emergency infrastructure projects in communities throughout Ohio. H.B. 62 amends this law to allow up to 6% of annual SCIP funding to be used for emergencies, at the discretion of PWC. This increase would go into effect in FY 2022, thus there is no fiscal effect during the current FY 2020-FY 2021 biennium.

In FY 2022 and beyond, any additional funding set aside for emergencies from SCIP will be dependent on capital appropriations in FY 2022 and future fiscal years. If the full $200 million that would be eligible for SCIP in FY 2022 is appropriated, for example, SCIP funding for emergencies could potentially rise from $4.0 million (2% of $200 million) to $12.0 million (6% of $200 million) in FY 2022. Correspondingly, there would be an offsetting decrease in available funding for other SCIP projects.

² For more information on SCIP funding, see the Greenbook for PWC at https://www.lsc.ohio.gov/pages/budget/current/CurrentGA.aspx?Budget=MainOperating&ID=MainOperating&Version=contentFl.
Development Services Agency

Roadwork Development Program

The transportation budget also provides funding for the Roadwork Development Program overseen by the Development Services Agency (DSA). This funding is appropriated under the transportation budget because it comes from a portion of motor fuel tax (MFT) proceeds transferred from the Highway Operating Fund (Fund 7002) under ODOT’s purview.

<table>
<thead>
<tr>
<th>Fund/ALI</th>
<th>FY 2019 Actual</th>
<th>FY 2020 Appropriation</th>
<th>FY 2021 Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>4W00 ALI 195629, Roadwork Development</td>
<td>$9,459,889</td>
<td>$15,200,000</td>
<td>$15,200,000</td>
</tr>
</tbody>
</table>

% change -- 60.7% 0.0%

H.B. 62 provides continuation funding of $15.2 million each fiscal year for the Roadwork Development Program, the same as has been appropriated since FY 2012. The program is funded by quarterly transfers of MFT revenue to the Roadwork Development Fund (Fund 4W00) under the DSA budget from the Highway Operating Fund (Fund 7002) used by ODOT. Because the use of Ohio MFT is restricted under Article XII, Section 5a of the Ohio Constitution, Roadwork Development grants are limited to projects that improve public roads and highways and may not be used for other economic development purposes. Eligible costs include widening, paving, road construction and reconstruction, and right-of-way infrastructure improvements such as sewer or utility lines. Because some projects take multiple years to complete from design to construction, grant awards may not actually be spent for one or more fiscal years. While FY 2019 expenditures totaled $9.5 million, as of August 8, 2019, there remained approximately $18.7 million in outstanding encumbrances for roadwork development projects supported by this line item. Approximately $9.2 million of the total outstanding encumbrances were awarded in FY 2019. All Roadwork Development grants are subject to Controlling Board approval.

Law changes affecting DSA

Roadwork Development Program supporting tourism attraction

H.B. 62 amends R.C. 122.14 to specifically allow Fund 4W00 to be used for the construction and maintenance of public roads that provide or improve access to tourism attractions. The fiscal effect is presumably minimal, since the law already allows the fund to be used “to make road improvements associated with retaining or attracting business”; however, this could potentially add clarity to the types of eligible projects that may be awarded grants under the program.
Ohio Turnpike Infrastructure Commission

Overview

The Ohio Turnpike Infrastructure Commission (OTIC) is a state agency but is not appropriated money from any state funds included within the transportation or main operating budget bills. However, R.C. 5537.17 requires the Commission to submit its proposed budget to the Office of Budget and Management, the General Assembly, and LSC.

OTIC is overseen by a ten-member board charged with funding and maintaining the Ohio Turnpike that spans northern Ohio. A 241-mile east-west toll road built during the 1950s, the Turnpike is marked as portions of three federal interstate highways, stretching from eastern Ohio on I-76, running through most of northern Ohio on I-80, and ending at the western boundary of Ohio on I-90. The principal source of revenue covering operating and capital expenses is toll revenue. OTIC contracts with the Ohio State Highway Patrol (District 10) to provide law enforcement and motorist assistance along the Turnpike. As of the end of CY 2018, OTIC employed a staff of 695 full-time and 223 part-time employees, for a total of 918 employees overall.

Law changes affecting OTIC

The main operating budget bill for the FY 2020-FY 2021 biennium, H.B. 166 of the 133rd General Assembly, contains enacted provisions that affect OTIC. Because LSC does not produce an OTIC Greenbook for the main operating budget bill, these provisions are analyzed below.

Contracting authority

H.B. 166 amends permanent law related to the way OTIC may solicit and enter into contracts for construction or the acquisition of goods and services. The first of these statutory changes authorizes the Commission to use a value-based selection process for design-build projects. Current law required OTIC to select the lowest and most responsible bidder for these projects. This change could result in higher upfront costs for the projects where this value-based contract selection technique is used, but might also lead to savings in construction project costs.

The second of these statutory changes allows the Commission to enter into a competitive proposal process for contracts that provide goods or services. This authorization is available only when OTIC determines that competitive bidding is not practical or advantageous. The third change related to the OTIC contracting process allows the Commission to enter into contracts for the purchase of equipment, materials, and services without public advertising if OTIC needs the contract for (1) a temporary bridge, (2) temporary emergency repairs involved with inclement weather, or (3) in response to some other extraordinary emergency. The bill raises the contract threshold for when a bond is required for goods and services, from $150,000 to $500,000. Finally, H.B. 166 allows the Commission to use a shorter form of public notice, and removes the requirement that all notices appear in a Franklin County newspaper. Together these latter provisions would result in potentially decreased costs, but are dependent on the circumstances when the Commission chooses to employ alternative contract bidding processes.
Audits and financial reports

Under current law, the Auditor of State is required to make an unannounced audit of the Commission’s accounts and transactions on an annual basis. H.B. 166 instead requires these unannounced audits on a biennial basis. H.B. 166 also removes a requirement that OTIC submit an annual report by July 1 of each year comprising a financial statement of the prior calendar year to the Governor and General Assembly, and instead requires OTIC to submit a Comprehensive Annual Financial Report of the prior calendar year. This may result in some administrative savings, as OTIC already produces a Comprehensive Annual Financial Report annually.

OTIC operating and capital budgets for CY 2019

This section describes the Commission’s financing and operation of the Ohio Turnpike itself. Toll charges pay for nearly all of the costs to operate the toll service plazas, maintain and repair the road, and pay for safety and other costs relating to the roadway.

Operating budget

OTIC’s CY 2019 operating budget was adopted in mid-December 2018 under Resolution 72-2018. The table below displays actual operating revenues and expenditures for CY 2017 and CY 2018, as well as the amounts budgeted for CY 2019. Revenue is projected to be $360.1 million in CY 2019, or approximately 2.0% more than the $353.2 million recorded in CY 2018. Tolls make up 89% of all operating revenue, and account for a $14.5 million (4.7%) rise in receipts projected between CY 2018 and CY 2019. Operating expenditures are slated to increase by approximately 1.9%, from $127.4 million in CY 2018 to $129.8 million in CY 2019.

Net operating profits are used to finance OTIC’s capital improvement program, including both the bonds issued to fund Turnpike capital projects and the additional bond debt for ODOT infrastructure projects. Of the $230.3 million in expected CY 2019 operating profits, OTIC has committed (1) approximately $131.2 million to debt service payments, (2) around $94.2 million for transfer to capital funds that support construction and maintenance projects on the Ohio Turnpike, and (3) the remaining $4.9 million for transfers to other nonoperating funds.
Table 1. OTIC Operating Budgets, CY 2017-CY 2019 (in $ millions)

<table>
<thead>
<tr>
<th>Column Heading</th>
<th>CY 2017 Actual</th>
<th>CY 2018 Actual</th>
<th>CY 2019 Adopted Budget</th>
<th>% of Total CY 2019 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue Sources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tolls</td>
<td>$295.8</td>
<td>$306.0</td>
<td>$320.5</td>
<td>89.0%</td>
</tr>
<tr>
<td>Concessions</td>
<td>$17.1</td>
<td>$17.3</td>
<td>$16.6</td>
<td>4.6%</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>$4.7</td>
<td>$16.7</td>
<td>$13.9</td>
<td>3.9%</td>
</tr>
<tr>
<td>Other</td>
<td>$9.0</td>
<td>$9.7</td>
<td>$6.1</td>
<td>1.7%</td>
</tr>
<tr>
<td>Fuel Tax Allocation</td>
<td>$3.0</td>
<td>$3.5</td>
<td>$3.0</td>
<td>0.8%</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$329.6</td>
<td>$353.2</td>
<td>$360.1</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services and Toll Operations</td>
<td>$61.4</td>
<td>$58.5</td>
<td>$57.9</td>
<td>44.6%</td>
</tr>
<tr>
<td>Roadway and Structure Maintenance</td>
<td>$43.9</td>
<td>$42.8</td>
<td>$44.2</td>
<td>34.1%</td>
</tr>
<tr>
<td>Traffic Control, Safety, Patrol, and Communications</td>
<td>$13.7</td>
<td>$13.6</td>
<td>$14.6</td>
<td>11.3%</td>
</tr>
<tr>
<td>Administration and Insurance</td>
<td>$12.6</td>
<td>$12.5</td>
<td>$13.1</td>
<td>10.1%</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$131.6</td>
<td>$127.4</td>
<td>$129.8</td>
<td></td>
</tr>
<tr>
<td><strong>Net Operating Profit</strong></td>
<td>$198.0</td>
<td>$225.8</td>
<td>$230.3</td>
<td></td>
</tr>
</tbody>
</table>

**Capital budget**

Also, in December 2018, OTIC adopted Resolution 73-2018, outlining a $198.3 million capital budget outlining a spending plan for maintenance and construction along the Ohio Turnpike for CY 2019. Under the resolution, the Commission approved approximately $184.4 million for certain capital projects, and the remaining $14.0 million is set aside for unidentified capital funding needs that may arise. The table below breaks down the capital program costs for CY 2019 by purpose.
Table 2. OTIC Capital Program Allocations, CY 2019

<table>
<thead>
<tr>
<th>Capital Program</th>
<th>Amount Allocated ($ millions)</th>
<th>% of Total Capital Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toll Collection System Modernization</td>
<td>$56.2</td>
<td>28.3%</td>
</tr>
<tr>
<td>Bridge Repair and Resurfacing</td>
<td>$42.3</td>
<td>21.3%</td>
</tr>
<tr>
<td>Pavement Replacement</td>
<td>$41.5</td>
<td>20.9%</td>
</tr>
<tr>
<td>Road Resurfacing</td>
<td>$19.0</td>
<td>9.6%</td>
</tr>
<tr>
<td>Equipment and Facilities</td>
<td>$15.9</td>
<td>8.0%</td>
</tr>
<tr>
<td>Small Projects and Others</td>
<td>$7.5</td>
<td>3.8%</td>
</tr>
<tr>
<td>Service Plaza Improvements</td>
<td>$1.9</td>
<td>1.0%</td>
</tr>
<tr>
<td>Uncommitted</td>
<td>$14.0</td>
<td>7.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$198.3</strong></td>
<td></td>
</tr>
</tbody>
</table>

The Toll Collection System Modernization Program is the largest single planned expenditure for CY 2019, at $56.2 million, or 28.3% of the overall capital budget. The modernization project is slated to begin in 2019 and be completed in 2022, and entails the addition of two new toll plazas, the removal of nine others, the removal of nearly all E-ZPass toll lane entrance and exit gates, and some other improvements. The total project cost is projected to be around $190 million to $220 million. In the long run, OTIC estimates savings of $257 million in operating costs from these improvements over 30 years.

Core maintenance, including road and bridge repair, replacement, and resurfacing, together make up about $102.8 million in planned spending, or 51.8% of capital costs for CY 2019. Rounding out capital expenses and accounting for $39.3 million, or 19.9% of the capital budget, are expenditures for maintenance vehicles and equipment, toll and service plaza upgrades, computer and communications equipment, and slope and drainage repairs.

Altogether, this CY 2019 capital budget of $198.3 million is a significant increase when compared to the $133.9 million in budgeted capital dollars for CY 2018 and $121.4 million in CY 2017. The increase in CY 2019 is due to the Toll Collection System Modernization Program combined with the Pavement Replacement Program costs. Due mainly to these increased outlays, capital costs will average about $175 million per year from CY 2019 to CY 2022. After CY 2022, capital program costs are projected to go back down to about $145 million per year.

**Long-Term Capital Improvement Program**

The Commission estimates that approximately $1.7 billion will have been spent on capital improvements on the Ohio Turnpike in the 11-year period between CY 2019 and CY 2029. Specifically, OTIC forecasted that approximately $700 million (41%) will be used for pavement replacement, $350 million (21%) will be allocated for bridge rehabilitation and reconstruction, $305 million (18%) will go toward resurfacing and repaving, and $345 million (20%) will be spent on other capital costs.
Other provisions

Department of Taxation

Increase to the Ohio motor fuel tax and other tax changes

H.B. 62 increases the tax rates on motor fuels. Through FY 2019, the motor fuel tax (MFT) on gasoline and diesel was 28¢ per gallon. H.B. 62 increased the tax to 38.5¢ per gallon for gasoline and diesel to 47¢ per gallon, effective July 1, 2019. These increases are expected to generate approximate $865 million in additional revenue in FY 2020. A majority of this revenue, 55%, would be used by ODOT, while the remaining 45% of revenue is to be distributed to political subdivisions under a formula. The bill also changes the MFT law in various other ways, such as subjecting compressed natural gas (CNG) to the MFT, and updating the reimbursement rate for school districts and other local entities. Part I of the Greenbook for H.B. 62 provides more analysis of MFT receipts and the distribution of revenue.

H.B. 62 also increases the amount of the state earned income tax credit (EITC) from 10% to 30% of the taxpayers EITC for taxable years starting in CY 2019. This is projected to result in a $38 million decrease in state tax receipts. Another provision exempts motor fuel purchased for use to power a refrigeration unit from the state sales tax. These two provisions are analyzed in more detail in the Department of Taxation Greenbook for H.B. 166.

Office of Budget and Management

Transportation budget bill submission to the General Assembly

The Office of Budget and Management (OBM) assists the Governor in preparing budgets. H.B. 62 requires the Governor to submit the biennial transportation budget to the General Assembly no later than four weeks after the General Assembly’s organization. A similar requirement applies in ongoing law to the main operating budget, but that requirement is modified in the first year of a new Governor’s administration. The H.B. 62 change thereby affects the timing of submitting the transportation budget only in the first year of a new Governor’s term.

27th pay period in FY 2020

H.B. 62 enables OBM to authorize additional expenditures in FY 2019 to pay agency payroll costs for the pay period ending June 22, 2019, which were not included in appropriations to agencies in FY 2019. The transportation budget also establishes appropriations for any expenditures authorized by OBM for this purpose, and allows OBM to transfer cash between funds if necessary to make these expenditures and to reimburse funds from which cash was so transferred.

Typically there are 26 pay periods per fiscal year for the vast majority of state employees (those receiving biweekly paychecks). In FY 2020, there will be 27 pay periods. The authority granted in this section allows OBM to pay for the extra pay period at the end of FY 2019, if cash is available, instead of, under the normal payment schedule, agencies paying for the 27th paycheck for state employees in FY 2020.
Bureau of Workers’ Compensation

Motor carrier independent contractor agreements

H.B. 62 exempts, under certain conditions, an individual operator of a vehicle or vessel performing services for a motor carrier that transports property from coverage under the state Minimum Wage Law, the Overtime Law, the Workers’ Compensation Law, and the Unemployment Compensation Law. Requirements for the exemption include all of the following: (1) the individual owns or leases the vehicle or vessel (including a bona fide lease agreement) that is used in performing the services for the carrier, (2) the individual is responsible for supplying the necessary personal services to operate the vehicle or vessel used to provide the service, (3) the individual is compensated based on factors related to work performed and not based on the hours or time expended, (4) the individual substantially controls the means and manner of performing the services, (5) the individual enters into a written contract with the carrier that describes the relationship between the individual and the carrier as that of an independent contractor and not an employee, (6) the individual is responsible for substantially all of the principal operating costs of the vehicle or vessel used to provide the service, with specified exceptions, and (7) the individual is responsible for any economic loss or economic gain from the arrangement with the carrier.

However, H.B. 62 also allows a motor carrier to elect coverage under the Minimum Wage Law, Overtime Law, Workers’ Compensation Law, or Unemployment Compensation Law for an individual who is exempt from coverage under the act because the individual satisfies the conditions listed above. The exemption under the act does not apply to cases pending on July 3, 2019 (the provision’s effective date).

In addition, H.B. 62 excludes an individual performing certain services exempt from coverage under the Federal Unemployment Tax Act (FUTA) (services performed in the employment of the state and its political subdivisions, federally recognized Indian tribes, or nonprofit organizations exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code) from being considered an independent contractor under the act’s motor carrier independent contractor provisions (FUTA requires that state unemployment compensation systems cover those services to receive the full FUTA tax credit for employers in that state).

Department of Agriculture

Motor fuel tax notices

H.B. 62 enacts the Ohio Fuel Transparency Act and requires the federal and state excise taxes imposed on each gallon of gasoline to be displayed at a retail gas station in one of the following manners, as chosen by the gas station’s owner: (1) on video monitors visible to fuel pump users, on customer receipts, or on a notice displayed conspicuously at the entrance to the service station, or (2) on a sticker produced by the Department of Agriculture and affixed on the gas station’s fuel pumps by either county auditors or municipal sealers who currently are

3 A bona fide lease agreement does not include an agreement between the individual and the motor carrier transporting property for which, or on whose behalf, the individual provides services and limits consideration of the factor to the vehicle or vessel involved.
responsible for inspecting those pumps. If the latter option is chosen by gas station owners, the Department will incur costs to design and produce the stickers. To date, the Department has received 53,473 sticker requests and estimates that the cost to produce them will be around 13¢ per sticker. As of August 2019, the Department was still going through the process of selecting a vendor to design and produce the stickers. This cost will be paid from GRF line item 700412, Weights and Measures.

**Auditor of State**

**Audits of ODOT and regional transit authorities**

H.B. 62 contains a provision which requires the Auditor of State to complete a performance audit of ODOT by January 1, 2020, pursuant to Chapter 117 of the Revised Code. The Auditor of State would simply include ODOT as one of its selected four agencies to receive a performance audit in accordance with Chapter 117 of the Revised Code, thereby not requiring any additional auditing as a result of this provision.

The bill further requires the Auditor of State, at least once a year, to audit the accounts and transactions of one large and two small regional transit authorities. In accordance with current performance audit procedures, the selected regional transit authorities would pay the costs of this performance audit. These payments would be deposited into the Public Audit Expense – Local Government Fund (Fund 4220).

**Department of Natural Resources**

**Capital appropriation**

H.B. 62 includes provisions amending H.B. 529 of the 132nd General Assembly, the capital budget for the FY 2019-FY 2020 capital biennium, to provide capital funding for repairs to the Kenny Road dock on North Bass Island (Ottawa County). To support the project, H.B. 62 increases appropriations under Parks and Recreation Improvement Fund (Fund 7035) capital appropriation item C725R3, State Parks Renovations/Upgrades by $500,000. To provide cash necessary to support the increased appropriation, the bill also increases the amount of bonds the Treasurer of State may issue to support costs paid by Fund 7035.

**Local governments**

**Traffic law photo monitoring**

With regard to traffic law photo-monitoring devices, H.B. 62 does the following:

- Grants municipal and county courts original and exclusive jurisdiction over every civil action concerning a traffic law violation within the court’s territory, including those civil actions involving a traffic law photo-monitoring device (“traffic camera”).
- Requires all filings, affidavits, and forms concerning a civil traffic law violation involving a traffic camera to be handled by the municipal or county court with jurisdiction over the civil action.
• Specifies that the court with jurisdiction must require a local authority bringing a civil action concerning a traffic law violation involving a traffic camera to make an advance deposit of all filing fees and court costs, except for violations in a school zone.

• Requires local authorities that operate traffic cameras to report information on traffic fines on an annual basis with the Tax Commissioner.

• Reduces Local Government Fund (LGF) payments to all local authorities that collect fines from operating traffic cameras regardless of whether a local authority is complying with the state’s traffic camera laws.

• Ceases LGF payments to local authorities that fail to comply with reporting requirements for the term of noncompliance.

• Reimburses local authorities for the portion of LGF reductions attributed to traffic camera fines collected on violations in school zones.

• Requires LGF money withheld from a local authority to be earmarked for use by ODOT “to enhance public safety” on roads and highways within the same transportation district.

These above-described provisions would reduce LGF distributions to certain political subdivisions. The reduction would depend on their reported fine collections from using traffic cameras, with any revenue loss dependent upon the amount of fine collections from using traffic cameras of each noncomplying political subdivision. The amount of revenue credited to the Ohio Highway and Transportation Safety Fund would also depend on the amount of LGF payments withheld from noncomplying subdivisions. The number of traffic-related civil violations processed each year by certain municipal and county courts will increase, the cost of which is uncertain, but may be offset to some degree by the collection of local court costs and fees. Both court revenues and local authority expenditures will increase by requiring filing fees and court costs to be paid as an advance deposit by the local authority to the relevant municipal or county court.

**County transit system funding**

The bill specifies that funds expended for social services in a county may be used as the local match needed to obtain state or federal funds for the county transit system. The bill defines “social services” as services for (1) senior citizens, (2) persons with developmental disabilities, (3) programs funded in whole or in part by federal funds provided under the Community Development Block Grant (CDBG) Program, and (4) individuals, families, and communities that assist the overall social well-being. Finally, the bill specifies that funds raised by a county tax levy may be used as local transit matching money only to the extent that such use is consistent with the purpose of the tax levy, and does not jeopardize the state’s or county’s eligibility for federal funding for one or more purposes. The provision requires the county transit system to enter into agreements with the other local agency to administer the funds.

Overall, this change is permissive if county transit systems choose to pursue this local matching funding mechanism, and the other local agencies agree to the arrangement. If this authority were used, it could result in greater access to federal or state transit funding for
certain county transit systems. Approximately 28 of the 61 transit systems in Ohio are county transit systems.

Authority to levy taxes for infrastructure projects – Southwest Ohio Regional Transit Agency

H.B. 62 authorizes a transit authority to levy a tax specifically for infrastructure projects involving building and maintaining county, municipal, or township roads related to the provision of service by the authority, provided that funding such projects is not the sole purpose of the tax. The bill limits this authority to regional transit authorities in a county with a population between 750,000 and 900,000 in the most recent federal decennial census. This means that only the Southwest Ohio Regional Transit Authority (SORTA), which covers the Cincinnati metropolitan area, is affected by this provision.

H.B. 62 lays out several requirements outlining the process by which SORTA would be able to levy the taxes and use the tax revenue, provided that voters ultimately approve the tax in an election. The fiscal effect of this provision is potentially more local tax revenue to SORTA, the amount of which will depend on the tax to be levied and the terms of the agreements between transit authorities and other political subdivisions.

Pupil transportation by chartered nonpublic schools

Under continuing law, the governing authority of a chartered nonpublic school may charge parents or guardians a fee to transport students to and from school, as long as the vehicle was not purchased with state or federal funds. H.B. 62 allows chartered nonpublic schools, under the same circumstances, to charge parents or guardians a fee to transport students to and from school-sponsored activities, including extracurricular activities. The bill also allows a chartered nonpublic school to own and operate, or contract with a vendor that supplies, a vehicle designed for up to nine passengers to transport students to and from school when a student does not live within 30 minutes of the school or the student’s school district of residence has declared transportation for the student impractical. These provisions have no direct fiscal effect on the state or political subdivisions.

Designated Outdoor Refreshment Areas

H.B. 62 eliminates the exemption to the Open Container Law that allows a person to possess an opened container of beer or intoxicating liquor while being in or on a motor vehicle within a Designated Outdoor Refreshment Area (DORA) when the motor vehicle is stationary and is not being operated in a lane of vehicular travel. Eliminating this exemption puts Ohio in compliance with federal law. Otherwise, Ohio could potentially be subject to limitations on the use of some federal transportation funds. Local law enforcement monitors the DORA requirements under continuing law. The Division of Liquor Control within the Department of Commerce issues liquor permits and approves other special circumstances where alcoholic beverages may be sold. This includes approval of DORA locations delimited by boundaries within municipalities where libations may be consumed in open containers. As of December 2018, there were 15 approved DORA locations statewide, as well as one pending DORA location.
County purchase of used supplies at a public auction

The transportation budget act for the FY 2020-FY 2021 biennium exempts from competitive bidding any county purchase of used supplies including equipment, materials, and other tangible assets, made at a public auction. Counties that purchase used supplies at public auctions may see some savings through reduced purchase prices and a reduction in administrative costs associated with the competitive bidding process that they would otherwise undergo to purchase supplies.

Ambulance districts

H.B. 62 authorizes a joint ambulance district to use its tax levy revenue to construct, or enter into a lease-purchase agreement to acquire buildings or equipment necessary for the district. This provision mirrors permissive authority in current law granted to joint police districts, joint fire districts, and township fire districts for the same purposes.

Board of Alcohol, Drug Addiction, and Mental Health Services

H.B. 62 requires the Department of Mental Health and Addiction Services and a board of county commissioners to make initial appointments to a newly formed Board of Alcohol, Drug Addiction, and Mental Health Services from the members jointly recommended by the county’s community mental health board and the alcohol and drug addiction services board, unless otherwise prohibited by law. There is no direct fiscal effect to the state or political subdivisions.

Simultaneous office holdings

H.B. 62 allows for any elected officer of a county, township, or municipal corporation to simultaneously serve as a member or officer of the board of trustees of a transportation improvement district (TID) without that constituting the holding of incompatible offices. There is no apparent fiscal impact to this provision.
<table>
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<tr>
<th>Line Item Detail by Agency</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2019 to FY 2020 % Change</th>
<th>FY 2020 to FY 2021 % Change</th>
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# FY 2020 - FY 2021 Final Appropriations

## Line Item Detail by Agency

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