



## TRANSPORTATION

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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 calculated a \$4.57 billion backlog of construction needs on state highways. At that time, state fuel taxes were the only significant source of revenue for highway construction, and a projected fuel tax growth of 2% annually would never bridge the gap between revenues and needs. Several factors had eroded the supply of fuel tax dollars available for highways:

- More efficient automobiles consume less fuel;
- Tax exemptions rose; and
- Legislation was enacted to support non-highway programs with fuel taxes.

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

- Construction costs increased due to inflation and environmental mandates; and
- A heavier volume of traffic caused roads to deteriorate faster and require more maintenance.

To address these funding shortfalls, both ODOT and the Legislature have enacted various policies over the past decade:

- ODOT decreased its payroll by 812 FTE or 26% from FY'91 to FY'01;
- The department outsourced more functions, particularly mowing and engineering;
- The Legislature authorized the use of more inmate labor for routine maintenance projects (litter removal, guardrail repair and other manual tasks);
- A cap was placed on the number of miles of roadway considered part of the state highway system. Under revised Transportation Commission rules, no new roadway may be added to ODOT's maintenance list unless equal mileage is removed; and
- The Legislature increased funding from sources other than the collection of fuel taxes.

### **CAPITAL IMPROVEMENT PROGRAM (CIP)**

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, CIP nearly doubled the annual amount spent for state highway construction. Of the \$1.01 billion total, \$560 million is provided as direct appropriations to ODOT and another \$450 million was raised through bond financing. To retire the bonds, the Legislature annually appropriates the requisite funding, and ODOT then makes debt-service payments to the Oklahoma Capitol Improvement Authority (OCIA).

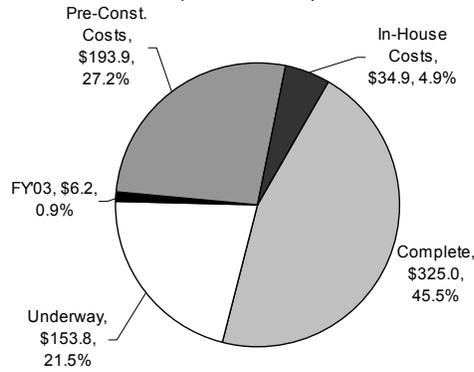
The \$1.01 billion in funding is divided into two phases:

- Phase I provided \$710 million for specific road projects listed in the bill. Of the total, \$410 million was directly appropriated over five years, and \$300 million was generated by the sale of revenue bonds in May 1998.
- Phase II originally provided for funding of \$300 million in undetermined road projects; however, the Legislature specified them in HB 2259 (2000). Of the total, the plan calls for \$150 million in direct appropriations and \$150 million from bond financing.

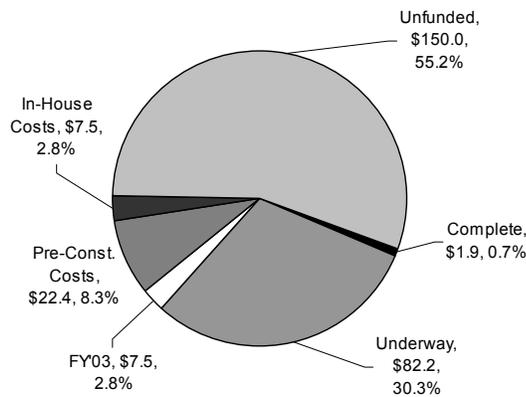
FY'02 marked the final year of construction funding for Phase I; bond debt service is \$39.4 million per year through FY'07, with a final payment of \$19 million due in FY'08. Phase II ROADS funding began in FY'01, with \$150

million raised from the issue (August, 2000) of bonds; however the \$150 million in scheduled appropriations was postponed due to the economic downturn and resulting FY'02 revenue shortfall. Bond debt service for FY'03 was \$19.9 million, with \$18.9 million due yearly through FY'12.

CIP - Phase I  
(In Millions)



CIP - Phase II  
(In Millions)



**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 at 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 Tempore) authorized the sale of \$799 million in GARVEE bonds; an additional \$250 million was approved in February 2002, bringing the total to \$1.05 billion. Authority to use the GARVEE bond program was included in HB 2259 (2000). This program will finance 12 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 retired over a ten-year period using future federal highway appropriations.

In a recent validation proceeding initiated by the Oklahoma Department of Transportation for court approval of issuance of \$100 million of GARVEE bonds, found that the Legislative Bond Oversight Commission was unconstitutional and denied the Oklahoma Department of Transportation's application for approval of the GARVEE bonds. In this case the Oklahoma Supreme Court noted that the statute provided for a successor entity, the Council of Bond Oversight, to be created in the event the Legislative Bond Oversight Commission is found to be unconstitutional and the Bond Oversight and Reform Act provides that this successor entity must approve issuance of bonds by state agencies. In order for these GARVEE bonds to be issued, the newly created Council of Bond Oversight must approve them. (See State Expenditures.)

## FUNDING FOR STATE HIGHWAYS

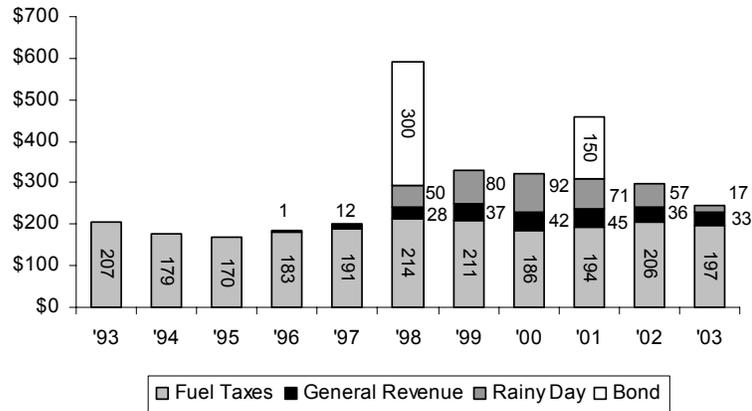
Total monies available for support of the state transportation system have increased by \$141 million or 24% between FY'93 and FY'03. This is largely due to an increase in federal funds and the implementation of HB 1629 (1992). The main revenue sources for ODOT have historically been federal funds and state motor fuel taxes. However, with the implementation of HB 1629, ODOT has received additional funding from both the General Revenue Fund and the Constitutional Reserve Fund.

### ODOT Revenue Sources Comparison *FY'93 and FY'03*

Funding Source	FY'93		FY'03	
	Dollars (In Millions)	Percent of Total	Dollars (In Millions)	Percent of Total
General Funds	\$0.0	0.0%	\$33.2	4.5%
Motor Fuel Taxes	\$207.0	35.0%	\$196.7	26.9%
Constitutional Reserve Funds	\$0.0	0.0%	\$17.2	2.3%
Federal Funds	\$230.0	38.9%	\$327.2	44.7%
Revolving Funds	\$154.4	26.1%	\$157.8	21.6%
Total	\$591.4	100.0%	\$732.1	100.0%

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

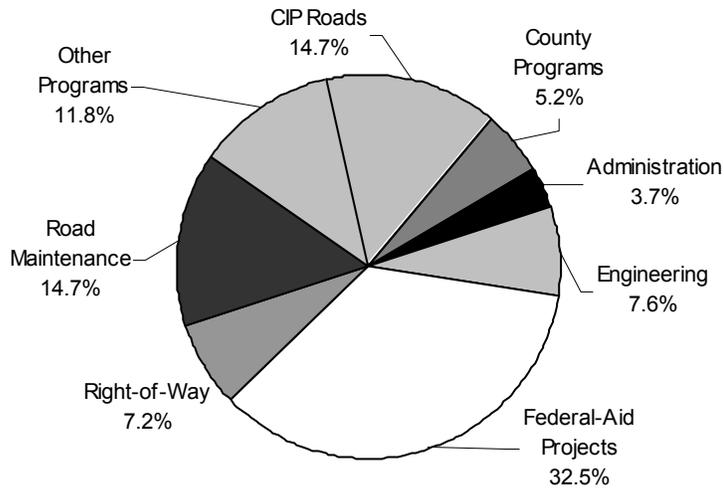
History of ODOT Highway Construction Fund Receipts  
FY'93 Through FY'03 (In Millions)



### Highway Spending by Category

More than one-third of ODOT expenditures in FY'02 went to road improvement projects with federal participation.

FY'02 ODOT Actual Expenditures by Program  
(\$853.6 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 a relatively mountainous eastern county, a flat western county and an urban county with high traffic volume:

	Mountainous <u>LeFlore Co.</u>	Flat Terrain <u>Harper Co.</u>	High Traffic <u>Oklahoma Co.</u>
<b>Cost Factor</b>	2.11	1.01	2.29

## STATE ROAD AND BRIDGE SYSTEM STATISTICS

### State Highway System Mileage

Interstate, Non-Toll	670 miles
State Highways	<u>11,601 miles</u>
Total State Highway System	12,271 miles

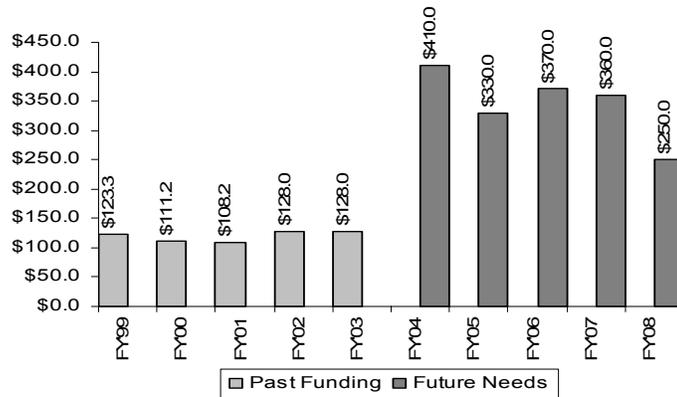
### Condition of Bridges Statewide

Condition	State Bridges		Off System			
			Urban Bridges		Rural Bridges	
	Number	%	Number	%	Number	%
Adequate	5,136	77.0	760	69.3	6,799	47.2
Functionally Obsolete	496	7.4	156	14.2	731	5.1
Structurally Deficient	1,042	15.6	180	16.4	6,865	47.7
<b>Estimated Cost to Repair</b>	<b>\$3.13 billion</b>		<b>\$151.31 million</b>		<b>\$2.24 billion</b>	

## MAINTENANCE

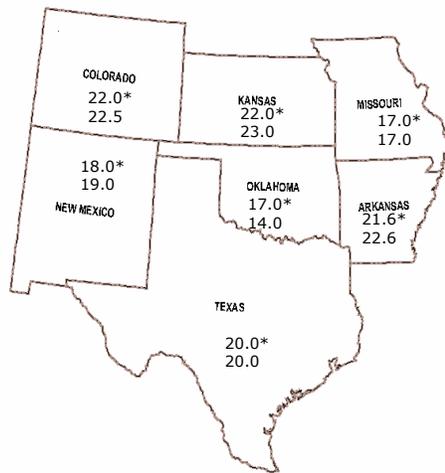
ODOT calculates a backlog of special maintenance projects (major road resurfacing, widening, bridge repair, etc) in excess of \$1 billion; and it estimates average funding needs of \$350 million for each of the next four fiscal years (FY'04 through FY'07) to bring the state's roads, highways and bridges up to minimum standards. After that period, its maintenance requirements are estimated at \$250 million annually. In FY'02 ODOT allocated \$128 million to its maintenance budget, an increase of \$14 million that was secured by transferring funds from its administrative division; the goal for FY'03 is to keep funding at this level.

**Maintenance Budget**  
**Past Funding/Future Needs**  
*(In Millions)*



In the 2002 legislative session, two measures were introduced to address the maintenance backlog:

- HB 2360 modified the apportionment of Motor Vehicle Collections by reducing the amount accruing to the General Revenue Fund and increasing the apportionment received by the agency. Over a three-year period the department percentage would have risen from the current 0.31% to 15.31%, yielding an estimated \$94.2 million per year of which \$56.5 was earmarked for maintenance projects. The measure was engrossed to the Senate but died in conference.
- SJR 30 called for a vote of the people on the question of increasing motor fuel taxes by four cents per gallon for gasoline and seven cents per gallon for diesel fuel, bringing Oklahoma up to the regional average of 21 cents for both fuel types. The measure would have yielded \$146 million annually, of which \$91 million was earmarked for maintenance needs; however, it was removed from the legislative calendar for further study.



Please note: Gasoline taxes are marked by the asterisk (\*) while diesel taxes are the lower numbers. Both are expressed as cents per gallon.

- As of 2001, Oklahoma ranked 40th in the nation in gasoline tax and 45th in diesel tax. Regionally, only Missouri matches the state in gasoline tax. Missouri's diesel and each tax in other surrounding states are higher. The national average is just over 20 cents per gallon for both.

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## **OKLAHOMA TRANSPORTATION AUTHORITY (OTA)**

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### **Revenue**

OTA is a non-appropriated state agency (it receives no state or federal dollars) which administers the state's turnpike system; all revenues are derived from tolls, concessions and fines. A portion of state excise taxes for fuels consumed on turnpikes is made available to the agency for debt payment in the event that revenues fall short of debt requirements. To date that has not happened, and OTA has "passed through" to ODOT some \$250 million since 1992. The Authority estimates toll revenues of \$179.4 million for 2002 calendar year. During the previous five-year period ('97 - '01) receipts averaged \$121 million annually; the recent increase is attributed to turnpike extensions, a 15% toll hike and a heavier volume of traffic.

### **Financial Obligations**

The financial structure of the turnpike system is based on "cross-pledging": costs incurred and revenues received are combined. Debt payment, then, is based on the total, not on an individual turnpike within the system. The outstanding principal on bond debt is \$1.3 billion; \$1.2 billion in interest will be paid by the time the bonds are retired in 2028. The TOTAL is \$2.5 billion, that is, if no new obligations are incurred. Debt service is \$81.6 million for FY'02; yearly payments will reach \$100 million by '06, hold steady through '22, and then fall off to the \$50 million range until retirement.

### **Maintenance Needs**

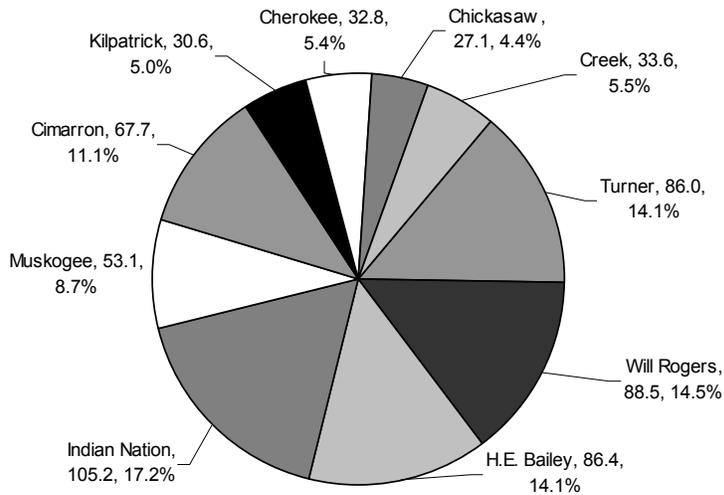
The OTA Capital Improvement Program (CIP)\* identifies maintenance (repair, rehabilitation, and improvement) expenditures on a five-year basis; the plan is updated annually. Since its inception (1994), the CIP has devoted \$290 million to maintain the turnpike system. The current five-year plan (2002-2006) estimates expenditures of \$244.6 million.

**\*Not to be confused with the ODOT program of the same name.**

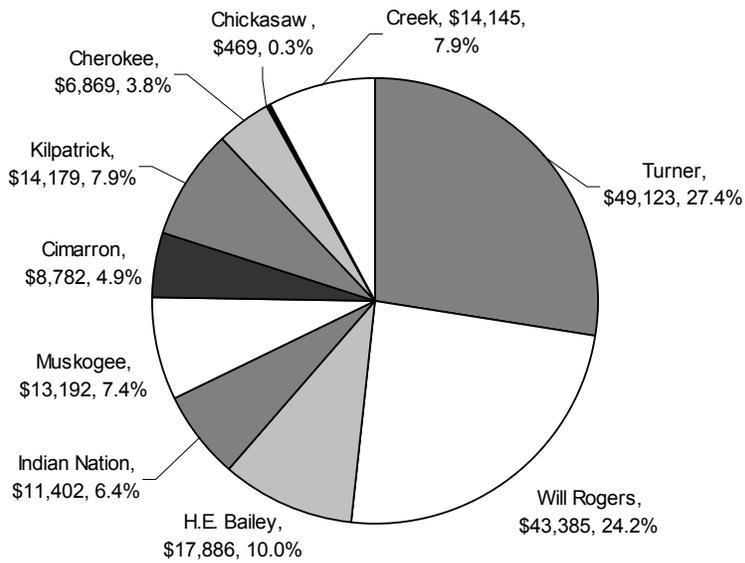
### **System Statistics**

In January 1998, OTA was authorized to issue bonds for the construction of five new turnpike completion and/or improvement projects: Kilpatrick, Turner, Muskogee, Will Rogers, and H.E. Bailey. Bonds totaling \$678 million were issued that year; all projects are scheduled for completion during calendar 2002. Oklahoma's 612 total turnpike miles account for 5% of the state's highway system. This amount ranks second nationally (New York is first); by regional comparison Kansas, a state demographically similar (highway system mileage, industrial usage, weather, etc.), has some 250 miles of turnpike roads.

### Turnpike Mileage/System Percentage



### Turnpike Revenue/System Percentage (In Thousands)



## 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 was raised 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 jurisdiction.

Initially, the greater speed limits were accompanied by an upsurge in the number of traffic fatalities, which reached a record high of 838 in 1997; this was an increase of 164 or 24.3% over the 1995 number. Since then deaths have steadily decreased (reflecting the national trend) and are now back to previous levels (see chart).

Number of Traffic Fatalities in Oklahoma  
1994 Through 2001

