



AMERICAN COUNCIL OF ENGINEERING COMPANIES
of Ohio

ACEC Ohio written testimony on H.B. 62
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Chairman Oelslager, Vice Chair Scherer, Ranking Member Cera and members of the finance committee, my name is Steve Bergman and I am Vice President of the Mannik & Smith Group. Today, I am representing the American Council of Engineering Companies of Ohio who is also a member of the FOR Ohio coalition. A bit of background on ACEC Ohio, we are a non-profit trade association comprised of more than 130 companies representing over 7500 employees in Ohio. Companies that provide a wide array of engineering and other professional services for all types of construction and environmental improvement projects around the state. In Ohio alone, our industry provides services worth more than \$1 billion annually. We feel that the efficiency and condition of Ohio's transportation system is critical to the health of the state's economy.

Ohio is strategically located and is within 600 miles of 50 percent of the population of North America. Ohio has the 3rd largest number of urbanized areas in the country, only behind California and Texas. It was estimated that in 2015, \$563 billion in goods were shipped from sites in Ohio and another \$493 billion in goods shipped to sites within Ohio, mostly by truck. In 2015, Ohio's economy grew by 2.1 percent, and at the time was ranked 18th best in the country. With these positive numbers comes increased demand on the transportation system.

According to the 2010 IHS Global Insight TRANSEARCH database, Ohio experienced the sixth greatest tonnage of originated truck freight and the seventh greatest tonnage terminated compared to other states. According to *Access Ohio 2040*, truck volumes are expected to increase by 67 percent by 2040.

Ohio has become a logistics hub. As detailed on the Columbus 2020 website, the Columbus Region is a strategic location for the movement of goods and has greater access to the U.S. market within a 10-hour drive than any other major metropolitan area. More than 4,100 logistics establishments employing over 80,000 employees thrive on the Columbus Region's ultra-modern interstate highway system and multiple rail terminals. Columbus is also home to multimodal logistics hub Rickenbacker Inland Port, the 10th-largest Foreign Trade Zone. Other regions of the state are also experiencing logistics growth, including the CSX facility in North Baltimore, Queensgate Yard in Cincinnati, and lakefront terminals in Cleveland and Toledo to name a few.



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The Consultant industry consists of engineers, scientists, technical staff, accountants, planners, marketers and others. Our primary focus is on delivering results for our clients and improving conditions for transportation users. The most satisfying result of our direct engagement with ODOT, municipalities, counties and others is the partnership established in achieving the vision. Results are what matters.

Our clients have needs, either improving safety, eliminating congestion or improving accessibility, to name a few. They strive to be competitive and improve economic development opportunities in order to survive and be more attractive to the private sector. These challenges and priorities are the same regardless of location. Rural needs are as plentiful as urban needs.

Through direct interaction with our clients, we are continually challenged to identify revenue to meet local improvement goals. Often, the local resources are not sufficient to cover the expense and local jurisdictions are faced with a “make due” or “do nothing” result. In today’s world, consultants often need to steer clients to think creatively, which often means borrowing against the future or accepting risks to meet critical investment needs.

In many instances, jurisdictions are more conservative and are not willing to take the risk, either from a political or budgeting standpoint. This only delays or even eliminates the locally preferred project and puts people and economic development opportunities at risk.

How does Ohio compare with neighboring states? Michigan has a state motor fuel user fee of 44 cents per gallon, Pennsylvania is at 58 cents per gallon, West Virginia at over 35 cents per gallon, and Indiana is at nearly 43 cents per gallon. They have all made investments and increased revenue for transportation investment. As a reminder, Ohio is currently at 28 cents per gallon, which is between 20% and 50% below our neighbors.

In addition, the federal motor fuel user fee has not been adjusted since 1993 and stands at 18.4 cents per gallon. Can Ohio afford to wait for federal officials to make a renewed commitment? Moreover, if they do, can Ohio generate matching funds to receive all of the federal dollars available under a larger program? We feel the answer is no, Ohio cannot wait.

The term “tax” as used with gasoline is really a “user fee”. The more you use the roadways, the more you contribute. Of all revenue structures, this system has been recognized as the most efficient public funding mechanism. Not only are the people of Ohio paying a user fee at every fill up, but also through state travelers are paying. Each



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penny increase generates nearly \$66M. What if the User Fee was indexed to inflation? The discussion of transportation funding may not even be on the table today as the index would have increased the user fee automatically.

There are many different avenues and ideas floating around to raise revenue for roadways, such as a Vehicle Mile Travel (VMT) fee. We believe that the future will provide other alternate sources of revenue generation, but we cannot wait for public opinion to weigh in or options studied.

With the increase in construction and material costs, since Ohio raised the motor fuel user fee in 2005, which was a total 6-cent increase, beginning 2003, the value of the dollar has dropped significantly. Construction inflation has seriously eroded the buying power of Ohio's transportation revenue. While the Midwest Consumer Price Index has averaged about 3.2% over the past 25 years, construction inflation has at times been much worse. From 2005 to 2007, inflation increased 8.6%, 12.4% and 11.7% respectively. Adjusted for inflation, a dollar spent in 2000 would be worth only \$0.52 in 2016, due to inflation. In brief, the \$1.7 billion program planned for 2019 is worth only \$858 million in 2000 dollars.

We would also contend that the commitment to more efficient and alternative fuel vehicles has also eroded the collection of revenues. What about local investment in other forms of transportation, such as bikeways and beautification projects? While these are beneficial, they also compete for limited funding and do not provide additional revenue or increase the pot.

Looking at direct economic impacts, employment numbers show that the Ohio construction industry is one of the top 10 private industries in terms of employing workers. A study performed for Associated General Contractors by Professor Stephen Fuller of George Mason University found that \$1 billion in nonresidential construction spending adds about \$3.4 billion to Gross Domestic Product (GDP), about \$1.1 billion to personal earnings, and creates or sustains 28,500 jobs.

In addition, the Federal Highway Administration estimates that each dollar spent on road, highway and bridge improvements results in an average benefit of \$5.20 in the form of reduced vehicle maintenance costs, reduced delays, reduced fuel consumption, improved safety, reduced road and bridge maintenance costs and reduced emissions because of improved traffic flow. Doing my math that is over a 5 to 1 benefit/cost ratio. Sign me up!

In short, put aside any notions of our industry being self-serving in this discussion. We work at the local level trying to help our clients achieve success and a community vision.



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We have invested in growing our businesses in the state and employ over 7500 people, talent we don't want to see leave the state due to lack of work.

Continuing to ignore the revenue issue is not going to help the Brent Spence Bridge, Wester Hills Viaduct, Gallipolis Interchange, and other projects on the waiting list. In the case of transportation funding, investment is needed to ensure that Ohio is economically competitive, ensures safety, maintains conditions, and improves operational efficiencies. Otherwise, we will need to be satisfied with a less efficient, less safe and more deteriorated system, as well as less economic development and private investment.

Other states have realized the need to step up and invest for the long-term good, which puts Ohio at a competitive disadvantage when that next Amazon facility is being located.

Let us not fall further behind, the people of Ohio and our economy deserve better.