

LSC Greenbook

Analysis of the Enacted Budget

Department of Transportation

(Including the Ohio Rail Development Commission)

Main Operating Budget Funding

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ATTACHMENT:

Budget Spreadsheet By Line Item

Department of Transportation

- Total biennial funding of \$20.1 million from the GRF
- GRF public transit funding for the eight largest urban systems to be eliminated, but offset by flexible federal funding
- Reduced GRF funding for rail development grants and airport capital improvement projects

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). Most of the budget is derived from federal sources, the state motor fuel tax, and bond revenue. The following provides an analysis of the GRF portion of the DOT budget, which includes the state's public transportation, rail, and aviation programs that are funded by appropriations in the main operating budget. The majority of the Department's biennial funding is contained in H.B. 114, the transportation budget act for FY 2012-FY 2013.

Appropriation Overview

As Table 1 below shows, H.B. 153 provides a GRF budget of \$10.1 million in each fiscal year for DOT, amounts that are about 25% lower than FY 2011 spending of \$13.4 million.

Fund Group	FY 2011*	FY 2012 Appropriations	% change, FY 2011-FY 2012	FY 2013 Appropriations	% change, FY 2012-FY 2013
General Revenue Fund	\$13,367,056	\$10,050,000	(24.8%)	\$10,050,000	0.0%

*FY 2011 figures represent actual expenditures.

Funding Distribution

By Functional Category

Of the total proposed funding, 73% of appropriations are for public transportation, 20% are for rail transportation, and 7% are for aviation. Table 2 below provides a summary of the appropriations for these programs by fiscal year as well as the share each makes up of the biennium's total GRF allocation.

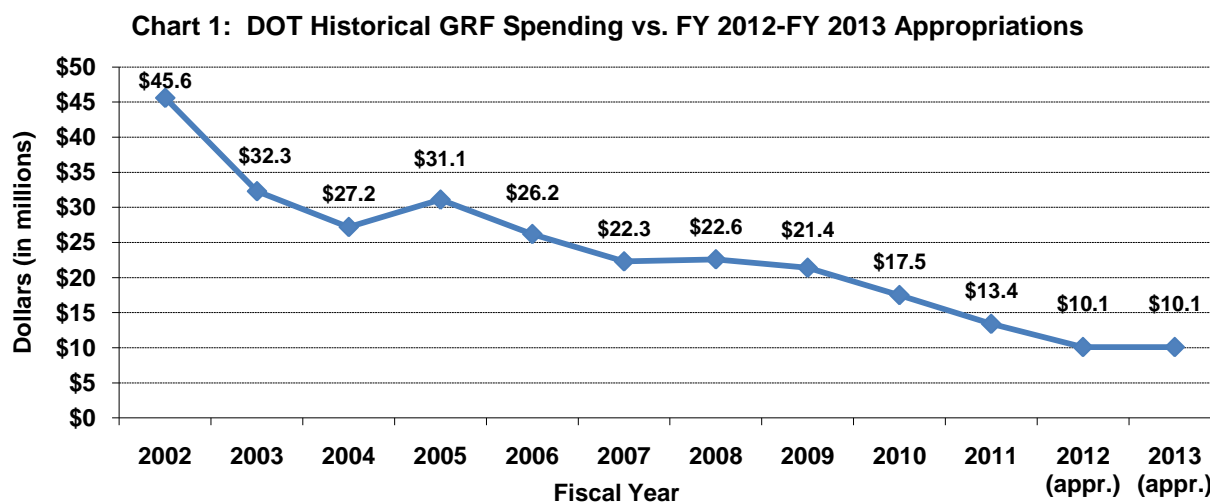
Functional Category	FY 2011 Actual	FY 2012 Appropriations	FY 2013 Appropriations	Biennium Total	Percent of Budget
Public Transportation	\$9.8	\$7.3	\$7.3	\$14.6	72.6%
Rail Transportation	\$2.6	\$2.0	\$2.0	\$4.0	19.9%
Aviation	\$1.0	\$0.8	\$0.8	\$1.5	7.5%
Total	\$13.4	\$10.1	\$10.1	\$20.1	100%

Note: Individual amounts may not add to totals due to rounding.

Though GRF funding for public transit is slated to decline significantly, DOT will direct \$6 million per year in flexible federal funds to the Urban Formula component of the Ohio Public Transportation Grant Program, which is normally funded by the GRF only. This will allow the eight largest urban transit systems, which will not be eligible to receive GRF funding, and potentially several small urban systems, to use local funds to backfill the loss of GRF dollars. This strategy minimizes the GRF funding cuts to small urban transit systems and nearly eliminates the GRF funding reduction to rural transit systems, which receive priority due to heavier reliance on GRF funding. In addition, \$14 million per year in flexible federal funds will be competitively awarded for vehicle replacements, transit facility capital improvements, or capitalized operating expenses, which will further enable the transit agencies receiving these awards to shift local funds toward operating purposes. These flexible federal funds are appropriated in H.B. 114, the transportation budget act for FY 2012-FY 2013.

GRF Funding History

The amount of GRF funding allocated to the Department's public transit, rail, and aviation grant programs for the FY 2012-FY 2013 biennium continues an overall trend of declining state support in recent years. Chart 1 below shows DOT's historical GRF spending from FY 2002 to FY 2011 and the FY 2012-FY 2013 appropriations. FY 2012 and FY 2013 GRF appropriations are 78.0% lower in nominal terms than peak GRF spending of \$45.6 million in FY 2002.



Summary of DOT Funding in the Transportation Budget Bill

Though GRF support for nonhighway modes has dwindled in the last ten years or so, the transportation budget bill for the FY 2012-FY 2013 biennium, H.B. 114, includes additional sources of funding for those modes. H.B. 114 allocates approximately \$53.5 million for public transit purposes, nearly all of which is derived from federal funds, \$17.9 million per year for rail purposes, such as rail-highway grade crossing improvements and financial assistance for rail-related projects, and about \$7.7 million per year for aviation-related programs, the largest of which is the maintenance and operation of the state's aircraft fleet. Altogether, H.B. 114 appropriates about \$158.1 million for these nonhighway modes of transportation over the biennium, amounting to 2.8% of the biennial funding included in the transportation budget.

Roughly \$5.0 billion (90.3%) of the total will go toward the Department's various highway construction and maintenance responsibilities. The remainder, \$381.5 million (6.9%), funds the Department's administration and planning and research activities. Overall, H.B. 114 funds DOT at approximately \$5.55 billion over the biennium. The majority of the Department's appropriations are funded from the Highway Operating Fund (Fund 7002), whose main source of funding is state and federal motor fuel taxes. The Department is also funded through the issuance of bonds and other highway-related revenues.

ANALYSIS OF ENACTED BUDGET

Category 1: Public Transportation

This category of appropriations provides capital, operating, technical, and planning assistance to 59 transit systems. Of the 59 transit systems, 24 systems are in urban areas and 35 are in rural areas. In the main operating appropriations bill, GRF dollars provide formula funding for operating and capital grants to public transit systems to match federal funding. GRF funds also provide reimbursements to public transit systems offering reduced fares for the elderly and disabled and support the operating expenses of the Office of Transit. The following table shows the appropriation for the GRF line item that funds a portion of the Public Transportation category.

Appropriation for Public Transportation				
Fund	ALI and Name		FY 2012	FY 2013
General Revenue Fund				
GRF	775451	Public Transportation – State	\$7,300,000	\$7,300,000

Public Transportation – State (775451)

This line item is primarily used to provide funding for public transit systems, which is distributed through two programs: the Public Transit Assistance Program and the Elderly and Disabled Fare Assistance Program. In addition, the line item provides partial funding of the operating costs for the Office of Transit. Overall, H.B. 153 provides \$7.3 million in each fiscal year for this line item. These amounts are 25.2% lower than FY 2011 spending of \$9.8 million. The programs funded by this line item are described in more detail below.

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 (OPTGP). OPTGP provides grants to transit systems for operating assistance as well as for planning and capital projects. State funding is only available to match a federal grant. Of the 24 urban transit systems, there are eight "large urban" systems and 16 "small urban" systems. For the purposes of allocating funds under the Urban Formula component of the OPTGP, the 24 urban systems are placed into five categories based on system size. Each category is allocated a fixed percentage of the available funds. Within each category, funds are suballocated to transit systems based on a formula that takes into account factors such as ridership, revenue service miles, farebox revenue, cost per hour, passengers carried per mile, and fare recovery rates. For rural systems, OPTGP Rural Formula funds are allocated based

on a formula that takes into account the number of passengers, revenue vehicle miles, and local contributions. Overall, DOT has allocated about \$4.4 million for this program for FY 2012, \$373,000 (7.9%) less than the \$4.7 million spent during FY 2011. Overall, the impact of the budget on the Public Transit Assistance Program will vary depending on the size of each transit system.

Large urban transit systems. The eight largest urban transit systems (operating in and around Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown) will no longer be eligible for GRF funding through the OPTGP. This will minimize the cuts in GRF funding to small urban transit systems and nearly eliminate any reduction in GRF funding to rural transit systems, which are a higher priority due to their heavier reliance on GRF funding compared to their urban counterparts. However, H.B. 114, the transportation budget act for FY 2012-FY 2013, includes \$20 million per year in flexible Federal Highway Administration (FHWA) funds that will be used to assist transit agencies during the upcoming biennium. Of the funds allocated for this purpose, \$6 million annually will be included in the Urban Formula Program for expenses eligible for federal reimbursement. The use of these federal dollars will allow the eight largest transit systems to use local resources to backfill the GRF funds for which these systems will no longer be eligible. DOT indicates that these systems should receive the same amount of funding provided through DOT as they did in FY 2010, if not more. FY 2011 funding for the large urban transit systems was extraordinarily high as a result of the Next Generation Transit Partnership, which provided \$40 million in flexible FHWA funds for public transit. Of the \$40 million, \$25 million was allocated for operational support and \$15 million was allocated to the purchase of environmentally friendly buses.

Rural transit systems. Within the OPTGP, DOT gives priority to the Rural Formula Program over the Urban Formula Program in allocating GRF funding, as rural transit systems are much more reliant on GRF funding than their urban counterparts. For example, GRF funding provided 14% of rural transit system operating budgets in CY 2009, although it is important to note that these figures do not include administrative or capital spending. In comparison, GRF funds provided 7% of small urban transit system operating budgets and just 2% of the eight large urban system operating budgets in that year. Rural transit systems are slated to receive about the same amount through the Rural Formula Program as that provided in FY 2011.

Small urban transit systems. The 16 small urban transit systems appear to be taking the brunt of the GRF funding reductions in this program for the FY 2012-FY 2013 biennium. Nevertheless, several of these small urban systems may be able to take advantage of some of the \$6 million in flexible federal funds being inserted into the Urban Formula Program if they have sufficient local revenues to use as a match to draw down the additional federal funds. If several small urban systems are able to qualify for the flexible federal funds, additional GRF resources would be made available for the

other small urban systems, which would reduce the overall amount of the GRF funding reduction for those agencies.

Transit System Preservation Discretionary Program. The balance of the flexible federal funding being provided for transit purposes, \$14 million per year, has been allocated for competitively awarded grants. The priority for these discretionary grants, which all 59 transit systems will be eligible for, will be to assist transit agencies in replacing vehicles and transit system infrastructure, though they may also be used for capitalized operating expenses if necessary. These funds will assist transit agencies in freeing up local resources for other noncapital purposes, such as operating costs.

Elderly and Disabled Assistance

This program offers affordable transportation for the elderly and people with disabilities through reduced fare assistance to public transit agencies offering half fare or less rides to passengers within those population groups. The program is funded entirely with state GRF dollars. In order to qualify for funding under this program, a transit system must receive an allocation from either the urban or rural component of the OPTGP. The allocations of funds to individual transit systems under the program are based on the actual ridership of the elderly and people with disabilities for the prior calendar year and the actual loss of farebox revenue from the reduced fares offered. Currently, 53 public transit systems offer half fares. The other systems have chosen not to offer reduced fares for financial reasons. Due to funding constraints, the fare assistance program has reimbursed only around one-third of foregone revenues from reduced fares in recent years.

For FY 2012, the allocation for this program has been reduced to \$2.5 million. This is substantially less than FY 2011 spending of \$4.6 million for this program. No reduced fare assistance funding will be provided to the eight largest urban transit systems to minimize the cuts in funding to rural and small urban transit systems, which rely on GRF funds more so than their urban area counterparts.

Public Transit Operating

This program covers the operating costs, such as payroll, supplies, and equipment, for DOT's Office of Transit. 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. DOT has allocated \$417,814 in GRF funds for this program in FY 2012, an amount that is 10.4% more than FY 2011 spending of \$378,511. The FY 2012 allocation will support four positions, unchanged from the previous biennium. The Office's other 13 positions are supported through federal sources of reimbursement and are accounted for in the portion of the Public Transit Assistance program funded in the transportation budget act.

Category 2: Rail Transportation

This category of appropriations is administered by the Ohio Rail Development Commission (ORDC). ORDC administers programs that promote economic development and rail-highway safety. The following table shows the appropriation for the GRF line item that supports a portion of the Rail Transportation category.

Appropriation for Rail Transportation				
Fund	ALI and Name		FY 2012	FY 2013
General Revenue Fund				
GRF	776465	Ohio Rail Development Commission	\$2,000,000	\$2,000,000

Ohio Rail Development Commission (776465)

This line item funds rail development grants as well as a portion of the operating costs of ORDC. Overall, H.B. 153 includes \$2.0 million in each fiscal year for this line item. These amounts are 22.4% lower than FY 2011 spending of \$2.6 million. The programs funded by this line item are described briefly below.

Rail Development Grant and Loan

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 GRF portion of this program provides grants 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 the amount of assistance to award, ORDC evaluates a project's contribution toward job creation, effectiveness of rail service, economic development potential, preventing derailments, and keeping up train speeds.

Freight Rail Development/Spur Program. This program provides funds for 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.

DOT has allocated \$1.4 million in GRF funding for FY 2012 for these programs, a 25.2% reduction when compared to the \$1.8 million spent during FY 2011. However, readers should note that funding for these activities is augmented with \$1.9 million in FY 2012 and \$2.7 million in FY 2013 in loan funding through appropriation item 776664, Rail Transportation – Other, that is appropriated in H.B. 114, the FY 2012-FY 2013 transportation budget act.

Rail Operating

This program funds a portion of the operating costs of ORDC, which currently has 16 full-time employees. GRF funding covers the payroll costs for seven administrative FTEs associated with agency leadership, project development, and project oversight as well as most of the purchased service contracts, supplies, and maintenance costs of the Commission. Payroll for the remaining nine FTEs, who execute grant and loan agreements, monitor the repayment of loan funds, manage state-owned rail property, and oversee railroad-highway grade crossing safety improvements, is covered by funds appropriated in H.B. 114. DOT has allocated GRF funding of \$636,500 in FY 2012, which is 15.7% less than FY 2011 spending of \$755,118.

Category 3: Aviation

This category of appropriations provides funding that enables the Office of Aviation 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. The following table shows the appropriations for the GRF line item that funds a portion of the Aviation category.

Appropriation for Aviation				
Fund	ALI and Name		FY 2012	FY 2013
General Revenue Fund				
GRF	777471	Airport Improvements – State	\$750,000	\$750,000

Airport Improvements – State (777471)

This line item is used to support grant funding as well as airport and pavement condition inspections and airspace protection, planning, engineering, and technical assistance to Ohio's general aviation airports. Overall, H.B. 153 includes \$750,000 in each fiscal year for this line item. These amounts are 27.1% lower than FY 2011 spending of \$1.0 million. The Airport Grant Program bears the brunt of this funding reduction. The programs funded by this line item are described in more detail below.

Airport Grant Program

The Airport Grant Program provides capital improvement grants to publicly owned airports that do not receive FAA passenger or air cargo entitlements. Grant funds may provide up to 90% of the construction costs associated with airport pavement resurfacing or obstruction removal and marking projects. The grant program operates on a reimbursement basis. In order to be awarded grant funds, an airport must have a current Airport Safety Plan that complies with Transportation Security Administration (TSA) guidelines. There are currently 99 publicly owned airports eligible to receive grant funding.

DOT has allocated GRF grant funding of \$228,869 in FY 2012, 60.5% less than FY 2011 spending of \$580,130 for this purpose. GRF funding for airport grants is augmented by funding of \$620,000 per fiscal year in aircraft license tax revenues deposited into the Airport Assistance Fund (Fund 5W90), which is appropriated in H.B. 114. Together, these sources provide a grant program of about \$850,000 in FY 2012. Given the declining levels of state support, average Pavement Condition Index (PCI) for runways, taxiways, and aprons across the state is likely to decline.

Aviation Operating

GRF funds for this program support a small portion of the operating expenses of the Office of Aviation. Activities funded by the GRF include Airport Safety Program

administration, enforcement of the Ohio Airport Protection Law, and administration of the Airport Grant Program. Overall, the allocation for these activities is \$521,131 in FY 2012, a 16.1% increase when compared to FY 2011 spending of \$448,746 for this program. These functions are described in more detail below.

Airport Safety Program. Under the Airport Safety Program, Office of Aviation officials conduct safety and pavement condition inspections at 157 noncommercial service, public use airports on a three-year cycle to ensure airport operations comply with Federal Aviation Administration (FAA) standards and the Ohio Airport Protection Law. After inspections, airports are advised of deficiencies and assisted in developing a corrective action plan. The salaries of the inspectors conducting the inspections are paid out of the GRF. However, the federal government reimburses the state a set amount per inspection, the proceeds of which are deposited into the GRF. The information gathered from airport pavement condition inspections is used to assess the maintenance needs of Ohio's airports and to assist with the selection of projects receiving Airport Grant Program funds.

Ohio Airport Protection Law Enforcement. The Office of Aviation enforces the Ohio Airport Protection Law by reviewing any proposed construction that will take place within a specified distance of an airport runway. If the construction is determined to pose no obstruction hazard to airport navigation, the Office issues a permit to proceed. If there is a potential hazard, the Office works with project officials to change the location or design of the building so that it does not result in an obstruction.

Airport Grant Program Administration. As noted above, the Airport Grant Program provides capital improvement funds to certain publicly owned airports. Office of Aviation staff verify and evaluate grant applications, rank proposed projects based on merit and availability of funds, execute grant contracts, and so on to carry out the grant program.

The majority of funding for the Aviation Operating Program is appropriated in H.B. 114, the transportation budget act for FY 2012-FY 2013. These funds, amounting to approximately \$5.4 million per year from the Highway Operating Fund (Fund 7002), primarily are used to operate and maintain the state's aircraft fleet. The aircraft are used to transport the Governor, legislators, and state personnel, and to perform aerial photography, emergency management, forestry missions, homeland security, prisoner transfers, Department of Natural Resources missions, wild animal inoculations, and marijuana eradication assistance. DOT maintains a fleet of 26 aircraft, which include those of the Ohio State Highway Patrol and the Department of Natural Resources. Any costs arising from the nonhighway use of the aircraft must be reimbursed to DOT. Fund 7002 resources also support the costs associated with the registration and oversight of 10,600 Ohio aircraft.

FY 2012 - FY 2013 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2010	FY 2011	Appropriations FY 2012	FY 2011 to FY 2012 % Change	Appropriations FY 2013	FY 2012 to FY 2013 % Change
Report For Main Operating Appropriations Bill			Version: Enacted					
DOT Department of Transportation								
GRF	775451	Public Transportation-State	\$ 13,086,564	\$ 9,759,669	\$ 7,300,000	-25.20%	\$ 7,300,000	0.00%
GRF	776465	Ohio Rail Development Commission	\$ 2,953,653	\$ 2,578,512	\$ 2,000,000	-22.44%	\$ 2,000,000	0.00%
GRF	776466	Railroad Crossing/Grade Separation	\$ 73,562	\$0	\$ 0	N/A	\$ 0	N/A
GRF	777471	Airport Improvements-State	\$ 1,359,571	\$ 1,028,875	\$ 750,000	-27.10%	\$ 750,000	0.00%
General Revenue Fund Total			\$ 17,473,349	\$ 13,367,056	\$ 10,050,000	-24.82%	\$ 10,050,000	0.00%
5CF0	776667	Rail Transload Facilities	\$ 200,000	\$0	\$ 0	N/A	\$ 0	N/A
State Special Revenue Fund Group Total			\$ 200,000	\$0	\$ 0	N/A	\$ 0	N/A
Department of Transportation Total			\$ 17,673,349	\$ 13,367,056	\$ 10,050,000	-24.82%	\$ 10,050,000	0.00%