

*The Ohio House  
of Representatives*



*The Ohio Senate*

**The Joint Legislative Task Force on  
Department of Transportation Issues  
Co-Chairs' Report**

**Representative Cheryl Grossman, Co-Chair  
Senator Frank LaRose, Co-Chair**

December 15, 2016

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## I. INTRODUCTION

The Joint Legislative Task Force on Department of Transportation Issues (the Task Force) was created by Substitute House Bill No. 53 of the 131<sup>st</sup> General Assembly (HB 53) and was modified in part by Substitute House Bill No. 64 (HB 64). The Task Force is composed of a bipartisan panel of legislators from both the Ohio House and Senate. HB 53 required the Task Force to study Ohio's speed limits, license plate requirements, limited driving privilege licenses, as well as a study of the effectiveness of the motor fuel tax and alternative methods of funding Ohio roadways and infrastructure.

By December 15, 2015, HB 53 and HB 64 require the Task Force to submit a report of its findings to the House and Senate that includes the following:

1. Methods for increasing the speed on, and access to, rural highways and freeways;
2. Methods for saving money on license plates, including specifically a single license plate requirement; and
3. An assessment of the feasibility of establishing a limited driving privilege license.

*The 2015 report can be found online at <http://jltft.legislature.ohio.gov/documents>.*

By December 15, 2016, HB 53 furthermore requires the Task Force to submit a subsequent report of its findings to the House and Senate that includes the following:

1. A study of the effectiveness of the Ohio motor fuel tax in meeting the funding needs of the Ohio Department of Transportation (ODOT); and
2. A study on alternative methods to fund Ohio roadways and infrastructure.

The Senate President and the Speaker of the House appointed the following members to the Task Force:

Senator Frank LaRose, <i>co-chair</i>	Representative Cheryl Grossman, <i>co-chair</i>
Senator Kevin Bacon	Representative Bill Reineke
Senator Capri Cafaro	Representative Denise Driehaus

In 2016, the Task Force conducted two public hearings. All testimony from those hearings, and testimony separately submitted to the Study Committee, can be found on the Task Force's webpage at:

<http://jltft.legislature.ohio.gov/documents>

## II. Transportation Funding Background

### Ohio Constitution

#### XII.05a Use of motor vehicle license and fuel taxes restricted

No moneys derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highways, or to fuels used for propelling such vehicles, shall be expended for other than costs of administering such laws, statutory refunds and adjustments provided therein, payment of highway obligations, costs for construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposes, expense of state enforcement of traffic laws, and expenditures authorized for hospitalization of indigent persons injured in motor vehicle accidents on the public highways.<sup>1</sup>

#### **Figure 1** **Ohio Motor Fuel Tax Rates History<sup>2</sup>**

<b>Ohio Motor Fuel Tax Rates (per gallon)</b> same rates for both gasoline and diesel	
July 1993 through June 2003	\$0.22 (22 cents)
July 2003 through June 2004	\$0.24 (24 cents)
July 2004 through June 2005	\$0.26 (26 cents)
<b>Beginning July 1, 2005</b>	<b>\$0.28 (28 cents)</b>

<b>Federal Motor Fuel Tax Rates (per gallon)</b>	
Gasoline (as of January 1, 2007)	\$0.184 (18.4 cents)
Diesel (as of January 1, 2007)	\$0.244 (24.4 cents)

<sup>1</sup> Ohio Constitution - Adopted November 4, 1947; effective January 1, 1948

<sup>2</sup> Ohio Department of Taxation [http://www.tax.ohio.gov/excise/motor\\_fuel/tax\\_rates.aspx](http://www.tax.ohio.gov/excise/motor_fuel/tax_rates.aspx)

## Legislative Service Commission

The House Bill 53 (Transportation Budget) greenbook outlines the following<sup>3</sup>:

H.B. 53 provides ODOT with a total of **\$5.87 billion** for the FY 2016-FY 2017 biennium. Of this amount, \$5.04 billion (85.9%) would pay for highway construction and maintenance costs, a level that is consistent with funding allocations in prior years. Note that ODOT's bonding authority is increased in this budget, from \$220.0 million in the FY 2014-FY 2015 biennium to \$313.0 million for the FY 2016-FY 2017 biennium. ODOT expects proceeds from the state motor fuel tax and federal revenue from the Highway Trust Fund to be in line with receipts from those sources during the current biennium. Construction cost inflation is projected to increase modestly over the upcoming fiscal years.

Over the FY 2016-FY 2017 biennium, ODOT will continue to pursue Public-Private Partnerships (P3s) as a means for developing and financing Major New construction projects throughout the state. The Portsmouth Bypass, the first highway construction project to be built under a P3 agreement in Ohio, is expected to break ground in the spring or summer of 2015. Another potential P3 project that could be rolled out is the reconstruction of the Brent Spence Bridge over the Ohio River crossing from Ohio to Kentucky from Cincinnati.

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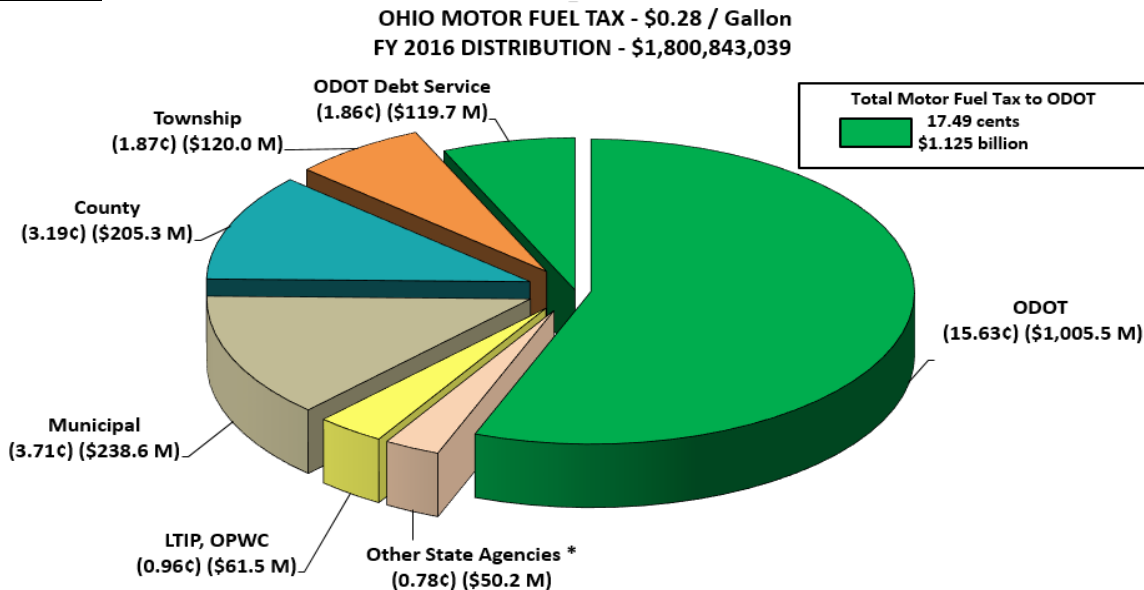
<sup>3</sup> LSC HB 53 (131<sup>st</sup> GA) Greenbook <http://www.lsc.ohio.gov/fiscal/transportation/transbudget131/greenbook-overview.pdf>

The following information on pages 4 - 7 is excerpted from the Ohio Department of Transportation Financial & Statistical Report for Fiscal Year 2016 (dated October 1, 2016).

## ODOT Financial & Statistical Report (Fiscal Year 2016)

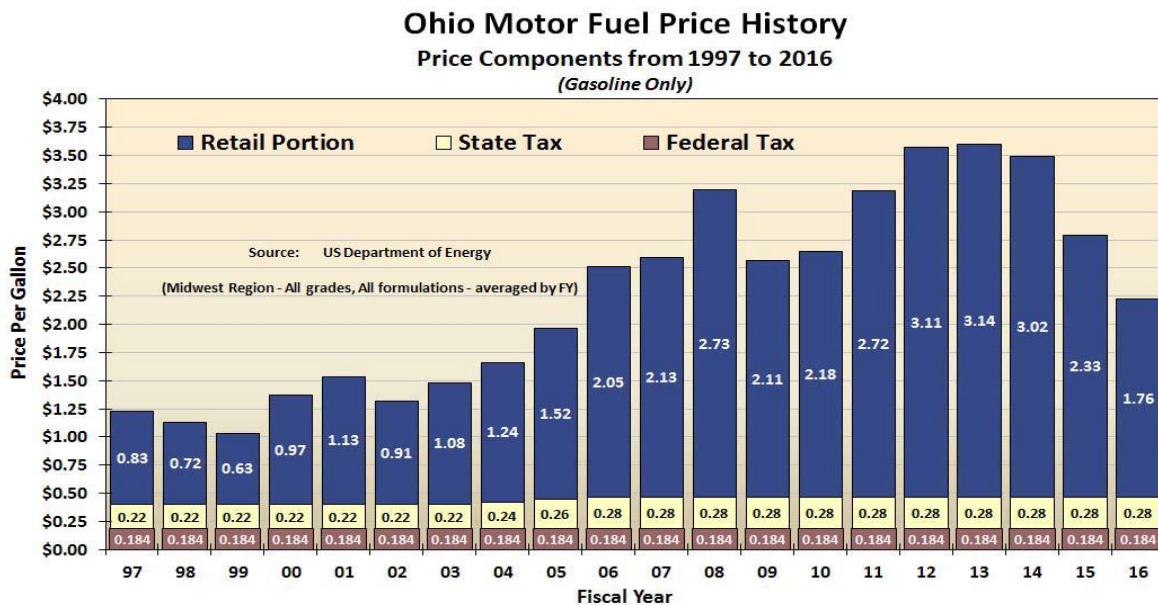
Of the 28¢ tax per gallon sold, ODOT receives approximately 17.49¢ per gallon for use on construction projects, all associated operating costs and debt retirement. Of this, ODOT has dedicated approximately 1.86¢ per gallon to paying down the state bond debt.<sup>4</sup>

**Figure 2**



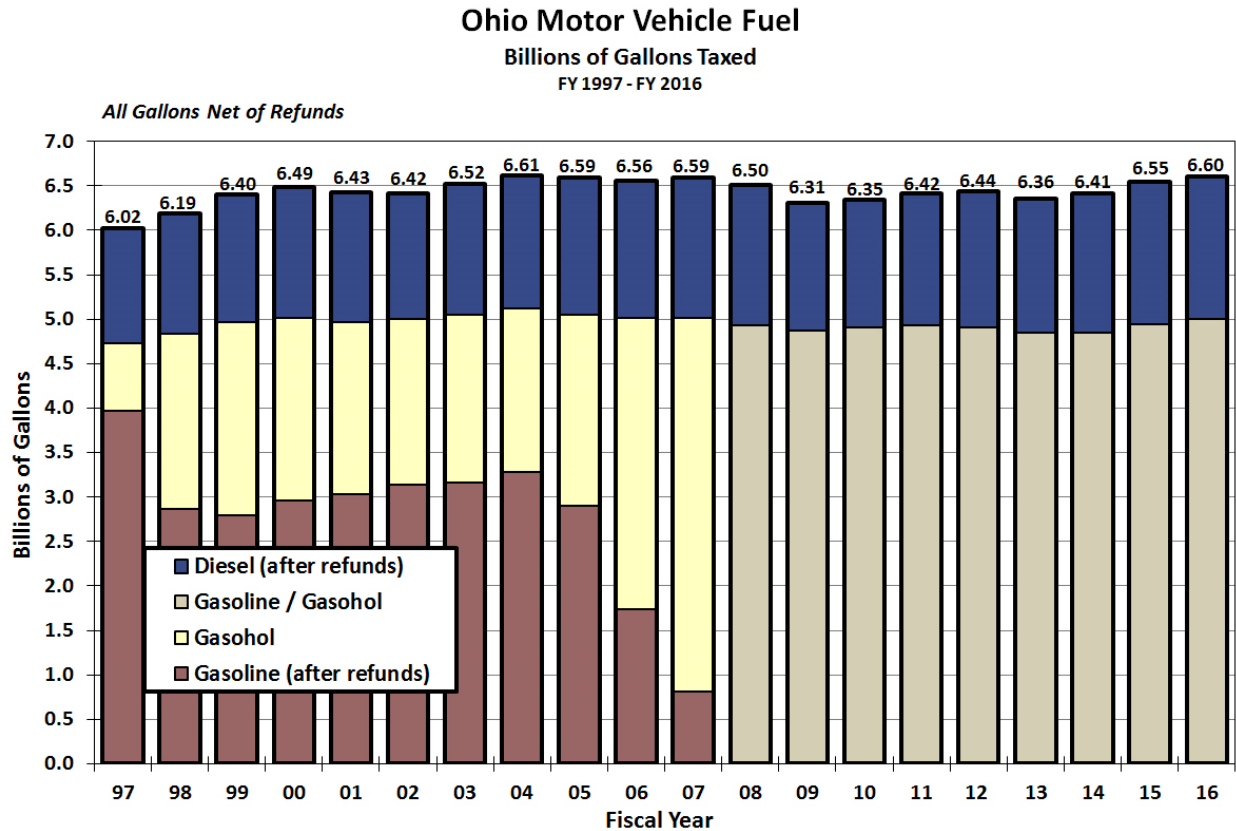
(\*) ODNR; PUCO; Dept. of Taxation; Turnpike Commission; Development Services; Inspector General; Governor's Energy Office.

**Figure 3**



<sup>4</sup> ODOT Financial & Statistical Report Fiscal Year 2016. October 1, 2016.

**Figure 4**



Note: For FY08 and forward, detailed Gasohol information is not available. Gasoline and Gasohol are combined.

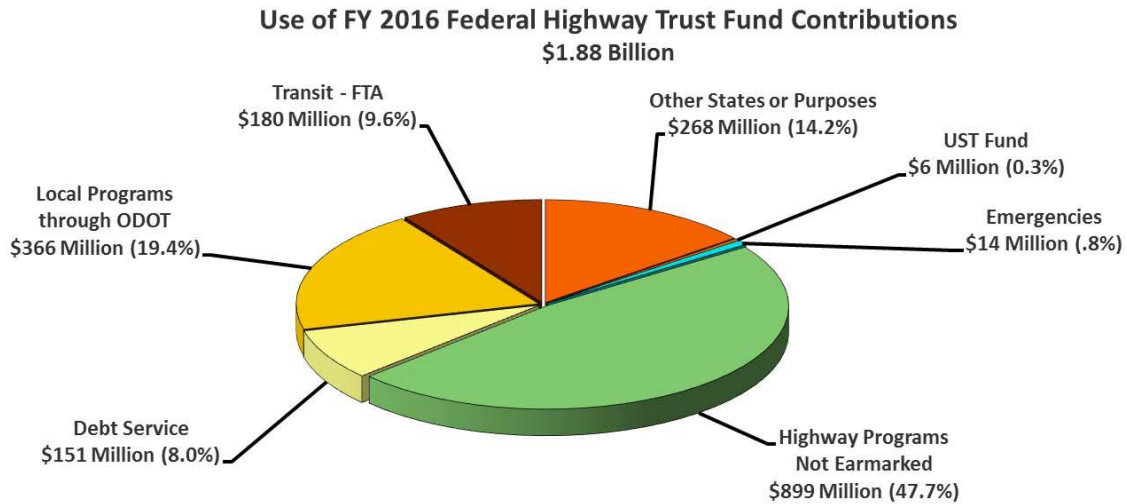
The graph above illustrates the economic trends in motor fuel usage over the past 20 years: Overall motor fuel gallons consumed were relatively flat from FY04 through FY07. From FY07 through FY09, consumption decreased by 4.2%. **The trend has been increased fuel consumption since FY09. From FY09 to FY16, consumption increased by 4.7%.**

## Transportation Funding Sources: Federal<sup>5</sup>

Along with the State Motor Fuel Tax, a Federal Motor Fuel Tax is also collected. This also contributes to the preservation, rebuilding, and expansion of the nation's highway system, as well as providing funding for public transit systems. From 2008 to 2016, there was \$143.3 Billion in transfers from the Federal General Revenue Fund into the Highway Trust Fund. Figure 5 below demonstrates how those contributions are distributed, based on percent share of contributions to the Highway Trust Fund.

<sup>5</sup> ODOT Financial & Statistical Report. Fiscal Year 2016.

**Figure 5**



**\$1.88 Billion Federal Funding**

Ohio’s FY 2016 Federal Highway Formula funding levels are based on the latest revenue that includes money from the Fixing America’s Surface Transportation Act (FAST Act), H.R.22, 114<sup>th</sup> Congress, signed into law on December 4, 2015. In January, 2016, the Highway Account received a transfer of \$51.9 billion from the General Fund pursuant to section 31201 of P.L. 114-94 and a transfer of \$100 million from the Leaking Underground Storage Tank Trust Fund pursuant to section 31203 of the same law. The Mass Transit Account received a transfer of \$18.1 billion from the General Fund. The FAST Act authorizes a total combined amount of \$39.7 billion in FY 2016, \$40.5 billion in FY 2017, \$41.4 billion in FY 2018, \$42.4 billion in FY 2019, and \$43.4 billion in FY 2020 in contract authority.

In FY 2016, Ohio received \$1.43 billion in funding from the Highway Account and \$180 million from the Mass Transit Account. Because Ohio did not receive a full 3.78% share of the available funding, \$109 million of FHWA funding and \$159 million of Federal Transit funding was provided to other states or used by FHWA for other purposes.

**\$899 Million for Ohio DOT Highway Programs not Earmarked**

Funds used for ODOT's Interstate Maintenance, Major New, Safety and System Preservation Programs.

**\$151 Million for Debt Service**

This represents the Federal funding needed for the 2016 debt service on the GARVEE bonds issued for various Major New, Major Rehabilitation, Major Bridge, and Ohio Bridge Partnership Projects.

**\$366 Million for Local Programs**

Although ODOT was required to pass-through about \$106 million in Federal Funding to local governments, by discretion ODOT provided \$366 million to local governments, including funding for Metropolitan Planning Organizations, city and county pavements and bridges, and various enhancement projects. \$35 million is used for various paving projects on state routes within urban areas, and \$23.6 million was provided for Local Public Transit Assistance.



**\$180 Million for Mass Transit**

About \$180 million, in total, was made available to Ohio for Mass Transit Programs, from the Mass Transit Account of the Federal Highway Trust Fund.

**\$14 Million for Emergency Relief**

FHWA provides funds for emergency repairs and permanent repairs on Federal-aid highways that have suffered serious damage as a result of natural disasters or catastrophic failure from an external cause.

**\$268 Million Not Available to Ohio DOT**

Not all federal trust fund excise tax revenues attributed to Ohio are returned to Ohio. As a result, about \$109 million from the Highway Account and \$159 million from the Mass Transit Account were provided to other states or used by FHWA for other purposes. Not all of the Federal Motor Fuel tax is distributed to the Highway Trust Fund. One tenth of one cent per gallon of all fuel sold is distributed to the Leaking Underground Storage Tank Fund. For Ohio, this means \$6 million of Motor Fuel Taxes were diverted away from Highway & Transit programs.

**III. Testimony – Solutions Proposed to the Task Force (All testimony can be found at: <http://jltft.legislature.ohio.gov/documents>)**

- Authorize local governments to have the option of raising license plate fees for greater infrastructure funds. - Mid-Ohio Regional Planning Commission
- “State policy should allocate a greater percentage of federal and state gas tax dollars to the control of local decision makers by earmarking a greater percent of resources to the control of MPOs.” – Northeast Ohio Areawide Coordinating Agency
- “Change policy such that state highway assets inside incorporated area boundaries are the maintenance responsibility of ODOT.” – Northeast Ohio Areawide Coordinating Agency
- “As suggested in ODOT’s own study, increase the amount of state resources allocated to support transit by guaranteeing a one on one match of state dollars to local dollars for the preservation of transit systems.” – Northeast Ohio Areawide Coordinating Agency
- Increase the gas tax and the permissive license fee. – Patrick Bowman, Grandview Heights resident
- Look to Pennsylvania’s reforms that included increasing and instituting fees (tire tax, higher fines for lapsed vehicle insurance, \$2/day vehicle rental fee, 3% vehicle lease tax, alternative fuel vehicles tax formula), gas tax reform (switch from taxing at the pump to taxing “at the rack,” creating a multimodal fund for aviation, rail, ports, & public transit, funding the multimodal fund with existing and new sources, incentivize locals to collaborate and share services. – Greater Ohio Policy Center
- Legislatively raise the motor fuel tax by indexing the tax to inflation and allow voters statewide to remove the Constitutional restrictions on the motor fuel tax – Greater Ohio Policy Center
- Possible future funding sources could include sales tax on rental vehicle sales, sales tax on motor vehicle sales, fees on new tire sales. – Greater Ohio Policy Center
- Extend the Ohio Bridge Partnership Program, change the Ohio gas tax distribution formula, capture electric cars/CNG vehicles in a paying system, explore a VMT tax, look at expanding tolling, increase public-private partnerships, allow for increased local permissive license plate fees, allow individual counties and cities to implement their own gas tax, and evaluate gas tax collections. – County Engineers Association of Ohio
- Increase the motor fuel tax, increase vehicle registration fees, authorize local option taxes, explore VMT system, eliminate highway funding redirecting to non-motorized projects, and a mechanism for fair participation by alternative fuel vehicles. – American Council of Engineering Companies of Ohio.
- Look at increasing the motor fuel tax, increase vehicle license fees, examine ways to charge electric and CNG drivers equitably for roadway use, look at non-user sources like sales, property and income taxes rather than user fees. – American Society of Civil Engineers, Ohio Council of Local Sections.

#### **IV. Findings of the Task Force**

For decades, the motor vehicle fuel tax or user fee has been a successful way to fund transportation infrastructure projects in Ohio and across the country. As we heard in previous transportation budget discussions and in the meetings of this Task Force, an unchanged motor fuel tax rate for Ohio and the federal tax rate, has brought forward many concerns about infrastructure needs not being met. The Ohio tax rate of 28 cents per gallon has not been altered since July 2005. Similarly, the Federal gasoline tax rate of 18.4 cents per gallon and diesel tax rate of 24.4 cents per gallon has not been altered since January 2007.

The Task Force heard testimony from numerous stakeholders who outlined concerns with the current way transportation infrastructure projects are being funded, including road and bridge repair needs not being met. There has been an increase in the number of roads and bridges that must be maintained and construction costs have increased (including labor and materials). Advocates for replacing the Brent Spence Bridge estimate that construction costs for this project increase by \$2.58 per second that the Brent Spence Bridge project is not built.<sup>6</sup> Maintenance on infrastructure will only continue to be more expensive the longer projects have to wait in line for funding.

As we look at the future of Ohio's transportation needs, we must thoughtfully look at the funding capabilities of transportation for our air, rail, maritime ports, public transportation and counties. In order to meet the needs expressed by stakeholders, the Task Force received many ideas for how to generate more revenue for Ohioans to meet these funding needs. It is clear that discussions regarding transportation infrastructure funding need to continue. Transportation infrastructure funding improvements are critical to help keep Ohio attractive to current and prospective employers. Therefore, the Task Force recommends that in future budget discussions, careful consideration be given to ways to generate more revenue and how that will affect Ohio's standing as a premier location for business investment.

**SIGNED:**



**Hon. Representative Cheryl Grossman, Co-Chair**  
**23<sup>rd</sup> Ohio House District**



**Hon. Senator Frank LaRose, Co-Chair**  
**27<sup>th</sup> Ohio Senate District**

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<sup>6</sup> <http://buildournewbridgenow.com/price/>