



House Finance Committee
Transportation Infrastructure Funding Testimony
Wednesday, February 20, 2019
Columbus, OH
by George Palko, P.E.
President & CEO

Chairman Oelslager, Vice Chairman Scherer, Ranking Member Cera, and members of the House Finance Committee, thank you for the opportunity to testify today.

I am George Palko, President and CEO of The Great Lakes Construction Co. based in Hinckley, Ohio. Our company is a 100% Employee Owned Heavy Civil Construction company that has been in business in Ohio for over 70 years. I am representing the Ohio Contractors Association. OCA is a trade association with over 500 companies representing well over 10,000 Ohio employees. The members of OCA perform more than 85% of ODOT's annual construction budget.

Our company has a long history of infrastructure construction. We built original sections of I-71, I-77, I-90, I-480, and I-271 and the Ohio Turnpike. We have seen the booming times in infrastructure spending, and the challenging times in infrastructure spending in Ohio. We currently employ up to 500 people across Ohio and neighboring states.

I mentioned good times and challenging times in infrastructure spending. We are headed for very challenging times in infrastructure spending. I would like to spend a few minutes this morning providing you with some facts and some insight from an ODOT contractor based in Ohio. My focus will be on the economic and safety impacts of failing to make the proper investment in our transportation system. I am sure you have all heard the facts about Ohio's transportation system, top 5 in the United States with the:

- 2nd Largest inventory of bridges
- 3rd Largest in freight volume
- 4th Largest in interstate highway system based on lane miles

But where do we rank in terms of the State Motor Vehicle Fuel Tax. At 28¢ per gallon, we rank 29th in the nation. This is Ohio's primary source for highway construction revenue, yet we rank in the lower 40th percentile. How do we maintain and improve this State's biggest asset for economic growth when the impact of the State's primary funding source remains stagnant, as its impact falls every year due to inflation? In recent years, our neighboring states have significantly increased their state motor fuel tax: Michigan (44.1¢), Indiana (42.9¢), Pennsylvania (58.7¢), West Virginia (35.7¢).

These states have addressed the daunting impact of doing nothing to address the future of their transportation systems. Why have they done this? Every indication is the

future Highway Bill and future Infrastructure Bill (2 different things) will put more onus on each State to fund a much larger portion of projects than they are today.

ODOT has told the industry that the forecasted FY2020 budget will be down 28% from the \$2.58B spent in 2015. If this forecast is truly what plays out and there is nothing done to improve the current revenue stream, the economic impact will be felt by the transportation system, the users, and the construction and design industry.

If nothing happens:

- The economic impact to the system in terms of dollars spent on construction contracts by ODOT would go from \$2.58B in 2015 to \$1.4B in 2020.
- In ODOT's *Access Ohio 2040* report, they state the estimated cost to maintain conditions and current levels of service on the system is \$55B through 2040. This is \$14B more than ODOT anticipates it will have in their budget to spend just to maintain current conditions.
- Total miles of major roadway classified as deficient would increase from 9.4% to 28.5% over the next decade.
- If we do nothing, consider this:
 - People aren't giving up their cars. Vehicle Miles Traveled in Ohio increased by 12% from 2000-2013 with more than 12.7B miles traveled per year. More recently, from 2013-2016, the rate of vehicle miles traveled increased another 5% in this short period. By 2040, Vehicle Miles Traveled in Ohio is expected to increase another 20%.
 - If nothing happens in terms of an increase in transportation infrastructure spending, safety on our highways will take a big step backwards. We are told ODOT's budget will focus solely on preservation and maintenance. There won't be new construction dollars or safety improvement projects. We have come a long way over the past 10-15 years implementing technology in signage, lighting, bridge and roadway safety improvements, maintenance of traffic safety devices, guardrail systems, and intelligent traffic system devices. An ODOT budget focused solely on preservation and maintenance would hinder or prevent the continued effort to provide a safer highway system.

However, increasing our investment level in the transportation system would result in:

- Immediate economic growth because we would be investing in tangible assets that are long-lived and provide access to jobs, services, materials and opportunities for other markets.
- An improvement in safety conditions on our roadways, allowing for more efficient travel.
- Travel time savings, especially for the trucking sector. This allows Ohio to stay competitive.
- More opportunities to maintain and fix roads and bridges before major reconstruction work is needed.
- At a higher investment level, the percentage of travel on deficient roads would decline significantly.
- Make the transportation system more resilient to our ever-changing climate.
- We would put more people to work in Ohio as opposed to Indiana or Pennsylvania.

I can confidently say that the Industry is ready to continue working on Ohio's roads and bridges to make them safer and better for Ohio's economy and the continued growing number of cars and trucks using our large infrastructure system.

The highway network is a government asset that has a daily impact on businesses and residents' quality of life. The current transportation investment decisions will undoubtedly have a profound effect on the future of Ohio when it comes to safety, roadway conditions, reliability and overall efficiency. Let's make the right decision and increase the investment made in our State's largest physical asset by increasing the State Motor Vehicle Fuel Tax.

Thank you for this opportunity to speak to you this morning.

Research provided by:

¹ *Modernizing Ohio's Transportation System: Progress and challenges in Providing Safe, Efficient and Well-Maintained Roads, Highways and Bridges*, prepared by TRIP, June 2018

² *The Economic Impacts of Two Highway and Bridge Investment Scenarios in Ohio*, prepared by: ARTBA (American Road & Transportation Builders Association), December 2018

³ *A Moment of Truth: Ohio's Transportation Funding Problem and How to Solve It*, prepared by: FOR OHIO, Fix Our Roads Ohio, January 2019