

# Transportation Budget Bill Overview

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This is an analysis of all agency budgets that comprise the transportation budget bill. These agencies are the Department of Transportation (ODOT), the Department of Public Safety (DHS), and the Public Works Commission (PWC). ODOT and DHS also have General Revenue Fund (GRF) line items that are contained in the main appropriations bill (separate analyses will be provided for those items). In addition to these three agencies, the transportation budget bill also contains one line item from the Department of Development. The revenue source for the line item is the motor vehicle fuel tax (MVFT).

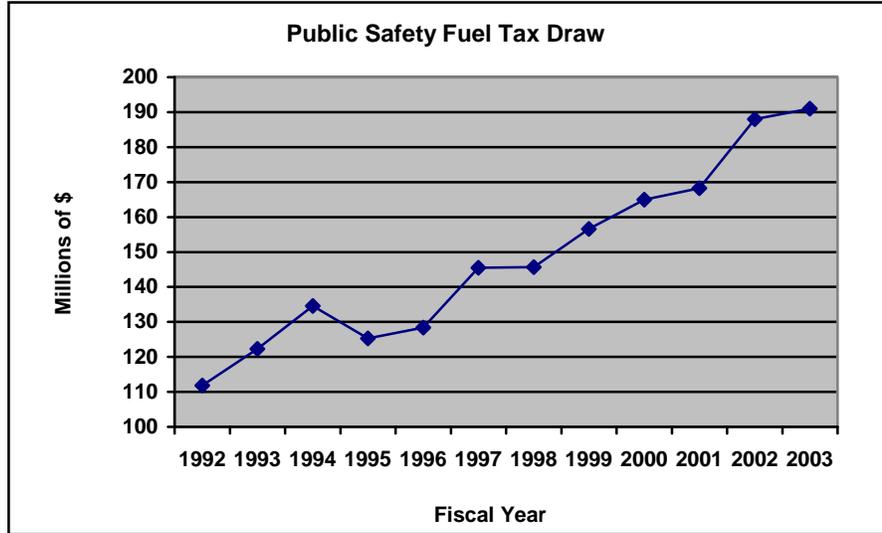
The bill makes appropriations and re-appropriations for highway purposes for the FY 2002 – FY 2003 biennium. It also places conditions and restrictions on the use of the appropriated funds and authorizes the issuance of \$257.5 million in highway bonds. Total funding for all agencies is over \$3 billion in fiscal year (FY) 2002 and over \$2.5 billion in FY 2003.

## **Motor Vehicle Fuel Tax (MVFT)**

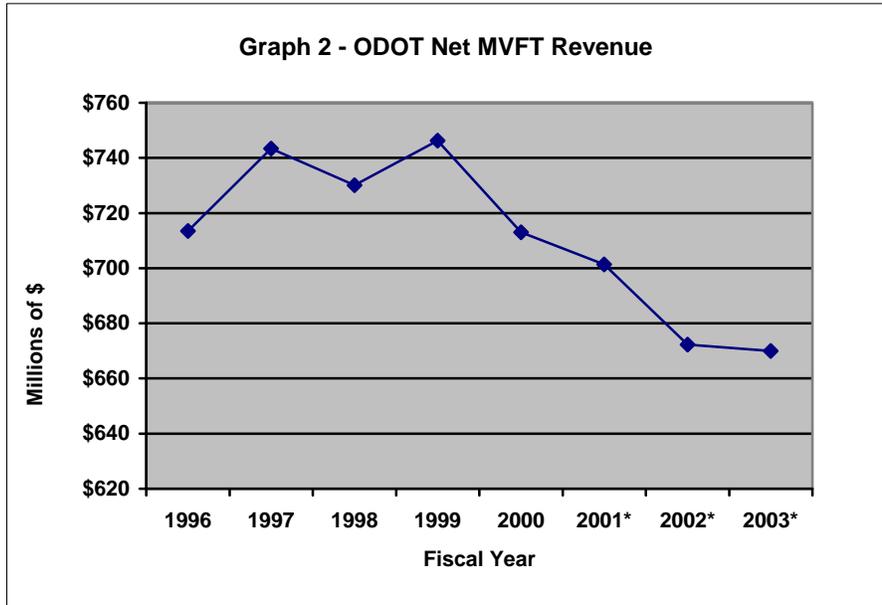
The common factor for all of the agencies contained in this bill is a funding source: the motor vehicle fuel tax. This excise tax is imposed on all motor vehicle fuel dealers (approximately 650 distributors) upon the use, distribution, or sale of motor vehicle fuel. The tax rate is made up of five levies, of which four make up the seven-cent fixed rate and the fifth is the cents per gallon levy (variable rate). The last tax increase was effective July 1, 1993. At that time, the total rate was changed from 21 cents to 22 cents per gallon.

From the amount collected, several transfers are made for specific state use (including an amount equal to one cent to the Local Transportation Improvement Program). Of the remaining receipts, approximately 75 percent is distributed to the state (for ODOT's use) and the balance to local governments. Of the portion that is distributed to ODOT, the Department of Public Safety is entitled to draw up to two cents for operating the Highway Patrol. Section 5735.05 of the Revised Code allows for up to an additional two-cent draw. However, this levy is also apportioned to municipalities and counties. Therefore, the actual amount that Public Safety realizes from this additional portion is about 8/10ths of one cent. The graph below shows the department's historical and projected draw on fuel tax revenues for six biennia.

In FY 2002, the draw is increased by over eleven percent (\$19.8 million) compared to the FY 2001 draw, for a total of \$188 million. In FY 2003 the draw is increased by slightly under two percent (\$3 million) over the FY 2002 amount for a total of \$191 million. (The decreases in FYs 1995 and 1996 were due to the use of a \$17.8 million cash balance in Public Safety's Highway Safety Fund - Fund 036. This balance was entirely depleted in FY 1997.)



Graph 2 below shows the net amount of state MVFT that has been, and is projected to be, available to the Department of Transportation after all of transfers, refunds, and additional draws are deducted from the gross tax receipts.



In FY 2002, ODOT's share of the MVFT is projected to decrease 4.1 percent from FY 2001. In FY 2003 ODOT's share of the MVFT decreases another

0.3 percent. The amount of the twenty-two cent state motor vehicle fuel tax that is available to ODOT for maintenance, repair, and new construction of highways has, or is projected to, go down in five out of the seven years from FY 1996 – FY 2003. A number of factors contribute to this phenomenon. Since the gas tax itself has proven to be a rather stable revenue source in the 1990s, the explanation for why the amount of revenue available to ODOT for current operations is decreasing lies along other lines. Specifically, increased bond repayments and increased draws on the gas tax by other agencies are the two primary explanations for the decreasing availability of state MVFT funds to the Ohio Department of Transportation.

The following table provides actual FY 2000 and estimated FY 2001, FY 2002, and FY 2003 revenue projections and details the amounts that are either budgeted or projected by agency, fund, or use. One example of the uncertainty involved in the estimates that follow is the Waterway Safety Fund line. Currently, that line receives .75% of the MVFT. The Department of Natural Resources (DNR) has

requested that their share be increased to one percent. The table assumes this change, which was included in the Governor's proposal. The change means that approximately \$3.6 million would become unavailable for highway projects, but would become newly available for DNR projects.

**State Motor Vehicle Fuel Tax Revenue Projection**

	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
Gross Gallons <sup>1</sup>	6,554,057,314	6,550,000,000	6,615,500,000	6,681,655,000
Tax Rate	\$0.22	\$0.22	\$0.22	\$0.22
Estimated Revenue <sup>1</sup>	\$1,441,892,609	\$1,441,000,000	\$1,455,410,000	\$1,469,964,100
<i>PUCO</i>	(\$1,242,480)	(\$1,275,759)	(\$1,275,759)	(\$1,275,759)
<i>Turnpike Revenue<sup>1</sup></i>	(\$2,451,217)	(\$2,449,700)	(\$2,474,197)	(\$2,498,939)
<i>Refunds<sup>1</sup></i>	(\$14,567,193)	(\$14,558,175)	(\$14,703,757)	(\$14,850,794)
<i>Waterway Safety Fund<sup>1</sup></i>	(\$10,814,195)	(\$10,807,500)	(\$14,554,100)	(\$14,699,641)
Net Tax Revenue	\$1,412,817,524	\$1,411,908,866	\$1,422,402,187	\$1,436,638,967
Less: <i>Bond Fund</i>	(\$133,739,000)	(\$165,479,600)	(\$187,344,800)	(\$199,693,200)
<i>LTIP<sup>1</sup></i>	(\$65,540,573)	(\$65,500,000)	(\$66,155,000)	(\$66,816,550)
Amount for Distribution	\$1,213,537,951	\$1,180,929,266	\$1,168,902,387	\$1,170,129,217
Percentage for ODOT <sup>2</sup>	75%	75%	75%	75%
ODOT Share of Gas Tax	\$910,153,463	\$885,696,949	\$876,676,790	\$877,596,912
Less: <i>Allocation to Patrol</i>	(\$165,000,000)	(\$168,212,850)	(\$188,000,000)	(\$191,000,000)
Less: <i>Allocation to Taxation</i>	(\$3,461,979)	(\$3,462,810)	(\$3,690,700)	(\$3,889,600)
Less: <i>Allocation to Development</i>	(\$12,699,900)	(\$12,699,900)	(\$12,699,900)	(\$12,699,900)
<b>ODOT Portion</b>	<b>\$728,991,584</b>	<b>\$701,321,389</b>	<b>\$672,286,190</b>	<b>\$670,007,412</b>
Carryover of previous year's receipts			<b>\$100,000,000</b>	<b>\$50,000,000</b>
<b>LSC estimate of ODOT receipts from MVFT</b>			<b>\$772,286,190</b>	<b>\$720,007,412</b>
<b>ODOT estimate</b>			<b>\$854,000,000</b>	<b>\$790,000,000</b>

Approximately \$21 million of the difference between the LSC estimate and the ODOT estimate in FY 2002, and \$26 million of the difference in FY 2003, is due to the difference in assumptions regarding growth in motor vehicle fuel sales.

<sup>1</sup> Gallonage and all subsequent items that derive their share of the MVFT from the gallonage figure for fiscal years 2001, 2002 and 2003 are estimated. The FY 2001 figure is rounded down slightly, because revenues for the first half of the FY were running about 1.1% below the equivalent FY 2000 figures. The FY 2002 and 2003 figures are projected forward assuming a one-percent annual increase, which is conservative given experience in the years immediately prior to the current fiscal year.

<sup>2</sup> The other approximately 25% is distributed to local governments.

**Transportation Budget Bill - Overview**

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The following summarizes the bill's appropriations by state agency, by fund group.

	<b>FY 2002</b>	<b>FY 2003</b>
Transportation		
Highway Operating Fund Group	\$ 1,975,326,880	\$ 1,933,272,260
Highway Capital Improvement Fund Group	225,000,000	102,500,000
Infrastructure Bank Obligations Fund Group	300,000,000	30,000,000
State Special Revenue Fund Group	<u>55,000</u>	<u>55,000</u>
TOTAL - Transportation	\$ 2,500,381,880	\$ 2,065,827,260
Public Safety		
State Highway Safety Fund Group	\$ 375,858,975	\$ 399,029,529
State Special Revenue Fund Group	1,867,275	1,936,903
Liquor Control Fund Group	8,739,650	9,233,527
General Services Fund Group	9,479,683	8,486,060
Federal Special Revenue Fund Group	15,121,100	12,243,504
Agency Fund Group	204,400	209,510
Holding Account Redistribution Fund Group	<u>2,035,000</u>	<u>2,035,000</u>
TOTAL – Public Safety	\$ 413,306,083	\$ 433,174,033
Development		
State Special Revenue Fund Group	<u>\$ 12,699,900</u>	<u>\$ 12,699,900</u>
TOTAL – Development	\$ 12,699,900	\$ 12,699,900
Public Works Commission		
Local Transportation Improvements Fund Group	\$ 74,401,481	\$ 76,426,089
Local Infrastructure Improvements Fund Group	<u>958,456</u>	<u>1,016,207</u>
TOTAL – Public Works Commission	<u>\$ 75,359,937</u>	<u>\$ 77,442,296</u>
<b>TOTAL – Transportation Budget Bill</b>	<b><u>\$ 3,001,747,800</u></b>	<b><u>\$ 2,589,143,489</u></b>