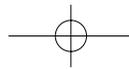
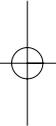


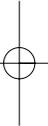
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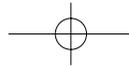
OHIO
CONSTRUCTION
INFORMATION ASSOCIATION

An OCIA Special Report





It is an understatement to say as roads go, so goes Ohio. And that is what makes the very near future all the more alarming.



I N T R O D U C T I O N

The Oncoming Storm

As literally a “crossroads for America,” the need for a modern, efficient and safe transportation network in the state of Ohio is apparent. We are located within 600 miles of 50 percent of North America’s population. 32 percent of the nation’s freight is carried on Buckeye State highways. And with the 4th-largest interstate network, Ohio is home to the intersection of two of the busiest north-south and east-west highways (Interstate 70 and Interstate 75 in Dayton), a vital link for travelers and commerce.

It is an understatement to say as roads go, so goes Ohio. And that is what makes the very near future all the more alarming.

Within the next few years, Ohio’s highway network will experience:

- More than 50 percent of the pavements on our general and urban highway systems falling into the deficient category
- More congested roadways, as the daily number of vehicle miles traveled (VMT) has increased 27 percent since 1990 and highway expansion has not kept pace
- Over 6,000 bridges reaching the end of their design life
- A local highway system in need of \$527 million lump sum for critical repairs, which doesn’t include general maintenance needs or annual expenses
- The Ohio Department of Transportation’s (ODOT) new construction program falling from \$490 million in Fiscal Year (FY) 2002 to less than a third of that amount in FY 2004, and no monies available for new construction beginning in FY 2005 and beyond.

With such an overwhelming wave of critical transportation issues approaching, the time to secure the beachhead is now. By making the right decisions at state and federal levels, we can ensure that our highway network continues to meet the demands of Ohioans and, truly, all of America.

Without these decisions, we all might be in for a very bumpy ride.



ODOT maintains 14,974 bridges on the state highway system, or about 34 percent of Ohio's 43,852 bridges, a number that places Ohio second only to Texas. The inventory of bridges has an average age of 39 years, which is important to note because the useful life of these structures is about 50 years. As shown below, a large number of Ohio's bridges were built during the interstate construction boom of the 1950s and 1960s. ODOT estimates more than 6,300 bridges will reach 50 years of age by 2013.

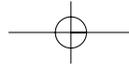
Ohio's highways feature 154 major bridges, which are exceptionally large or unique structures carrying state, U.S. or Interstate routes. ODOT annually inspects each of these to monitor safety and adequacy by measuring four categories: general appraisal, floor, wearing surface and paint. For 2002, ODOT determined that 12.5 percent of major bridges were deficient in general appraisal; 8 percent were deficient in wearing surface; 10.5 percent were deficient in floor structure; and close to 20 percent were deficient in paint maintenance. A deficient rating means the bridge requires immediate attention and more funding must be used to correct these problem structures.

In 2002, ODOT allocated \$190 million for bridge construction and maintenance. Major bridges are funded from a separate program at approximately \$60 million annually.

Total Bridges Constructed By Years



At current funding levels, and with the wave of aging bridges nearing the end of their useful design life, ODOT predicts the number of deficient bridges will grow to 16 percent in 2005, to 25 percent by 2010 and up to 29 percent beyond 2020.



P A V E M E N T S

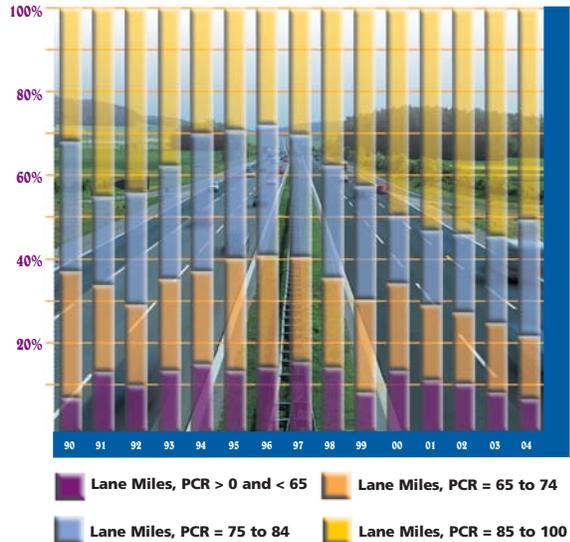
The condition of Ohio's multi-lane highway system – interstate highways and major state routes with four or more lanes – is improving due to more federal funding, which was expected to increase pavement maintenance nearly 20 percent from \$290 million in 1998 to \$342 million in 2004, and a new formula to rehabilitate problem areas. This large pavement-rehabilitation program represents the most comprehensive upgrade of Ohio's freeways since their original construction.

In 1997, ODOT measured 20 percent of its priority system, which includes interstate highways, freeways and multi-lane portions of the National Highway System, as unacceptable; recent efforts will result in only 10 percent of the priority system rated unacceptable by 2004. Although the priority system makes up only 25 percent of the state's lane miles, ODOT has placed more emphasis on the system as it carries 52 percent of Ohio's traffic and 85 percent of its truck travel.

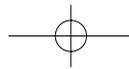
With emphasis on higher-volume freeways, the state's urban and general systems – which, respectively, are state and federal routes in cities and remaining two-lane routes outside cities – are cause for more concern. Though the general system has only 2 percent and the urban system only 4 percent of its roads that are rated deficient, their amount of "mediocre" rated roads is increasing. Fiscal year 1999 ratings show more than 50 percent of both the general and urban systems could deteriorate into the deficient range in a few years.

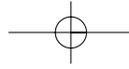
The average interstate highway in Ohio has experienced six times the number of loads for which it was designed. In urban areas, traffic is 11 times higher than the pavement's original design intended. Stated another way, pavements designed to last 20 years are reaching the end of their design life in just 11.5 years.

State of the System Priority System Pavement Conditions ODOT Lane Miles

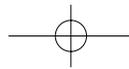


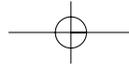
Pavement Condition Ratings (PCR) provide guidelines for the visual inspection of pavement flaws. The ability of a pavement to sustain traffic loads in a smooth and safe manner is adversely affected by the occurrence of visible faults in the pavement. PCRs range from poor (> 0 and < 65) to excellent (85 to 100).





More traffic clogs the state's roadways each day and shows no signs of slowing.





C O N G E S T I O N

Quick Facts:

- The American Highway Users Alliance ranked Ohio third nationally in the number of major traffic "bottlenecks" or areas that are over-capacity and create backups.
- Congested highways cost Cincinnati drivers \$535 yearly in lost time and wasted fuel. Columbus drivers lose \$500 and Cleveland motorists waste \$350.
- Ohio's most congested highway is the Interstate 70 / Interstate 71 split in downtown Columbus.
- In Ohio's urban areas, up to 40 percent of freeways are congested during peak hours.

Congestion is an escalating concern for Ohio's motorists. More traffic clogs the state's roadways each day and shows no signs of slowing. The amount of traffic on Ohio's highways has nearly doubled in the past 30 years, yet due to a lack of funding roadway capacity to accommodate the increase has been minimal. And Ohio's highway budget constraints prohibit ODOT from fixing the problem.

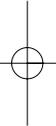
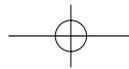
ODOT statistics show that the daily number of vehicle miles traveled (VMT) since 1976 on Ohio's highways has risen 69.6 percent, including a 27-percent increase since 1990. Part of that increase is due to higher truck traffic, which has jumped 78 percent in the past 25 years.

However, ODOT for the past several years had only \$300 million annually to build new roads and add highway lanes that would relieve this congestion. That only allowed the department to expand the state highway network by one-third of 1 percent (.33 percent) annually. At current state and federal funding levels, the \$300 million will drop to \$140 million in July, 2003 (FY 2004) and will then drop to \$0 in July, 2004 and beyond.

Traffic Growth (Ohio's Daily VMT)

1970 – 153,463,000
1975 – 175,710,000
1980 – 196,721,000
1985 – 206,984,000
1990 – 250,146,000
1995 – 276,132,000
2000 – 291,852,000

Source: ODOT Transportation Facts Book



While Ohio features 113,000 miles of roads – enough to go around the world four and one-half times – and more than 43,000 bridges, funding and maintenance for this transportation infrastructure doesn't solely come from the state and federal government. State law defines and divides ownership among state, cities, counties, townships and villages.

Of the state's road and bridge inventory, ODOT is charged with the construction and maintenance of only 17 percent of roads (19,000 miles) and less than 35 percent (14,974) of bridges. The remaining jurisdiction of Ohio's transportation infrastructure belongs to:

Cities: responsible for the maintenance of all roads and bridges within incorporated limits with the exception of bridges over waterways. Ohio's 242 cities oversee 24,500 miles of roads and 2,062 bridges.

Counties: county engineers are responsible for maintaining and upgrading 24,536 miles of county highways and 25,898 bridges (64 percent of all state bridges), including those over waterways within city corporations.

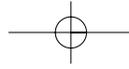
Villages: Ohio's 696 villages are responsible for 4,964 miles of roads and bridges.

Townships: Ohio's 1,317 townships are responsible for more than 40,000 miles of roads and culverts.

Funding for Ohio's roads, bridges and culverts is collected through a combination of state and federal gas taxes, bonds, license plate fees, permit fees and, to a small degree, sales taxes and levies passed by voters at the local level.

While federal funding has provided barely adequate resources for ODOT to improve and maintain Ohio's heavier-used roads and bridges, the trickle-down effect has local governments struggling to meet their basic infrastructure funding needs.

According to a January 2001 report by the Ohio Legislative Budget Office (LBO), the local transportation infrastructure is in need of \$527 million in critical repairs – \$424 million for roads, \$78 million for bridges and \$25 million for culverts. More recent estimates have the price tag a lot higher.



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The County Engineers Association of Ohio (CEAO) report, entitled "Ohio County Highways 2003 – Identifying Needs for Ohio's Third Century," provides the most comprehensive analysis of highway, bridge and safety needs on the county highway system. Among the 1997 study's most compelling findings:

Of Ohio's county-maintained bridges ... (some figures are duplicated)

- 11,292 are 50 years or older and reaching the end of their design life;
- 4,860 have restricted weight limits;
- 4,095 are structurally deficient and 4,495 are functionally obsolete;
- 4,261 qualify for replacement and 8,061 qualify for rehabilitation; and
- 6,064 are restricted to one-lane only.

Ohio has the second-largest number of bridges in the nation, of which county engineers are responsible for more than half.

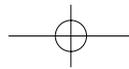
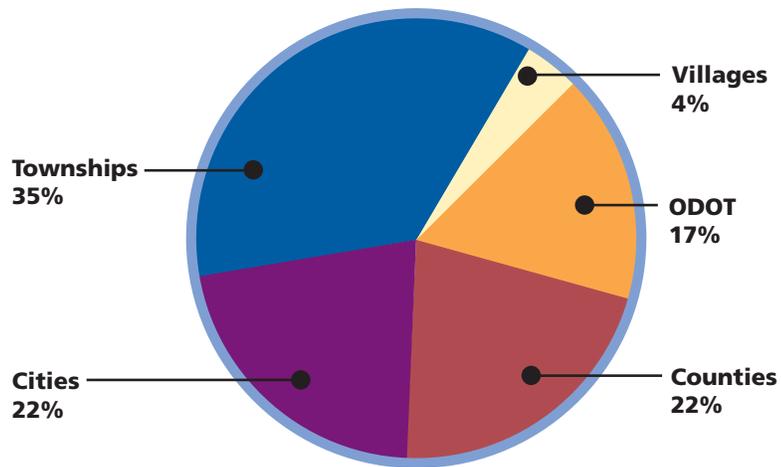
Of Ohio's county-maintained highways ...

- The average resurfacing schedule averages 17 years, seven years beyond the historically recommended 10-year schedule.
- Only 31 percent (9,294 miles) meet or exceed the 20-foot minimum width for ensuring safe driving and passing.

Of Ohio's county highway safety infrastructure ...

- More than 12-million feet (2,272 miles) of new guardrail are needed.
- More than 51,500 safety and warning signs need replaced, and there is a need for an equal number of additional signs.

Who maintains Ohio's roads?





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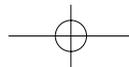
The study concluded that accident trends support the need for not only smoother roads, but also wider roads. Industry studies show widening a driving lane by just two feet can reduce accident rates by 23 percent.

Due to budget demands and downsizing, the CEO reports maintenance and technical staff at the county level have diminished by 21 and 8 percent, respectively, since the 1980s, thus compromising the local level's ability to carry out road and bridge programs. Smaller departments, coinciding with Ohio's trend toward rural development, have resulted in an increased number of accidents on the state's local roads system.

In 1998 and 1999, there were 115,771 accidents recorded on county-maintained highways. That number nearly doubles the amount of crashes occurring on better-funded urban and rural interstates during the same period. The number of crashes per 100-million miles driven on Ohio's county roads are 80-percent greater than corresponding crash rates on interstates during that same period.

While ODOT's current funding situation may seem relatively stable, there are signs suggesting this may only be a short-term condition. While the state's network of interstates, bridges and local roads continue to age and become more congested, inadequate funding levels will not provide for maintaining these fixtures at a level where they can handle the increased traffic loads.

Ohio's transportation network remains one of the proportionately lowest-funded in the country. Future federal revenues are uncertain and only expected to grow minimally in the next seven years, plus ODOT has seen its bond capacity reduced and its bond income will fall from \$220 million to \$100 million annually. ODOT has done its best to minimize its operating expenses, limiting growth to 2 percent per year. ODOT can go no lower and can not create further savings to be used for construction. Ohio therefore will not be able to improve its highways in the future.



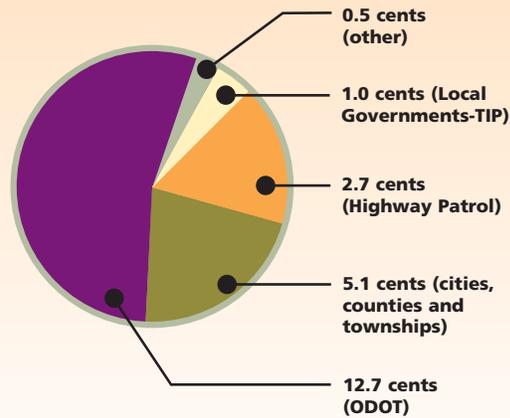
FUNDING SCENARIOS

In recent years ODOT has had approximately \$300 million to spend annually on new construction, but by FY 2004 (July, 2003) that amount will shrink to \$140 million and will be zero by FY 2005 (July, 2004) due to higher maintenance and operating costs and increased allocations to local governments for localized road improvements.

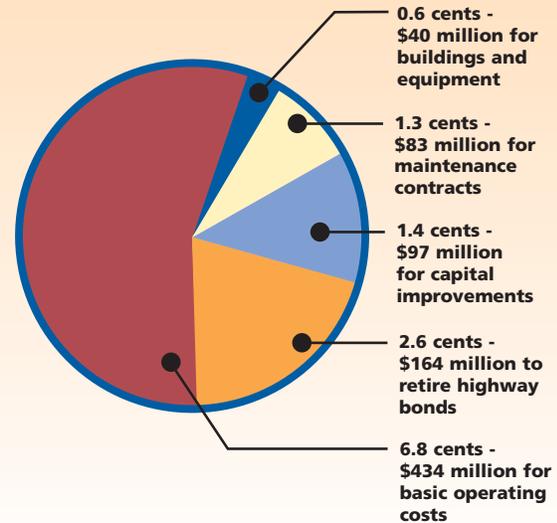
In FY 2002, ODOT's major new construction budget was more than \$290 million. With the existing funding scenarios, that amount will shrink to \$0 by July of 2004. At that time, the department will only be able to provide basic maintenance activities on the state's roadways. And even then, our aging roads require more than is currently available.

In FY 2001, ODOT received \$950 million in federal revenue. It also received \$818 million from the state's 22-cent gas tax, or roughly 12.7 cents from every gallon of gasoline. The remaining amount was divided between local governments, the Ohio Highway Patrol and other various state agencies.

Ohio's gas tax is 22 cents per gallon and yields \$1.4144 billion per year. It is divided for use in the following ways:



ODOT uses the funding as follows:



TRACKING OHIO'S STATE 22-CENT GAS TAX

Figures Updated 5/02 based on FY ending 6/01

**IT IS DIVIDED FOR USE IN THE
FOLLOWING WAYS:**

Ohio's state
gas tax is
22¢ per gallon
and yields
\$1.4144 billion
per year.

**5.1
cents**

or \$328 million goes to cities, counties and townships



**2.7
cents**

or \$171 million goes to fund the Ohio
Department of Public Safety (Highway Patrol)



**1.0
Cent**

or \$62 million goes to the Local Transportation
Improvements Program Fund (Local governments)

**Anytown
pop 1,432**

**0.5
cent**

or \$35 million goes to other state agencies
(ODNR, ODOD, Taxation, PUCO, etc.)

**12.7
Cents**

or \$818 million goes to the Ohio Department
of Transportation

Each penny is worth about

\$64.3 million per year.

ODOT USES THEIR FUNDING AS FOLLOWS:

MONEY FOR HIGHWAY BOND PAYMENTS

2.6 Cents or \$164 million to retire bonds



MONEY TO OPERATE THE DEPARTMENT

6.8 Cents or \$434 million for basic operating costs



1.3 Cents or \$83 million for maintenance contracts

0.6 Cents or \$40 million for buildings and equipment



MONEY FOR CAPITAL IMPROVEMENTS

WHAT IS LEFT OVER AFTER THE PRECEDING USES.

Currently **1.4 Cents** or \$97 million for things like resurfacing, bridges, major reconstruction, new construction, consultant contracts, right-of-way purchases and to match Federal Funds.

Source: ODOT



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The 1.4¢ ODOT has for capital improvements decreases each year due to ODOT operational and maintenance cost increases each year.

Several other issues are also chipping away at the amount of revenue ODOT has to maintain its construction programs.

Federal Transportation Reauthorization

There are concerns that recent attempts to reduce federal highway funding due to Revenue Aligned Budget Authority (RABA) statutes might signal an attempt to lower the guaranteed levels of highway funding contained in the coming renewal of the transportation reauthorization bill (tentatively titled TEA-3). Updated every six years, the current legislation (TEA-21) will expire in 2003, and the baseline for determining future levels of funding is generally the year prior to the legislation.

The Governor, ODOT and congressional officials alike are working to secure at a minimum the same level of funding commitments as existed in TEA-21. But with a sluggish economy and reduced gasoline sales in recent years, it is uncertain as to whether these levels can be maintained, and there is a very real threat that funding levels might even be reduced for the coming six-year term.

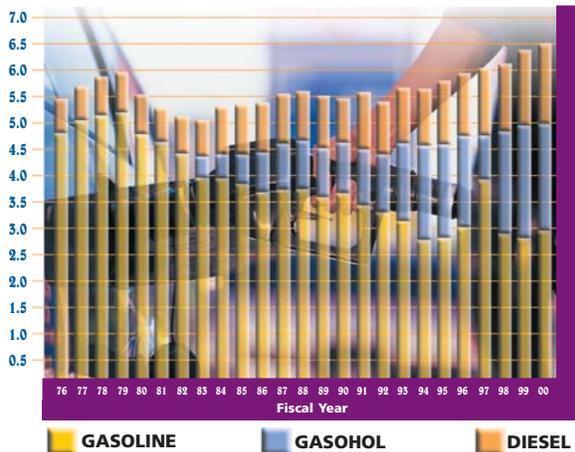
Ethanol

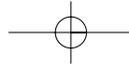
Ethanol-blended gasoline, or "gasohol," is taxed at a substantially lower rate than regular gasoline, and as a result, the state's transportation coffers are being left with much less money for highways.

Current federal guidelines have established tax levels of 18.4 cents per gallon of regular gasoline. Gasoline with only a minimum 10-percent blend of ethanol is taxed at 13.0 cents per gallon, and 2.5 cents of that goes into the federal general revenue fund. By combining the initial difference in tax rates, and then adding the general revenue diversion, a total of 7.9 cents of every gallon of ethanol-blended fuel is being diverted from the Highway Trust Fund for other uses. Based on these figures, the ethanol tax credit amounts to a loss of approximately \$160-million annually for the Buckeye State.

The loss comes about in a combination of ways. It automatically reduces the amount of money in the Highway Trust Fund based on the taxing formulas. Secondly, since a state's federal funds are based on what it contributes, those who use more ethanol will receive less funding from the federal government. Since Ohio uses ethanol-blended fuels to a great extent, it is contributing less. And by putting in less, the state is also getting less in return.

Ohio Motor Vehicle Fuel
Billions of Gallons Taxed





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Donor State Status

Ohio has been a federal "donor" state since 1956, meaning we get back less than we pay with regards to federal highway taxes. If the federal dispersals were to equal what states paid in to the trust fund, Ohio's federal return would be approximately \$140 million higher than the current \$950 million amount.

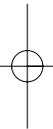
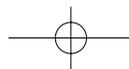
As it is, Ohio's donor state status and ethanol tax credits cost \$300 million annually.

FY 2001's federal contributions to Ohio were based on gasoline taxed in 1999. During that year, 6.5 million gallons of fuel were taxed in the state, generating \$1.36 billion in contributions to the Highway Trust Fund. But \$175 million of those monies went to other states.

While Ohio receives between 88 and 90 cents on the dollar, Pennsylvania receives approximately \$1.14, New York gets \$1.21 and Massachusetts \$1.61. While the argument could be made that these states do feature large populations, there are smaller, yet politically influential states that are receiving more than they contribute, such as Connecticut with a \$1.72 return and West Virginia at \$1.89.

State Rate of Return (1956 - 1999)

- Massachusetts - 1.61
- Connecticut - 1.72
- New York - 1.21
- Pennsylvania 1.14
- Maryland - 1.35
- West Virginia - 1.89
- Ohio - .91
- Texas - .84
- Florida - .87





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Alternative Fuel Vehicles

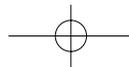
Another dilemma that will dwindle Ohio's gas tax revenues is the increasing use of alternative fuel vehicles. The Buckeye State was estimated to have more than 20,000 of these cars and trucks during 2001, the fourth highest in the nation. Most of Ohio's alternative vehicles run on liquefied petroleum (propane) gas (around 15,000) and natural gas (around 3,500). The remaining alternative fuel vehicles are operated on electric, solar power, methanol and ethanol-85 (which require a high percentage of ethanol and little gasoline).

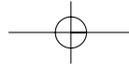
Many of the motorists who drive these vehicles don't pay any highway taxes because they don't purchase gasoline. Essentially, they are driving on roads for free without contributing their fair share to improve our highways. In addition, these motorists get a federal tax deduction between \$2,000-\$5,000 for purchasing or converting to an alternative fuel vehicle. A federal tax credit up to \$4,000 is available for those who purchase electric vehicles.

The usage of alternative fuel vehicles has risen dramatically in recent years with increases ranging from 40 percent to 100 percent annually since 1997. This trend will likely continue as major auto manufacturers are beginning mass production of these vehicles. They are planning to unveil a dozen gasoline-electric hybrids in the next few years. These hybrids further reduce gas tax collections Ohio can use to improve and build new highways.



The Buckeye State was estimated to have more than 20,000 alternative fuel cars and trucks during 2001, the fourth highest in the nation.

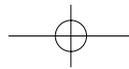
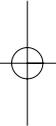




DECISIONS FOR TOMORROW

While our roads and bridges might get us home safely today, tomorrow will be an entirely different scenario. Ohio's legislative and industry leaders need to examine a variety of solutions to ensure that the state's transportation network remains safe, efficient and effective for all who use it.

"Our system was built to meet the needs of the late 20th century," said Ohio Governor Bob Taft, "but now we need to rebuild it to meet the needs of the 21st century and the New Frontier."





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CONSTRUCTION
INFORMATION ASSOCIATION

6525 Busch Boulevard, Suite 207
Columbus, Ohio 43229-1797
614-846-8390
800-860-5511
FAX: 614-846-8763
www.ocianews.com

