

Ohio Department of Transportation

John R. Kasich, *Ohio Governor*

Jerry Wray, *ODOT Director*

2012-2013 Biennium General Revenue Fund Budget Testimony

Chief of Staff Greg Murphy

Before the
Senate Finance Committee

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Good afternoon, Chairman Widener and Distinguished Members of the Senate Finance Committee,

I am Greg Murphy, Chief of Staff of the Ohio Department of Transportation. On behalf of Governor Kasich and Director Jerry Wray, I am here to testify on the Ohio Department of Transportation's portion of the General Revenue Fund (GRF) Budget.

Ohio is home to a world-class transportation system that takes a great deal of work and funding to maintain; and just like every other Agency and Local Government, we are feeling the impact of a sluggish economy and the uncertainty of future Federal funding.

While ODOT is primarily funded through the Federal and State motor fuels tax, the General Revenue Fund is an essential part of our funding formula for our transit, aviation, and rail development programs. To help balance the \$8 billion deficit facing Ohio, ODOT took a hard look at our true transportation funding needs from the GRF, which resulted in the introduced ODOT budget in House Bill 153.

The programs supported by this funding include, aviation, transit and the Ohio Rail Development Commission.

ODOT's Aviation program assists small, publically owned airports to maintain and resurface their runways and other infrastructure necessary for the safe operation of aircraft.

Our Transit office now forms a vital partnership with Ohio's transit agencies and regional transit authorities and our goal is to provide a consistent and reliable funding stream through the Ohio Transit Preservation Partnership Program. This program will allow our public transit partners to have confidence in the level of funding they will receive and plan for the future.

Funding for the Ohio Rail Development Commission allows vital highway and rail crossing safety upgrades to occur throughout our state.

Under Ohio Constitutional Law, ODOT is prohibited from spending state motor fuel taxes on these programs. Funding through the GRF is vitally important for these programs to function in a safe and efficient manner.

However, recent changes to House Bill 153 have caused an already lean budget for these programs to be taken below bare bones and ODOT's GRF budget is now dangerously close to affecting funding received at the Federal level.



While a majority of these funds go towards other state programs and initiatives, part of this money is used as matching state dollars that are required to obtain Federal funding for programs, like Transit.

We understand that everyone has to do their part to decrease spending, but we strongly believe we have already made some very difficult decisions distinguishing between ‘wants’ and ‘needs’ and the recently proposed decrease will have a significant impact to our public transit agencies in Ohio, especially to our small urban transit systems.

Under the current proposal, Transit would receive \$6.5 million per year. This 10 percent decrease from the originally proposed budget, has the potential to cause at least 8 Small Urban transit systems to stop service and further reduce subsidies for the elderly and disabled.

We understand that many Ohioans rely on public transit and it is always our primary goal to minimize the effect our current fiscal realities will have, especially on Ohio’s smaller transit systems, but these reductions make it very difficult to protect services for those who need it the most.

ODOT’s original budget provided enough State Funds for the Small Urban and Rural transit systems to continue operating, but the current \$800,000 per year reduction will result in the inability to match Federal dollars on a one-to-one basis. This reduction in state and federal funding may result in the elimination of 6.2 million trips taken on small urban and rural transit agencies. Funding reductions in small urban and rural transit have a greater impact on the elderly, individuals with disabilities, and low income individuals that rely on public transportation for their independence, access to medical services, training and jobs. ODOT respectfully requests restoring this small, but important funding to the original \$7.3 million per year level.

In addition to this funding cut, I also would like to address one major component of Substitute House Bill 153 that could substantially hinder the effectiveness of our recently passed Public Private Partnership, or P3, authority.

With the serious threat of funding cuts at the Federal level, coupled with rising inflation costs, ODOT simply does not have the resources needed to build all of the needed projects around the state. That being said, we have to enlist the resources of the private sector and look at new and innovative ways to help fund our transportation system.

The attraction of private capital dollars through P3 agreements will help keep our transportation system in a state of good repair and excellent level of service.



But, as we work with the private sector, ODOT not only needs the authority enter into these agreements, but also the ability to work at the same pace as our new private partners, and not at the pace of legislative statute.

The creation of the Transportation Public-Private Partnership Legislative Oversight Committee is well intentioned, but we see great potential for these new agreements to get tied up in the same web of bureaucracy we are all trying to correct.

The experience of other states show that the less legislative roadblocks or perceived impediments P3 agreements have, the more attractive a particular project or group of projects will be to a private partner.

Research obtained from the Federal Highway Administration shows that of 30 states now having P3 authority, only 6 states uphold the need to require legislative approval for P3 agreements. Also, it should be noted, out of those 6 states requiring legislative approval, 4 states have not had any significant P3 activity since their P3 authority was enacted.

With our P3 authority, we are asking our potential partners to take on quite a bit of risk, and it would not be prudent to further burden them with the uncertainties of political structures. In order to account for this increased political risk, a potential private partner would attempt to ensure that any financial risks are covered, therefore decreasing potential revenue for the State.

To this end, ODOT respectfully recommends the removal of the Transportation Public-Private Partnership Legislative Oversight Committee.

Thank you for your time and for hearing and taking our concerns into consideration as you work through this monumental Budget Bill. No matter what the outcome, you have our commitment to keep our operating costs as low as possible and to continue to get the best value for every tax dollar we spend.

On behalf of Director Wray, I would like to thank you for your time and hard work and look forward to continuing to work with you through this process.

I'm available to answer any questions you may have. Thank you.

