

LSC Greenbook

Analysis of the Enacted Budget

Department of Transportation

(Including the Ohio Rail Development Commission)

Main Operating Budget Funding

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ATTACHMENTS:

Budget Spreadsheet By Line Item

Department of Transportation

- GRF funding of \$14.1 million each fiscal year, 34.3% below FY 2009 spending of \$21.4 million
- New provision creating the Division of Equal Opportunity

OVERVIEW

Agency Overview

The Ohio Department of Transportation (DOT) is the agency charged with planning, building, and maintaining the state's transportation system. Most of the agency's resources are devoted to the state's system of highways, but it also has responsibilities in the areas of rail, aviation, and public transportation. Less than 1% of the Department's budget comes from the General Revenue Fund (GRF); the rest of the budget is derived from federal sources, the state motor fuel tax, and bond revenue. The following provides an analysis of the GRF funding component of the DOT budget, which includes the state's aviation, rail and public transportation programs. The majority of the Department's biennial funding is contained in H.B. 2, the transportation budget for FY 2010-FY 2011.

Appropriation Overview

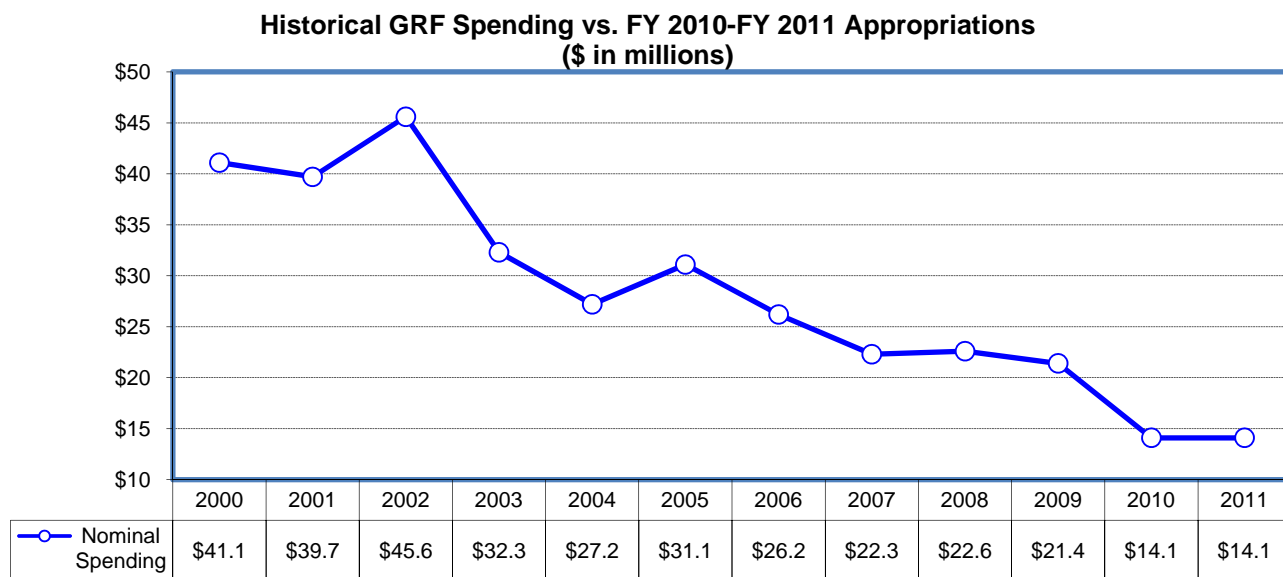
H.B. 1 provides the Department with GRF appropriations of \$14.1 million in each fiscal year, a 34.3% decrease from FY 2009 spending of \$21.4 million. Of this GRF funding component, 77.2% of appropriations are for public transportation, 16.2% are for rail transportation and 6.6% are for aviation. The table below provides a summary of appropriations for these programs by fiscal year as well as a comparison with actual spending for FY 2009 and the percent change between each fiscal year.

FY 2010-FY 2011 GRF Budget by Line Item Category (in millions)					
Line Item Category	FY 2009 Spending	FY 2010 Appropriation	Percent Change	FY 2011 Appropriation	Percent Change
Public Transportation	\$16.4	\$10.9	(33.6%)	\$10.9	0.0%
Rail Transportation	\$3.3	\$2.3	(31.7%)	\$2.3	0.0%
Aviation	\$1.7	\$0.9	(45.8%)	\$0.9	0.0%
Total	\$21.4	\$14.1	(34.3%)	\$14.1	0.0%

*FY 2009 figures represent actual expenditures. Totals may not add to 100% due to rounding

GRF Funding History

To put the appropriations in historical perspective, the \$14.1 million appropriated each fiscal year is the lowest amount of GRF allocated to the Department's public transit, rail, and aviation grant programs in recent memory. The chart below shows DOT's historical GRF spending from FY 2000 to FY 2009 in comparison to FY 2010-FY 2011 appropriations. For FY 2010 and FY 2011, GRF funding is 69.1% lower in nominal terms than peak GRF spending of \$45.6 million in FY 2002.



H.B. 1 Provisions Affecting DOT

Division of Equal Opportunity

The bill creates a Division of Equal Opportunity in DOT to ensure that all groups protected by state and federal civil rights laws are afforded equal opportunity to participate in contract awards, and requires the Director of Transportation to report to the Governor and the General Assembly on the Division's activities and accomplishments. The functions of the new Division are similar to those currently performed by DOT's Office of Civil Rights under control of DOT's Chief Legal Counsel.

Motor Fuel Tax Revenue Distribution

The bill requires the first 2% of monthly motor fuel tax receipts to be deposited into the Highway Operating Fund (Fund 7002) and permits the Director of Budget and Management, upon the request of the Director of Public Safety, to make periodic transfers of cash totaling \$16.2 million in each fiscal year from Fund 7002 to the State Highway Safety Fund (Fund 7036).

Using FY 2008 net motor fuel tax receipt data, depositing the first 2% of motor fuel tax receipts to Fund 7002 would generate an additional \$10.4 million for that fund. However, deducting the \$16.2 million transferred to Fund 7036 would yield a net loss of \$5.8 million per year. Based on the motor fuel tax distribution formula, there would also be a cumulative loss in revenue of \$1.8 million to various other state funds. This includes the Local Transportation Improvement Program Fund (approximately \$1.3 million), the Waterways Safety Fund (approximately \$315,000), the Motor Fuel Tax Administration Fund (approximately \$100,000), and the Wildlife Boater Angler Fund (approximately \$45,000). On the local level, there would be a loss of revenue to municipalities (approximately \$3.7 million), counties (approximately \$3.2 million), and townships (approximately \$1.7 million). Yet, FY 2009 net motor fuel tax receipts through February 2009 are 3.6% lower than at the same time last year, suggesting that all of these funds and the local entities receiving motor fuel tax distributions will be receiving less overall revenue due to the decline in sales.

Vetoed Provisions

State Route 91 Curb Cut

The Governor vetoed a provision that required the Director of Transportation to permit the construction of a curb cut on State Route 91, near Vine Street, in Lake County.

State Vehicle Fuel Conversion

Also vetoed was a provision that created a Department of Administrative Services pilot program requiring 10% of the gasoline-powered fleets maintained by DOT, the Department of Public Safety, and the Department of Natural Resources to be converted to a propane fuel system over the course of the biennium.

ANALYSIS OF ENACTED BUDGET

Public Transportation

DOT provides capital, operating, technical, and planning assistance to 59 transit systems. Of these, 24 systems are in urban areas and 35 are in rural areas. The majority of assistance comes from federal dollars and is used for grants to transit systems – both for operating assistance and capital purchases. H.B. 1 provides the GRF funding component for the Department’s public transit programs. Like the federal dollars, GRF funds also provide operating and capital grants to public transit systems. The capital assistance grants allow transit systems to purchase transit vehicles, computer equipment, and build transit facilities. The table below shows the GRF appropriation for these purposes.

Appropriations for Public Transportation				
Fund	ALI and Name		FY 2010	FY 2011
General Revenue Fund				
GRF	775451	Public Transportation – State	\$10,870,642	\$10,870,642

This category of appropriations includes several other transit-related line items funded in the transportation budget bill, H.B. 2 of the 128th General Assembly.

Public Transportation – State (775451)

This line item provides funding for the Ohio Public Transportation Grant Program and the Elderly and Disabled Fare Assistance Program. Funding is also used to provide technical assistance to individual transit systems. H.B. 1 provides \$10.9 million in each fiscal year for these purposes. These amounts are 25.9% lower than FY 2009 adjusted appropriations of \$14.7 million. Actual FY 2009 spending from this line item amounted to \$16.4 million, a figure that includes disbursements from encumbrances of prior-year appropriations, largely related to subsidies. The reduction in GRF funding will result in a decline in state support to public transit systems.

Elderly and Disabled Assistance

This program offers affordable transportation for the elderly and people with disabilities through reduced fare assistance. The program is funded entirely with state GRF dollars. The allocations of funds to individual transit systems under the program are based on the actual ridership of the elderly and people with disabilities and the actual loss of farebox revenue from the reduced fares offered. Under funding levels of about \$7 million per year in the FY 2008-FY 2009 biennium, the program replaced about two-thirds of the revenues lost by Ohio's transit systems offering reduced fares.

Public Transit Assistance

This program provides partial funding for operating assistance and capital projects to the urban and rural transit systems operating throughout the state through the Ohio Public Transportation Grant Program and the Ohio Coordination Program. Because the Ohio Coordination Program is now funded using applicable federal funds provided by the Federal Transit Administration, that program is not included in the discussion below.

The Ohio Public Transportation Grant Program provides grants to transit systems, both urban and rural, for operating assistance 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, costs per mile, and the amount of federal and local funds contributed. Capital items that are covered under the grant program include purchasing transit vehicles, computer equipment, and the construction of transit buildings. FY 2009 allocations for urban and rural transit systems total \$8.3 million.

Public transit systems are eligible for and receive a significant amount of federal funding for operating and capital assistance. For example, H.B. 2, the transportation budget act for FY 2010-FY 2011, augments the Public Transit Assistance Program with \$27.1 million per year in federal dollars, including funds for oversight and other transit-related programs. Furthermore, H.B. 2 allocates \$7.5 million per year in federally funded capital grants that transit authorities can use to purchase eco-friendly buses or to make environmental enhancements to their fleets. Finally, Ohio's public transit systems have been allocated \$179.8 million in federal stimulus dollars. Those funds are to be used mainly for eligible capital purposes, but, under a recent change in federal law, urban and non-urban recipients may use up to 10% of their apportionment under the federal recovery act for operating assistance.

Public Transit Operating

This program covers the operating costs, such as payroll, supplies and equipment, for DOT's Office of Transit. These costs amounted to \$743,453 in FY 2009. The Office's administration and oversight duties include program development, application review and project selection, contract preparation, invoice payment, quality assurance, site visits, data collection reviews, drug and alcohol audits, financial audits, training, and technical assistance. To reduce expenses, the Office of Transit has left vacant positions unfilled, reduced travel, moved eligible salaries to federal reimbursement, and cut its supplies budget by over 50%.

Rail Transportation

DOT's rail transportation programs are administered by the Ohio Rail Development Commission (ORDC), which is responsible for initiatives that promote economic development and rail-highway safety. ORDC administers federal and state funding of rail safety projects, most of which is contained in H.B. 2; however, there is a small GRF funding component provided in H.B. 1, shown in the table below.

Appropriations for Rail Transportation				
Fund	ALI and Name		FY 2010	FY 2011
General Revenue Fund				
GRF	776465	Ohio Rail Development Commission	\$2,287,950	\$2,287,950

This category of appropriations includes several other rail-related line items funded in the transportation budget bill, H.B. 2 of the 128th General Assembly.

Ohio Rail Development Commission (776465)

This line item supports the operating expenses of the Ohio Rail Development Commission and its Rail Development Grant and Loan Program. H.B. 1 includes \$2.3 million in each fiscal year for this line item. These amounts are 34.5% lower than FY 2009 adjusted appropriations of \$3.5 million. Actual FY 2009 spending from this line item amounted to \$3.2 million, much of which is related to disbursements from encumbrances of prior-year appropriations, largely related to subsidies. The programs that this line item supports are discussed in more detail below.

Rail Development Grants and Loans

This program provides financial assistance in the form of grants and loans to railroads, businesses, and communities for the rehabilitation, acquisition/preservation, or construction of rail and rail-related infrastructure. The loans and grants are distributed through the following programs:

Rail Line Rehabilitation Program. This program keeps select rail lines in good and safe operating condition in order to provide rail transportation services to Ohio businesses. These lines are typically those divested by large Class I railroads (Norfolk Southern and CSX Transportation) that were in need of maintenance at the time of divestiture. In determining loan and grant awards, ORDC evaluates a project's contribution toward job creation, effectiveness of rail service, economic development potential, preventing derailments, and keeping up train speeds.

Economic Development Program. This program helps provide rail spurs and other rail infrastructure as an incentive for companies to locate or expand in Ohio. Funds are recouped if requisite jobs or carloads are not created within three years of project completion.

Acquisition Program. This program consists of loans and grants for shortline railroads or communities wishing to preserve specific rail lines that are abandoned by Class I railroads. Acquisition of such lines is often costly, resulting in limited activity for this program.

State-Owned Rail Lines. This program strives to prevent the loss of potentially viable rail property in the state. Under this program, ORDC acquires rail properties that may be at risk of loss through property abandonment or alternative land use. Currently, ORDC is managing 240 miles of state-owned rail lines. Much of the cost for this program involves the administration of these acquired properties, such as maintaining licenses, easements, and rented properties associated with the land. Although this program is appropriated an additional \$2.1 million per year under H.B. 2, the transportation budget bill for FY 2010-FY 2011, under appropriation item 776664, Rail Transportation – Other, the amount of GRF funding provided in H.B. 1 appears to result in a reduction in available assistance.

Rail Operating

This program funds the ORDC's operating costs, including payroll, personal service contracts, and other administrative expenses. For FY 2009, these costs amounted to \$963,828, and were controlled by reduced subscription, travel, personal service, and support service expenditures, a strategy that will be employed in the FY 2010-FY 2011 biennium as well.

Aviation

The Office of Aviation uses the GRF line item listed below to work with airports to meet national safety standards, make infrastructure improvements, coordinate with the Federal Aviation Administration, register aircraft, provide air transportation to state officials, and maintain the state's aircraft fleet.

Appropriations for Aviation				
Fund	ALI and Name		FY 2010	FY 2011
General Revenue Fund				
GRF	777471	Airport Improvements – State	\$923,064	\$923,064

This category of appropriations includes several other aviation-related line items funded in the transportation budget bill, H.B. 2 of the 128th General Assembly.

Airport Improvements – State (777471)

This line item, which H.B. 1 funds at \$923,064 in both FY 2010 and FY 2011, is used to support planning, engineering, technical assistance, pavement management, airspace protection, and grant funding to Ohio's general aviation airports. These amounts are 34.7% lower than FY 2009 adjusted appropriations of \$1.4 million. Actual FY 2009 spending from this line item amounted to \$1.7 million, a figure that includes disbursements from encumbrances of prior-year appropriations, largely related to subsidies. Below is a brief description of the Office of Aviation's GRF-funded programs.

Aviation Operating

This program is responsible for the operation of the Department's aircraft. The aircraft are used to transport the Governor, legislators, state personnel, and to perform DOT missions such as aerial photography, emergency management, forestry missions, homeland security, prisoner transfers, Department of Natural Resources missions, wild animal inoculations, and assisting in marijuana eradication. DOT maintains a fleet of 30 aircraft, including those of the Ohio State Highway Patrol and the Department of Natural Resources. The GRF appropriations provided in H.B. 1 are augmented with approximately \$5.0 million per year in Highway Operating Fund dollars appropriated in H.B. 2, the transportation budget bill. Total funding for this program supports 26 FTEs. The Office of Aviation's GRF operating expenses were \$299,195 in FY 2009. In order to cut costs, the Office of Aviation has completed more in-house aircraft inspections, negotiated an agreement to purchase fuel from The Ohio State University at reduced university prices, negotiated with contractors for reduced parts and services costs, and so forth.

Aviation Improvement Program

The Airport Improvement Program focuses primarily on airport safety and airport capital improvements. The Airport Safety program regulates 176 public use airports, heliports and seaplane bases as well as over 700 private airports and heliports.

Airport safety involves conducting airport inspections every two years, enforcing aviation laws, aircraft registration, and data gathering. Airport inspections ensure airport operations comply with Federal Aviation Administration (FAA) standards. After inspections, airports are advised of deficiencies and assisted in developing a corrective action plan. The capital improvement portion of this program provides grants to publicly owned airports for runway maintenance (including marking and lighting), runway and apron extensions, navigational aids, and weather reporting equipment.

In FY 2008, the program awarded nine grants totaling nearly \$1.5 million, while in FY 2009 there were nine grants totaling approximately \$1.8 million. Funding for this program is augmented by state special revenue and federal funds. These other sources provide an additional \$1.0 million per year. Due to GRF budget cuts, the airport improvement program has absorbed the brunt of the reductions. As of June 2008, 43% of taxiways, 38% of runways, and 33% of aprons were rated as having a deficient Pavement Condition Index (PCI).

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FY 2010 - 2011 Final Appropriation Amounts

All Fund Groups

<i>Line Item Detail by Agency</i>			<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010 Appropriations</i>	<i>% Change FY09 - FY10</i>	<i>FY 2011 Appropriations</i>	<i>% Change FY10 - FY11</i>
Report For: Main Operating Appropriations Bill			Version: Enacted					
DOT Department of Transportation								
GRF	775451	Public Transportation-State	\$ 18,685,470	\$ 16,382,877	\$ 10,870,642	-33.65%	\$ 10,870,642	0.00%
GRF	776465	Ohio Rail Development Commission	\$ 2,456,729	\$ 3,182,758	\$ 2,287,950	-28.11%	\$ 2,287,950	0.00%
GRF	776466	Railroad Crossing/Grade Separation	\$ 196,443	\$ 165,109	\$ 0	N/A	\$ 0	N/A
GRF	777471	Airport Improvements-State	\$ 1,288,514	\$ 1,701,947	\$ 923,064	-45.76%	\$ 923,064	0.00%
General Revenue Fund Total			\$ 22,627,156	\$ 21,432,691	\$ 14,081,656	-34.30%	\$ 14,081,656	0.00%
5E70	775657	Transit Capital Funds	\$ 43,725	\$ 52,186	\$ 0	N/A	\$ 0	N/A
General Services Fund Group Total			\$ 43,725	\$ 52,186	\$ 0	N/A	\$ 0	N/A
5CF0	776667	Rail Transload Facilities	\$ 0	\$ 200,000	\$ 0	N/A	\$ 0	N/A
State Special Revenue Fund Group Total			\$ 0	\$ 200,000	\$ 0	N/A	\$ 0	N/A
Department of Transportation Total			\$ 22,670,881	\$ 21,684,877	\$ 14,081,656	-35.06%	\$ 14,081,656	0.00%