We Need a Plan

May 2, 2016, Tri-County Regional Planning Commission

<u>Our roads are in bad shape:</u>

- 1 out of every 5 state highways need repair a 20% increase over last year and the worst overall condition since IDOT began collecting condition data in the 1970's
  - IDOT estimates $1.2 billion a year in new revenue (double the state's current MFT) needed just to cut this backlog by just half.
- The forecast is for the bad road miles to nearly double over the next six years.
  - The bad roads forecast and cost to repair gets worse every year of inaction
- Nationally the miles of federal aid highway system needing repair increased 10% over the last five years
  - The new FAST Act provides the smallest annual increases in federal aid since the Highway Trust Fund was created 58 years ago.
  - 13 countries have average highway conditions better than the USA (only 7 were worse five years ago) and we are dropping in ranking every year

We have lost our way:

- Highway user fees built our system – gas tax and MVR
  - IDOT budgets on a multi-year cash flow basis with contracts having a value 5 or more times greater than cash on hand at any point in time
    - This requires a predictable/forecastable funding source.
  - The gas tax is not perfect - but it is not the extinct dinosaur some people say
    - Average annual change over the last 5 years is less than 1% a year
      - It is predictable and can be forecasted accurately – officials should think twice before they throw it out unless they have a viable alternative. A VMT tax is not it.
        - Proposed VMT taxes present a huge challenge in large administrative costs. MFT has 400 taxpayers to audit and bill. The VMT tax will have 9.5 million taxpayers to audit and collect from. I estimate the current Senate proposal will result in administrative costs well over $½ billion annually.

- There is very little reason to depart from MFT/MVR since their administrative costs are fixed and won't increase if the fee is raised.
  - VMT change is little different from MFT over the years. In 2014 MFT went up 2.8% and VMT went down 0.4% in Illinois. So far in FY2016 MFT is 1% above 2015 levels.
  - Non MFT paying vehicles nationwide amount to less 0.1% in 2015 and will grow to less than one-half percent by 2040 according to the US Energy Information Administration. The MFT will be a viable tax for at least the next twenty five years.
  - The VMT tax not a growth tax to pace construction costs – 1% per year forecasted growth through 2040 and actual annual growth for the last 25 years was 0.9%. Construction costs grow at 3%-5%.

        - A MFT increase of 1.3 cents or a MVR increase of $7 every five years would cover the MFT losses due to improving fleet fuel economy with no administrative cost increase.
        - I you are worried about electric cars raise their license fees with administrative cost increase.
- The capital program increases in Illinois since 2009 have ignored the highway user fee concept by selling bonds with no new revenues for the Road Fund and not enough new revenues for GRF capital bonding.
    - The Jump Start bonds have reduced IDOT's PAYGO program by $200 million per year dropping it to nearly nothing in state funding
    - The Illinois Jobs Now highway, transit and rail bonds along with the 2014 highway bonds cost the already broken GRF fund $380 million last year. Expect that GRF hit to increase hundreds of millions more this year and next since there are still billions of dollars in bonds outstanding in existing contracts and unobligated appropriations.

        - The state has dug a huge hole that will have to be filled with new revenues before new projects can be added.
- The national Administration and Congress have eroded the user fee system by continuing to spend more money than they raise in taxes – filling the hole with one time revenue sources.
    - FAST Act provided a $70 billion subsidy in onetime non-sustainable revenues
        - The next bill will require a doubling of the federal gas tax with no funding increase to fill a $100 billion subsidy requirement

<u>Our Interstates are crumbling:</u>

- Our interstates are 40 to 50 years old and designed to last for 20 years
    - They have been patched and resurfaced so many times that this is now required every two or three years for some roads
    - 15% of our interstates need repair today
    - In ten years I predict a significant portion of the system will have speed limit reductions or trucks restricted to the left lane because of big potholes if we don't start reconstructing our interstates – rebuilding them from the ground up.

    - The Tollway spends 3 times more each year on its interstates than IDOT even though its system is only 1/6th the size of IDOT's
        - It's not that the Tollway spends too much, but IDOT is pitifully underfunded.
    - Estimates of the cost to reconstruct IDOT's interstate system exceed $50 billion and it will take a 21 cent increase in our 19 cent state gas tax to do it over 32 years – the time it took to build the interstates initially.

<u>Local roads need state revenue sharing</u>:

- Local governments continue to lose share of state highway user fees
- Why should the state raise taxes for local roads?
    - Highways are a system. A trip won't happen without driving on both state and local roads.
        - Therefore, if we finance road improvements with user fees, they should be applied to all systems fairly.
    - User fees must be levied at the state level for efficiency and lowest administrative cost so the maximum revenue goes for road improvements.
        - Local gas taxes create economic disadvantages across geographic boundaries for business, increase collection and enforcement costs, and most

importantly reduce the ability to get legislative approval of statewide gas taxes.

- Local vehicle registrations are expensive to administer by every local government
- We cannot count on the huge number of local governments to raise revenues to provide an acceptable statewide level of service to motorists.
  - Local governments cover a wide range of financial capability. Generally the larger the government the more financial capability, but all sizes generally have similar mileages of roads to repair. Only the state can provide the necessary resources to maintain a consistent statewide system of local highways in acceptable condition. This is a similar situation to the need for state aid to schools.

<u>We need a plan:</u>

- If you are keeping track from the beginning, I have identified the need for a 40 cent increase in the gas tax to bring our state highways to 90% good condition and rebuild our interstates over 32 years – that includes nothing for transit or local roads. Not very realistic or likely – right!

- We are burning our living room furniture to keep warm as we continue to refuse to raise the revenue necessary to support our spending increases
    - And our spending increases, when we make them, are not targeted to meet our repair and replacement needs.
    - The size of our transportation funding problem is large. The Chicago Metropolitan Planning Council is calling for a minimum of $4.3 billion in annual new transportation spending over ten years financed with traditional highway user fees and bonding.
- However before we talk about increasing user fees – we need a plan!
    - In 2009 Illinois passed a capital bill that doubled state highway spending but the road conditions got worse – the miles of bad state highways doubled despite billions of new dollars.
        - It also short changed local governments highway funding
        - All these bad things happened because there was no plan prior to enactment that set funds aside to improve state and local system condition before addressing specific projects that flowed from the political process. They were good projects, certainly, but most were for new

construction and expansion and few for repair and replacement

- If a budget agreement miraculously happened tomorrow and there was a desire for more capital spending - the same thing will happen again because we still don't have a plan
    - Sure we would get more spending for legislative priorities – again all good projects – but the system condition would continue to deteriorate and our interstates will crumble because those needs were not prioritized first
        - Legislators, unions, highway contractors and consulting engineers like myself will be happy because our favorite project is funded or our ability to work is increased. But our citizens lose – their infrastructure that they paid for over the last half century continues to deteriorate and fall into ruin because we do not have a systematic plan to provide resources to improve it.
- A plan is not a wish list of priority projects – it is a cost estimate to achieve a specified system condition backed up by a list of projects that implement that goal. It is a proposal for

equitable revenue sharing with local governments.

- The last such plan was presented by the Governor prior to the approval by the Legislature of the 1999 transportation user fee increase. By 2003 as a result of this plan Illinois state highways were in the best condition in the state's history – fewer than 9% needed repair. The plan had a target of 10% bad.
    - Without a plan since 1999 - despite billions in new federal ARRA spending, Jump Start bonds, Illinois Jobs Now bonds and Transportation D bonds our roads are in the worst shape in our state's history with 21% needing repair.
- The Governor and IDOT should be working on today's plan right now – to have it ready when the budget impasse is resolved.

A good quality highway system does not occur by accident – it takes planning and structured implementation of those plans. The poor quality system we have today will not be fixed by dollars alone - as the last seven years have proven. Illinois needs a plan funded by reliable user fee revenues sooner rather than later.