

	<p>Oklahoma State Senate</p>	<p>Legislative Brief August 2002</p>
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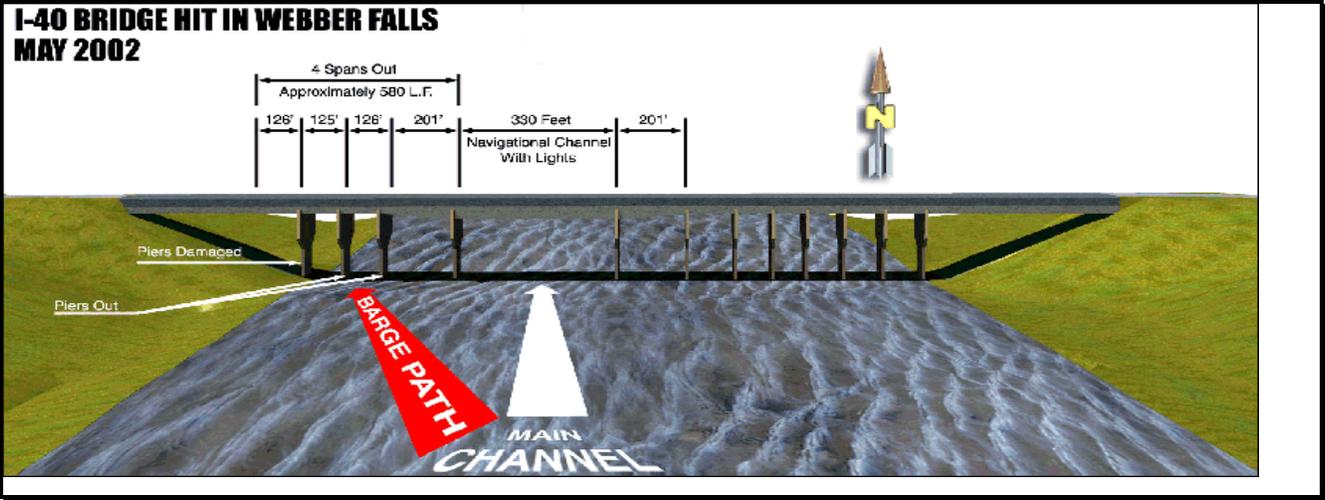
Oklahoma Department of Transportation

FY'03 Appropriation

- In order to address the state's \$350 million revenue shortfall, the department's FY'02 budget allocation was reduced by \$1.2 million (5%). The cut was managed by reducing expenditures for routine and special maintenance projects.
- HB 2585 appropriated \$229.9 million to ODOT from General Revenue and State Transportation Funds, a 5% decrease (\$12.1 million) from the FY'02 level. This cut was necessitated by the continued decline in state revenues. The agency will absorb the reduction by curbing expenditures in its administrative, engineering and maintenance divisions.
- HB 2587, the Rainy Day Bill, appropriated an additional \$17.2 million in order to fully meet bond debt obligations (\$58.3 for FY'03) for Phases I and II of the Capital Improvement Program.

Interstate-40 Bridge Collapse – May 26, 2002

A 500 foot section of the almost 2,000 foot interstate bridge, just beyond the east bank of the Arkansas River, collapsed after it was struck by a barge at 7:41 a.m. on a Sunday morning. Fourteen people died when their vehicles plunged into the river.



ODOT officials were on the scene within hours of the collision, coordinating rescue efforts, debris removal and highway detour projects. Salvage and clearing operations continued without let-up while department contractors mobilized equipment for the demolition efforts that would necessarily precede the reconstruction of the fallen bridge segment.

Bridge (cont.)

I-40 is a major artery in the nation's highway system; thus, the speedy repair of the downed span was of paramount importance to both commercial interests and the traveling public. With funding assured by Congress¹, ODOT announced the award of the repair contract at an emergency Transportation Commission meeting on June 12, 2002. The Gilbert Central Corporation of Fort Worth, Texas, submitted the winning bid of \$10.9 million, with a 57 day completion date. The contract contained an incentive/disincentive clause in the amount of \$144,000 per day (\$6,000 per hour); that figure would be added to or subtracted from the base total, depending on the number of hours/days taken to reopen the bridge. Gary Ridley, ODOT Director, said that any bonus Gilbert received would be far less than the loss in user costs (\$430,000 per day; \$22 million as of July 17) which include the following factors: the amount of traffic per detour, speed limit, length of detour, time traveled, delay time, extra gas, additional wear on tires, etc. The latest estimate for disaster related costs is: recovery and demolition expenditures - \$2 million, bridge reconstruction - \$11.8 million, and \$9.9 million for the repair/renovation of detour highways. These expenditures are approximate and will change; however, the final total cost is not expected to exceed \$27 million.

The contract clock started running at 6 p.m. June 12 with two construction crews alternating twelve hour shifts, seven days a week. Close communication and cooperation between ODOT, other state and federal agencies and the private sector was a hallmark of the project - a characteristic perhaps best illustrated by the trio of retired ODOT engineers (representing over a century of construction experience) who coordinated all aspects of the undertaking from the specially established "Webbers Falls Residency." Professional acumen, monetary incentives, civic responsibility and entrepreneurial innovation all combined to bring the project to completion 10 days ahead of schedule, earning Gilbert a \$1.5 million bonus. After a brief ceremony on July 29, one that included remarks from transportation and government officials and a moment of silence in memory of the victims, traffic began rolling across the bridge from both directions.

I-40 Bridge Open to Traffic 7-29



ODOT's Gary Ridley leads the way across the just opened bridge.

¹ It is expected that \$27 million in funding will be authorized by Congress this fall.

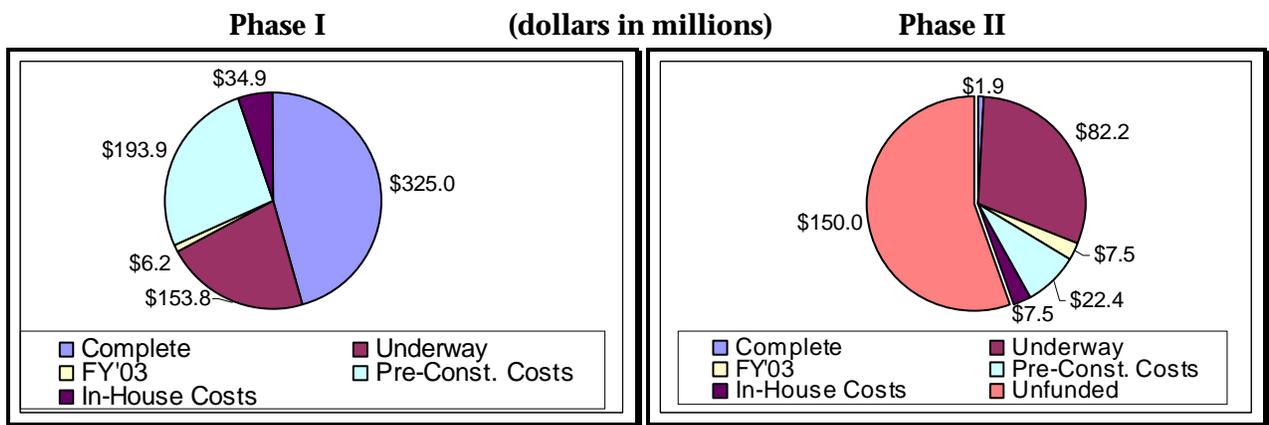
Capital Improvement Program

Issue Background

In 1997 the legislature adopted HB 1629, a five-year, two phase plan to provide \$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 highways. Phase I of the project provided \$410 million in direct appropriations; \$300 million was generated by the sale of bonds in May 1998. Phase II called for \$150 million in future direct appropriations and a like amount from bond financing.

Funding Update

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 revenue shortfall. Bond debt service for FY'03 was \$19.9 with 18.9 million due yearly through FY'12.



Maintenance

Issue Background

Oklahoma ranks 1st nationally in bad bridges and 6th in bad roads. ODOT estimates that it would take \$350 million annually for four years (FY'03-FY'06) to address the backlog of special maintenance projects (major resurfacing, widening, bridge repair, etc.), and to fund yearly routine needs. After that period, the department calculates its requirements at \$250 million per year. In its Budget Work Program for FY'03, ODOT requested the latter figure, an increase of \$119 million over FY'02. A department official said this amount would allow the department "to tread water," that is, not to fall any further behind. However, due to the revenue shortfall, it was not possible to meet this request.

Legislation

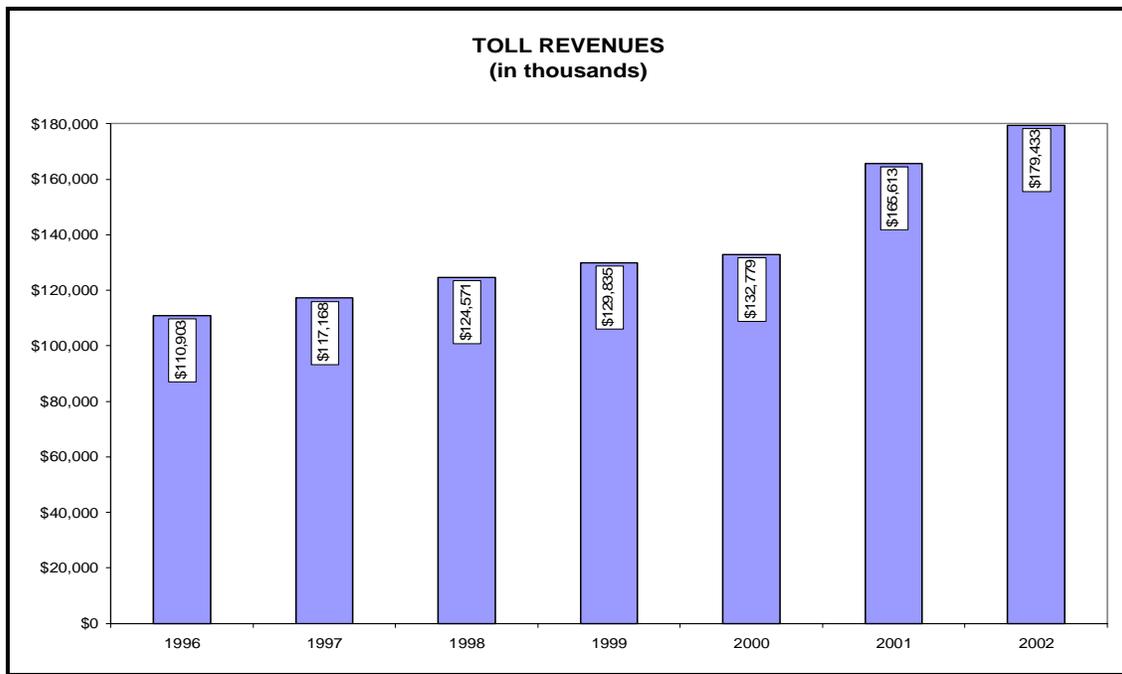
- HB 2360 would have modified the apportionment of Motor Vehicle Collections by reducing the amount accruing to the General Revenue Fund and increasing the apportionment received by ODOT. Over a three year period the department percentage would have risen from the current 0.31% to 15.31%, yielding an 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 five cents per gallon for gasoline and seven cents per gallon for diesel fuel. The measure would have raised the rate on the former to 22 cents and the latter to 21 cents, bringing Oklahoma up to the regional average for both; however, it was removed from the calendar by its author.

Oklahoma Transportation (formerly turnpike) Authority

Revenue

OTA is a non-appropriated state agency (it receives no state or federal dollars); all revenues derive 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 would 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 calendar '02. 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 for '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 “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.

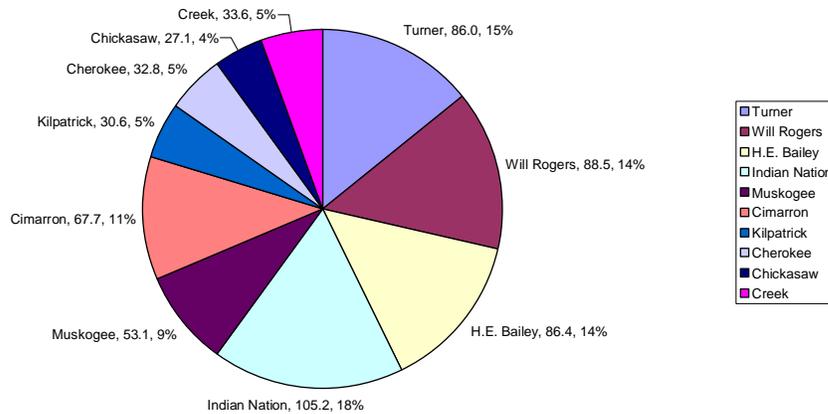
*Not to be confused with the ODOT ROADS program

OTA (cont.)

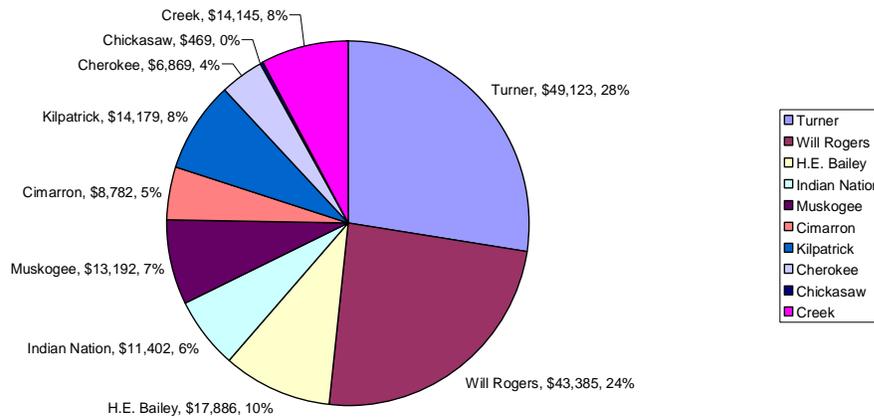
System Statistics

In January 1998, OTA was authorized to issue bonds for 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. With these additions, there are now 612 turnpike miles in Oklahoma.

Mileage/System %



Revenue (in thousands)



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