

**Greenbook**  
**LSC Analysis of Enacted Budget**

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**Transportation Budget Bill**

**(H.B. 26 of the 132nd General Assembly)**

**Ohio Turnpike and  
Infrastructure Commission**

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# Ohio Turnpike and Infrastructure Commission

- \$121.4 million capital budget for projects on Ohio Turnpike in CY 2017
- Nearly \$300 million in toll revenue projected in CY 2017
- Around \$1.1 billion in Turnpike revenue bond funding has been approved for ODOT infrastructure projects

## OVERVIEW

The Ohio Turnpike and Infrastructure Commission (OTIC) is a public entity overseen by a ten-member board and 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 concluding in the western boundary of Ohio on I-90. 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 calendar year (CY) 2016, OTIC employed a staff of 748 full-time and 224 part-time employees, for a total of 972 employees.

OTIC is not a state agency and is not appropriated money from any state funds included within the transportation or main operating budget bills. However, the Commission is required to submit its proposed budget to the Office of Budget and Management, the General Assembly, and the Legislative Service Commission under section 5537.17 of the Revised Code. This overview presents information on (1) OTIC's bond funding scheme in collaboration with the Ohio Department of Transportation, (2) highlights of OTIC's operations, and (3) a summary of the Commission's capital and operating budgets for CY 2017.

## Bond Funding for ODOT Infrastructure Projects

To provide a way to finance additional road construction across the state, H.B. 51, the transportation budget for the FY 2014-FY 2015 biennium, created a funding partnership between OTIC and the Ohio Department of Transportation (ODOT) to cover the cost of additional highway infrastructure. While OTIC already had authority to issue bonds backed by toll revenue to pay for road construction projects along the Ohio Turnpike, H.B. 51 expanded this bonding authority by allowing OTIC to issue bonds to pay for highway infrastructure projects to be managed and completed by ODOT.

The plan was for the issuance of a total of \$1.5 billion of Turnpike revenue bonds for ODOT infrastructure projects between 2013 and 2018. Under the requirements that were set under H.B. 51, ODOT must apply to OTIC to approve the projects receiving

this funding, as long as the projects: (1) have also been approved by the Transportation Review Advisory Council (TRAC), which oversees a project selection process for Major New ODOT projects, and (2) have a "nexus" to the Ohio Turnpike. Thus far, just over \$1.13 billion in infrastructure project funding has been approved by both entities under this funding scheme, under two rounds of approvals as described in more detail below.

### **Infrastructure Projects – Round 1**

In July 2013, the Commission approved the issuance of revenue bonds to fund \$930 million in ODOT infrastructure projects. In all, ten projects were approved by TRAC and OTIC using this funding, located across northern Ohio. Through CY 2016, ODOT has expended approximately \$784.4 million on these infrastructure projects and the Commission has reimbursed ODOT \$762.2 million. It is anticipated that the entire \$930 million in 2013 bond funding will be paid to ODOT by the end of CY 2017.

### **Infrastructure Projects – Round 2**

In February 2016, ODOT submitted funding requests for four additional infrastructure projects totaling \$200 million in costs, and the Commission subsequently approved the project funding upon the successful completion of an issuance of Turnpike revenue bonds to generate this funding. ODOT began construction on the projects in CY 2016 and the Commission will enter into funding agreements to reimburse ODOT from the proceeds of the next revenue bond issuance once it is completed.

Two of the four projects in this funding round are located in Cuyahoga County, a \$90 million widening of I-271 and a \$24 million widening of I-77. Of the remaining two projects, one is an \$80 million project in Summit County affecting the interchanges of I-76 and I-77. The other is a \$6 million project in Mahoning County on the I-680 and State Route 164 interchange.

## **Highlights of OTIC Operations**

### **Turnpike Toll Increases**

H.B. 51 also authorized OTIC to use Turnpike toll revenue to cover the repayment of the infrastructure bonds. The Commission subsequently approved a series of toll increases over a ten-year span, beginning on January 1, 2014 through January 1, 2023 to cover these additional costs. Toll rates will rise up to 2.7% annually, but will vary depending on the class of vehicle, miles traveled, and whether the vehicle is subject to the full toll or a discounted rate under E-ZPass. Under the planned increases, the toll for a regular two-axle passenger vehicle driving the entire 241-mile length of the Turnpike with an E-ZPass would rise from \$11.25, as it was in CY 2013, to \$14.75 in CY 2023. For that same vehicle and travel length with no E-ZPass, the toll cost would increase from \$16.50 to \$21.50 over the ten-year period. For CY 2017, the cost is \$12.50 for E-ZPass users, and \$18.25 for nonusers.

## **Connected Vehicle Technology**

As part of OTIC's budget for CY 2017, OTIC will spend some money on connected vehicle technology. Coming from both the capital and operating budgets, around \$714,000 will be allocated for Dedicated Short Range Communications (DSRC) at two locations (the Boston and Amherst maintenance sections) along the Turnpike. According to the Commission, this DSRC technology will enhance the safety of the OTIC fleet and allow the agency to operationalize aspects of transmitting, capturing, and using connected vehicle data.

## **Capital and Operating Funding for CY 2017**

### **Capital Budget**

In December 2016, OTIC adopted Resolution 71-2016, outlining a \$121.4 million capital budget for CY 2017 along the Ohio Turnpike. Under the resolution, the Commission approved approximately \$98.6 million for capital projects, of which \$90 million is dedicated to specific projects on the Ohio Turnpike. The remaining \$8.6 million under its CY 2017 construction budget is set aside for unidentified capital funding needs that may arise. Among the major construction projects identified for funding in CY 2017, three entail the complete replacement of five lane-mile stretches of base pavement in Sandusky, Erie, and Portage counties (\$45.5 million). Other projects budgeted under the CY 2017 capital spending plan include major roadway resurfacing in various locations (\$21.6 million), and bridge repair and resurfacing (\$16.6 million).

In addition to the major capital construction and maintenance projects on the Turnpike, \$16.9 million is budgeted for renewal and replacement of equipment and for smaller roadwork projects. This category includes (1) the replacement of maintenance and service vehicles and equipment, (2) various maintenance projects at Commission garages and toll plazas, and (3) surface repairs to pavement. Finally, approximately \$1.9 million is slated for improvements at the Commission-owned service plazas.

### **Long-Term Capital Improvement Program**

The Commission estimates that approximately \$3.1 billion will be spent on capital improvements on the Ohio Turnpike in the 35-year period from CY 2014 to CY 2048. Specifically, OTIC forecasts that approximately 47% will be used for pavement replacement (\$1.46 billion), 20% will be allocated for bridge rehabilitation and reconstruction (\$620 million), 18% will go toward resurfacing and repavement (\$558 million), and the remaining 15% will be spent on other capital costs (\$465 million).

### **Operating Budget**

OTIC's CY 2017 operating budget was adopted under Resolution 70-2016. The table below displays actual operating revenues and expenditures for CY 2015, as well as the amounts budgeted for CY 2016 and CY 2017. Toll collections are the biggest source of operating revenue, accounting for the \$11.9 million (3.8%) rise in revenue that was

projected between CY 2015 and CY 2016. Operating expenditures are slated to increase by approximately 3.4%, from \$122.1 million under the adopted CY 2016 budget to \$126.3 million for CY 2017. With a slight gain in estimated revenue and a modest increase in projected spending, the CY 2017 budget anticipates a small decline in net operating profits compared to the budget adopted for CY 2016.

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 \$200.5 million in expected operating profits for CY 2017, OTIC has committed (1) approximately \$105 million to debt service payments, (2) approximately \$91.9 million for transfer to capital funds that support construction and maintenance projects on the Ohio Turnpike, and (3) the remaining \$3.6 million for transfers to other nonoperating funds.

<b>OTIC Operating Budgets, CY 2015-CY 2017 (in \$ millions)</b>				
	<b>CY 2015 Actual</b>	<b>CY 2016 Adopted*</b>	<b>CY 2017 Adopted</b>	<b>% change CY 2016-CY 2017</b>
<b>Revenue Sources</b>				
Tolls	\$280.2	\$297.9	\$299.4	0.5%
Concessions	\$16.1	\$15.2	\$15.9	4.6%
Fuel Tax Allocation	\$2.8	\$2.4	\$2.4	0.0%
Investment Earnings	\$5.5	\$4.0	\$4.0	0.0%
Other	\$7.7	\$4.5	\$5.2	15.6%
<b>Total Revenues</b>	<b>\$312.2</b>	<b>\$324.1</b>	<b>\$326.8</b>	<b>0.8%</b>
<b>Operating Expenditures</b>				
Services and Toll Operations	\$51.5	\$54.8	\$58.1	6.0%
Roadway and Structure Maintenance	\$35.6	\$40.2	\$41.4	3.0%
Traffic Control, Safety, Patrol, and Communications	\$13.9	\$15.4	\$14.5	-5.8%
Administration and Insurance	\$10.2	\$11.8	\$12.3	4.2%
<b>Total Operating Expenditures</b>	<b>\$111.1</b>	<b>\$122.1</b>	<b>\$126.3</b>	<b>3.4%</b>
<b>Net Operating Profit</b>	<b>\$201.1</b>	<b>\$202.0</b>	<b>\$200.5</b>	<b>-0.7%</b>

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

\*CY 2016 actuals were not available at the time of publication.