

FINANCIAL PLAN AND EXPECTATIONS

The table on page 101 provides a synopsis of ODOT's financial plan for the 2004 and 2005 biennium. The table also illustrates how the funding assumptions and expenditure levels for this biennium serve as the first two years of a 12-year financial strategy for the department. This financial strategy will serve to address ODOT's long-term basic financial needs which are to:

- Adequately fund payroll and operating expenses while also rationally constraining the growth of those expenses;
- Provide basic system maintenance funding so ODOT bridges and pavements achieve and sustain acceptable system levels;
- Continue ODOT funding commitments to local governments;
- Continue ODOT funding levels for safety, enhancements and other miscellaneous programs;
- Provide at least \$500 million annually from 2006 through 2015 to meet Gov. Taft's Jobs and Progress Plan commitment; and
- Meet these commitments without incurring unacceptable high levels of debt.

The first 11 lines of the chart illustrate the state and federal income sources and assumptions, the recent state fuel tax increase is taken into account. ODOT assumes a modest 1 percent annual growth rate for the state fuel tax receipts once the new tax rate is fully in effect by 2006.

ODOT assumes a \$250 million federal increase by FY 2005. This is based on an expectation of successfully accomplishing the governor's federal funding strategy. That strategy is to address the "ethanol penalty" which costs Ohio \$160 million annually and to address the equity issue, which costs Ohio about \$100 million annually in federal receipts. Both elements of the federal strategy are actively being pursued by Ohio's Congressional delegation.

The department is conservatively assuming a modest growth

in future federal revenue. After 2009, when the next federal transportation bill will expire, ODOT assumes only a 1 percent rate of growth. In other words, after the \$250 million federal infusion, ODOT is not dependent upon significant additional federal growth after 2009 to meet this fiscal scenario. That is a conservative assumption and it is reasonable to assume the 2009 federal bill will include increased revenue, as has all past federal transportation bills.

In lines 12 through 17 are shown operating expenditure assumptions. ODOT assumes its employment levels will remain at 6,031 and it assumes payroll costs for salaries, fringe benefits and medical costs will grow 5 percent annually. Equipment and materials expenses are expected to grow at 2 percent annually.

Lines 18 through 27 show assumptions for basic system maintenance programs – the bridge and pavement programs. They start at \$704 million and rise 1 percent annually to \$726 million. The percent of acceptable bridge and pavement conditions expected each year also are shown on lines 20, 22, 26 and 29. The forecast indicates an expected deterioration in pavement conditions in the later years which may be exaggerated. Experience with past forecasts indicates ODOT's method of forecasting future system conditions is conservative for two reasons.

First, the forecast is based on district bridge and pavement programs and does not include bridge and pavement treatments incidental to Major New Construction projects.

Second, in the later years of the forecast, many district projects have not been programmed. However, the forecasting methodology degrades all pavements and does not capture improvements, because the improvement projects have not yet been programmed in Ellis. These tendencies



FINANCIAL PLAN AND EXPECTATIONS *CONTINUED*

in the past have consistently led to system forecasts being lower than the actual annual bridge and pavement ratings. Because of these trends, ODOT management is confident this funding forecast will not lead to a degradation in system conditions. It will observe annual condition ratings and adjust the spending allocations in later years if system conditions warrant.

Lines 32 through 44 show the funding levels and the 2 percent growth assumptions (2009-2015) for the miscellaneous program. Lines 45 through 53 show funding levels and the 1 percent growth assumptions (2009-2015) for the local programs.

Lines 54 through 60 illustrate the funding scenario for the Major New Construction Program, which is to fund the Governor's Jobs and Progress Plan. Note that while the commitment is to have a \$500 million, 10-year program, the funding actually is above that level particularly in years 2007 and 2008. Those years represent significant delivery of many major projects, such as Interstate 75 in Dayton and the Interstate 70 and Interstate 71 split in Columbus.

Lines 61 through 68 illustrate the bonding scenarios assumed. ODOT's debt level begins at 14 percent of its state revenue and ends the period in 2015 at 15.4 percent. ODOT's self-imposed debt limit is 20 percent of its rev-

enue devoted to debt. Clearly, the forecast is within that limit.

Federal debt level begins at 7.4 percent of ODOT's federal revenue and ends at 9.7 percent in 2015. The 10 percent limit is the self-imposed ODOT level deemed prudent by the department. In other words, now 7.4 percent of ODOT's federal revenue is devoted to paying federally backed bonds and that will rise to 9.7 percent of federal revenue by 2015 under this scenario.

Because of the conservative federal forecast ODOT has made for the period 2009 through 2015, it is unlikely the department will have to incur the 9.7 percent level of federal debt. Higher federal receipts in 2009 through 2015 are likely to provide additional federal cash which will lessen the need to issue as many federal bonds in those years.

This scenario is the basis for all ODOT fund allocations for 2004-2005. If ODOT achieves its Organizational Performance Index goals, this scenario will enable the department to meet its needs while operating within its budget.

This forecast through 2015 is the longest forecast in ODOT history and represents a significant improvement for the department's long-term planning and budgeting efforts.



FINANCIAL PLAN

OPERATING SUMMARY

BALANCE SHEET

MISSION
VALUES
GOALS
STRATEGIC INITIATIVES
ORGANIZATIONAL PERFORMANCE INDEX

ODOT 2004 – 2015 HIGHWAY FUNDING AND PROGRAM FORECAST

Revenue Source:	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1 State Motor Fuel to ODOT - 1% growth	\$889	\$1,000	\$1,118	\$1,131	\$1,143	\$1,154	\$1,166	\$1,178	\$1,190	\$1,201	\$1,214	\$1,225
2 Truck Registration Fees, Truck Fuel Use Tax	\$135	\$128	\$109	\$110	\$111	\$112	\$113	\$114	\$116	\$117	\$118	\$119
3 Interest Income & Other Miscellaneous Income	\$40	\$40	\$40	\$41	\$41	\$42	\$43	\$44	\$45	\$46	\$46	\$47
4 State Bond Debt Service	(\$149)	(\$159)	(\$174)	(\$187)	(\$190)	(\$184)	(\$181)	(\$172)	(\$169)	(\$193)	(\$205)	(\$215)
5 Total State Revenue	\$915	\$1,009	\$1,094	\$1,095	\$1,105	\$1,124	\$1,141	\$1,164	\$1,181	\$1,171	\$1,173	\$1,176
6 Federal Core Programs - 1% growth	\$857	\$866	\$875	\$884	\$893	\$902	\$911	\$920	\$929	\$938	\$947	\$957
7 Federal Earmarks Etc. - 1% growth	\$88	\$89	\$90	\$91	\$92	\$93	\$94	\$95	\$96	\$97	\$98	\$99
8 Federal Bond Debt Service	(\$77)	(\$78)	(\$76)	(\$81)	(\$103)	(\$120)	(\$122)	(\$117)	(\$106)	(\$109)	(\$115)	(\$126)
9 Additional \$250 M Federal Next Reauthorization	\$100	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
10 Total Federal Revenue	\$968	\$1,127	\$1,139	\$1,144	\$1,132	\$1,125	\$1,133	\$1,148	\$1,169	\$1,176	\$1,180	\$1,180
11 Total State and Federal Revenue	\$1,883	\$2,136	\$2,233	\$2,239	\$2,237	\$2,249	\$2,274	\$2,312	\$2,351	\$2,347	\$2,353	\$2,356
12 Payroll - 2006 thru 2015 - 5% growth	\$415	\$427	\$445	\$465	\$490	\$515	\$540	\$565	\$590	\$620	\$650	\$680
13 Maintenance Contracts - 2006 thru 2015 - 2% growth	\$59	\$59	\$60	\$61	\$63	\$64	\$65	\$66	\$68	\$69	\$71	\$72
14 Operating, Salt, Equipment - 2006 thru 2015 - 2% growth	\$147	\$151	\$154	\$157	\$160	\$163	\$166	\$170	\$173	\$176	\$180	\$184
15 Planning & Research - 2006 thru 2015 - 1% growth	\$43	\$44	\$44	\$45	\$45	\$45	\$46	\$46	\$47	\$47	\$48	\$48
16 Lands & Building, Building Debt Service	\$46	\$49	\$48	\$47	\$48	\$41	\$42	\$40	\$37	\$36	\$37	\$37
17 Total Operating	\$710	\$729	\$751	\$775	\$805	\$828	\$859	\$887	\$915	\$949	\$985	\$1,021
18 Preservation Programs (2009 thru 2015 - 1% growth):												
19 General System Two-Lane Pavements	\$122	\$113	\$113	\$113	\$113	\$114	\$115	\$116	\$118	\$119	\$120	\$121
20 <i>Percent of System at acceptable level</i>	98.80%				98.57%				97.00%			95.00%
21 Priority System Freeway Routine Maintenance	\$257	\$179	\$179	\$179	\$179	\$180	\$182	\$184	\$186	\$188	\$189	\$191
22 <i>Percent of System at acceptable level</i>	95.02%				96.08%				91.92%			91.00%
23 Priority System Freeway Pavement Rehab & Replacement	\$90	\$150	\$150	\$150	\$150	\$152	\$153	\$155	\$156	\$158	\$159	\$161
24 Additional Capital (level funding thru 2013)				\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20
25 Urban Pavements (State Routes in Cities)	\$35	\$35	\$35	\$35	\$35	\$35	\$36	\$36	\$36	\$37	\$37	\$38
26 <i>Percent of System at acceptable level</i>	95.58%				96.39%				95.10%			94.00%
27 Total Pavement Programs	\$504	\$477	\$477	\$497	\$497	\$501	\$506	\$511	\$516	\$521	\$506	\$511
28 District Bridge Repair, Replacement and Maintenance	\$140	\$141	\$141	\$141	\$141	\$142	\$144	\$145	\$147	\$148	\$150	\$151
29 <i>Percent Bridges at acceptable level of General Appraisal</i>	96.00%				97.50%				97.00%			96.80%
30 Major, High-Cost Bridge Replacement and Maintenance	\$60	\$80	\$80	\$60	\$60	\$61	\$61	\$62	\$62	\$63	\$64	\$64
31 Total Bridge Programs	\$200	\$221	\$221	\$201	\$201	\$203	\$205	\$207	\$209	\$211	\$213	\$215
32 Statewide ODOT Programs (2009 thru 2015 - 2% growth)												
33 Safety	\$45	\$64	\$64	\$64	\$64	\$65	\$67	\$68	\$69	\$71	\$72	\$74
34 Rail Overpass Program (2001 thru 2010)	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$0	\$0	\$0	\$0	\$0
35 Rail Lights and Gates (Level Funding)	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15
36 Slides, Slips, and Mine Subsidence	\$0	\$12	\$14	\$16	\$18	\$18	\$19	\$19	\$19	\$20	\$20	\$21
37 Urban Freeway Management Systems	\$4	\$4	\$4	\$4	\$4	\$4	\$5	\$5	\$5	\$5	\$5	\$5
38 Rest Areas	\$4	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$9	\$9	\$9	\$9
39 Noise Wall Retro-Fit of Existing Sites	\$5	\$2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
40 Metro Park Paving Program	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$6	\$6	\$6
41 Miscellaneous Statewide Programs	\$17	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$6	\$6	\$6
42 Amish Buggy Lanes	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1
43 Federal Earmarks - 1% growth	\$88	\$89	\$90	\$91	\$92	\$93	\$94	\$95	\$96	\$97	\$98	\$99
44 Total Statewide ODOT Programs	\$196	\$217	\$218	\$221	\$224	\$228	\$231	\$222	\$225	\$228	\$232	\$235
45 Local Programs (2009 thru 2015 - 1% growth):												
46 Metropolitan Planning Organizations - Urban Projects	\$133	\$134	\$134	\$134	\$134	\$135	\$137	\$138	\$139	\$141	\$142	\$144
47 County Bridge Program	\$32	\$32	\$32	\$32	\$32	\$32	\$33	\$33	\$33	\$34	\$34	\$34
48 County Rural Road Program	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$21	\$21	\$21	\$21	\$21
49 Local Major Bridge Program	\$0	\$25	\$25	\$25	\$25	\$25	\$26	\$26	\$26	\$26	\$27	\$27
50 Enhancements, Bike Trails, etc.	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$11	\$12	\$12	\$12
51 Small Cities Program	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$9	\$9	\$9
52 City Bridge Program	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$8	\$9	\$9	\$9	\$9
53 Total Local Programs	\$212	\$238	\$238	\$238	\$238	\$241	\$243	\$245	\$248	\$250	\$253	\$255
54 Total State and Federal Revenue	\$1,883	\$2,136	\$2,233	\$2,239	\$2,237	\$2,249	\$2,274	\$2,312	\$2,351	\$2,347	\$2,353	\$2,356
55 Less Operating and Capital Programs	-\$1,822	-\$1,882	-\$1,905	-\$1,931	-\$1,965	-\$2,001	-\$2,044	-\$2,072	-\$2,113	-\$2,160	-\$2,188	-\$2,238
56 Fiscal Year Revenue Available for Major New	\$61	\$254	\$328	\$307	\$272	\$247	\$229	\$240	\$238	\$187	\$165	\$118
57 Prior Year Revenue Available for Major New	\$223			\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40
58 BONDS - Prior Year Available for Major New	\$100	\$244	\$253	\$308	\$191	\$25	\$12	\$82	\$61	\$39	\$57	\$62
59 BONDS - Current Year Needed for Major New	\$16	\$7	\$0	\$64	\$295	\$188	\$218	\$139	\$161	\$233	\$238	\$280
60 Total Funding Available for Major New	\$401	\$505	\$581	\$720	\$798	\$500	\$500	\$500	\$500	\$500	\$500	\$500
61 Summary of State Bonds:												
62 State Bond Funding Needed	\$161	\$251	\$170	\$100	\$200	\$113	\$131	\$234	\$200	\$217	\$227	\$220
63 Annual Debt Service % of State Revenue	14.0%	13.6%	13.7%	14.6%	14.7%	14.1%	13.7%	12.9%	12.5%	14.1%	14.9%	15.4%
64 State Bond Principal Outstanding (\$1.2B limit)	\$724	\$756	\$786	\$781	\$755	\$742	\$711	\$708	\$745	\$771	\$815	\$857
65 Summary of Federal Bonds:												
66 Federal Bond Funding Needed	\$0	\$0	\$0	\$272	\$286	\$100	\$100	\$0	\$38	\$74	\$88	\$144
67 Annual Debt % of Federal Revenue (20% Limit)	7.4%	6.5%	6.3%	6.6%	8.3%	9.6%	9.8%	9.2%	8.3%	8.5%	8.9%	9.7%
68 Federal Bond Principal Outstanding	\$419	\$404	\$344	\$332	\$439	\$556	\$598	\$585	\$524	\$478	\$444	\$434

