TRANSPORTATION

The mission of the Oklahoma Department of Transportation (ODOT) is to provide a safe, economical and efficient transportation network for the people, commerce and communities of Oklahoma. Because many experts cite quality roads as an essential element in creating and maintaining healthy economies, Oklahoma's legislative leaders have made an effort to reverse the state's historically low investment in transportation issues. This chapter summarizes the challenges facing ODOT and highlights recent initiatives intended to create solutions.

BACKGROUND

In 1995, ODOT released a comprehensive highway needs study which concluded that there was a $4.57 billion backlog of construction needs on state highways. At that time, state fuel taxes were the only significant source of revenues for highway construction, and projected fuel tax growth of 2% annually would never bridge the gap between revenues and needs. Several factors have eroded the supply of fuel tax revenues available for highways:

- More efficient automobiles consume less fuel;
- Tax exemptions have risen; and
- Legislation has been enacted to support non-highway programs with fuel taxes.

In addition, while fuel tax revenue has remained stagnant, the demand for highway funding has continued to grow:

- Construction costs have risen due to inflation and environmental mandates.
- Steadily increasing traffic causes roads to deteriorate faster and require more maintenance.

Several policies were enacted by ODOT or the Legislature over the past decade to address funding shortfalls:

- ODOT decreased its payroll by 600 FTE or 18% since FY'91.

- More functions have been privatized by ODOT, particularly mowing and engineering.

- More inmate labor is being used for litter pick-up, guardrail repair and other manual duties.

- A cap has been placed on the number of miles of roadway considered part of the state highway system. Under Transportation Commission rules, no new roadway is added to ODOT's maintenance list unless equal mileage is removed.

- Funding from sources other than the collection of fuel taxes has increased.

HB 1629 (ROADS PLAN)

In an effort to address the state's highway needs, the legislature adopted HB 1629 (1997), which provides a plan for $1.01 billion in new revenues for highway construction. Using a combination of appropriated funds and bond sale proceeds, the ROADS Plan nearly doubled the annual amount spent for state highway construction. HB 1629 authorized a Phase I list of road projects to be accomplished with the new funding. Of the $1.01 billion total, $560 million is provided as direct appropriations to ODOT and another $450 million is provided through bond financing. The $1.01 billion in funding is divided into two phases:

- Phase I provides for funding of $710 million in specific road projects listed in the bill. Of the total, $410 million is to be directly appropriated over five years to provide cash, and $300 million was generated by the sale of revenue bonds in May 1998.

- Phase II originally provided for funding of $300 million in unspecified road projects. The legislature provided ODOT with a specific list of

Phase II projects in HB 2259 (2000). Of the total, the plan calls for $150 million in future direct appropriations and $150 million from bond financing. The bonds were sold in August 2000.

GARVEE BONDS

Grant Anticipation Revenue Vehicles (GARVEE bonds) are a financing instrument that enable states to fund transportation projects based on their anticipated future federal funding. States and local agencies can issue GARVEE bonds for transportation projects using future federal highway funds to repay the principal, interest, and any other costs associated with the issuance of the bonds. The use of GARVEE bonds was authorized on the federal level by the National Highway System Designation Act of 1995.

In October 2000, the Contingency Review Board (comprised of the Governor, House Speaker and Senate Pro Tem) authorized the sale of $800 million in GARVEE bonds. Authority to use the GARVEE bond program was included in HB 2259 (2000). This program will finance 10 bond projects across the state in an effort to enhance economic development. According to ODOT, completion of these projects will leave all Oklahoma cities with a population of 10,000 or more with four-lane highway access to the interstate system. Once issued, the bonds will be paid off over a ten year period using future federal highway appropriations.

FUNDING FOR STATE HIGHWAYS

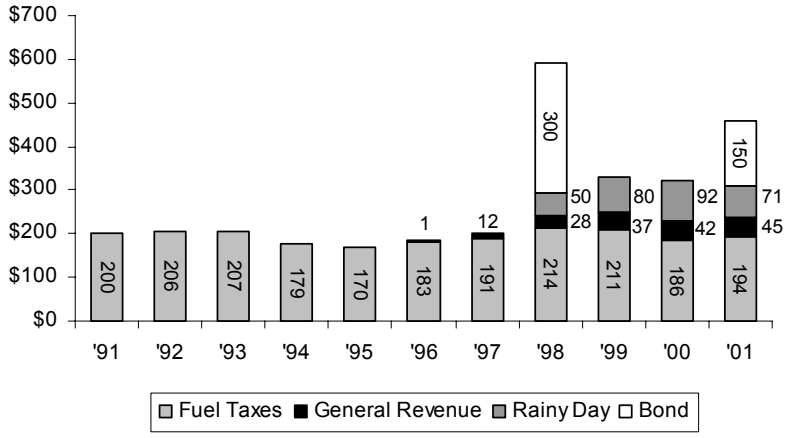
Total monies available for support of the state transportation system have increased by $491 million or 102.3% between FY'90 and FY'00. This large increase is due to an increase in federal funds and the implementation of HB 1629. The main revenue sources for ODOT have historically been federal funds and state motor fuel taxes. However, with the implementation of HB 1629, ODOT has received additional revenue from both the General Revenue Fund and the Constitutional Reserve Fund.

ODOT Revenue Sources Comparison
FY'90 and FY'00

Funding Source	FY'90 Dollars (in millions)	FY'90 Percent of Total	FY'00 Dollars (in millions)	FY'00 Percent of Total
General Funds	$8.8	1.8%	$40.6	4.2%
Motor Fuel Taxes	$224.1	46.6%	$219.6	22.6%
Constitutional Reserve Funds	$0.0	0.0%	$92.6	9.5%
Federal Funds	$179.7	37.4%	$310.0	31.9%
Revolving Funds	$68.3	14.2%	$309.2	31.8%
Total	$480.9	100.0%	$972.0	100.0%

The Legislature has nearly doubled state funding to ODOT with the implementation of HB 1629 in FY'98.

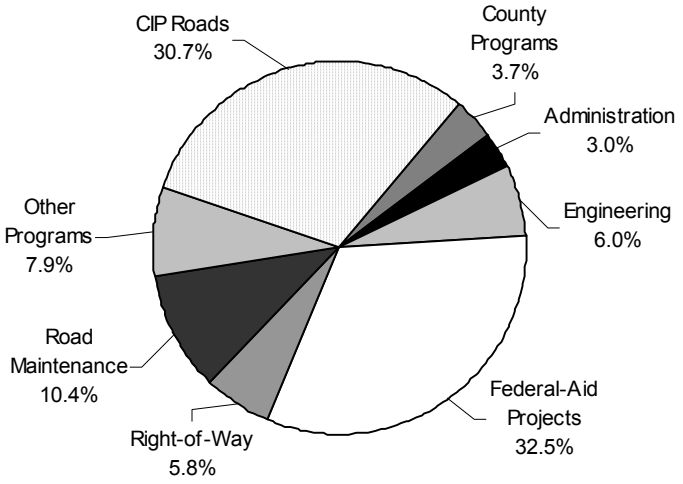
History of ODOT Highway Construction Fund Receipts
FY'91 through FY'01 (in Millions)



Highway Spending by Category

More than one-third of ODOT expenditures in FY'00 went to road improvement projects with federal participation.

FY'00 ODOT Actual Expenditures by Program
($972 Million)



Highway construction projects have a significant impact on the economy of Oklahoma. ODOT reports that for every $1 million in highway construction projects granted to an Oklahoma-based contractor, about 90 jobs are created and about $840,000 is expended on indirect salaries and materials.

FUNDING FOR COUNTY ROADS

The County Bridge and Road Improvement Fund was established within ODOT to receive motor fuel tax receipts that are apportioned directly by statute for maintenance, repair and replacement of county roads and bridges (as prescribed by the County Bridge and Road Improvement Act). These funds are allocated among the various counties by ODOT. To receive monies, a county must submit to ODOT a project plan for repair or replacement of a county road or bridge. Projects are approved by the Transportation Commission and contracts are awarded subject to the state competitive bidding process. As work progresses contractors submit progress billings to ODOT for payment from the fund.

The apportionment of funds from the County Bridge and Road Improvement Fund is based on factors developed by ODOT, taking into consideration the following:

- the county's share of total state road mileage;
- the county's share of statewide vehicle miles driven annually, measured by ODOT; and

- effects of terrain on road improvement and maintenance costs. Flat terrain is presumed to be 15% less costly than rolling terrain, and mountainous terrain is 15% more costly than rolling terrain. Thus, a county with less-than-average mountainous terrain receives a reduced apportionment.

The following table shows how the various factors influence apportionment in three counties: one that is relatively mountainous eastern county, a flat western county and an urban county with high traffic volume:

	Mountainous LeFlore County	Flat Terrain Harper County	High Traffic Oklahoma Co.
Cost Factor	2.11	1.01	2.29

STATE ROAD AND BRIDGE SYSTEM STATISTICS

State Highway System Mileage

Interstate - Non Toll	670 miles
State Highways	11,599 miles
Total State Highway System	12,269 miles

Condition of Bridges Statewide

			Off System			
	State Bridges		Urban Bridges		Rural Bridges	
Condition	Number	%	Number	%	Number	%
Adequate	5,390	80.5	693	70.0	7,080	48.7
Functionally Obsolete	452	6.7	122	12.4	489	3.3
Structurally Deficient	846	12.6	168	17.1	6,960	47.9
Estimated Cost to Repair	**$2.07 billion**		**$123.96 million**		**$1.6 billion**	

HIGHWAY SAFETY

In 1995, the federal government removed a provision that penalized states which allowed speed limits higher than 65 mph on the national highway system. In December of that year, state laws were enacted to increase highway speed limits across the state. On turnpikes and designated rural segments of the interstates, the speed limit changed from 65 mph to 75 mph. On four-lane divided highways and super two-lane highways, the speed limit became 70 mph. For other highway locations, the speed limit stayed at 65 mph during daytime but increased from 55 mph to 65 mph during nighttime. Under state law, ODOT and the Oklahoma Transportation Authority (which oversees the turnpike system) are authorized to set lower speed limits on roads under their purview.

Since speed-limits were increased, the number of traffic fatalities has increased. The number of fatalities reached a high of 838 in 1997, an increase of 164 or 24.3% over the 1995 number. Since that time, however, the number of fatalities has steadily declined.

Number of Traffic Fatalities in Oklahoma
1994 through 1999