

Ohio House of Representatives Finance Committee

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HB 62 – Transportation Budget

Chairman Oelslager, Ranking member Cera, Vice Chairman Scherer, thank you for the opportunity to speak to you today about the benefits and importance of transportation funding.

My name is Brett Boothe and I currently serve as the Gallia County Engineer and as the County Engineers' Association of Ohio's Government Affairs Co-Chair. Before becoming the county engineer in 2009, I worked in the private sector and also worked as a Transportation Engineer with ODOT. On behalf of Gallia County, one of the 52 rural counties in Ohio, I manage and invest nearly \$10 million in infrastructure annually.

The Problem: Road and Bridge Funding Shortfall

Gallia County has 453.567 miles of roads to maintain. This is broken down into 207.92 miles of asphalt; 127.887 miles of chip and seal, and; 117.76 miles of gravel.

- Asphalt Roads (15 year life)*
 - $207.92 \text{ miles asphalt} / 15 = 13.9 \text{ miles need paved every year in order to maintain cycle.}$
 - Currently, Gallia County averages 4 miles per year (not including grants), thus resulting in a shortfall of 9.9 mile every year. At a cost of \$70,000/mi, this is an annual shortfall of \$693,000/year for just asphalt roads
- Chip and Seal (5 year life)*
 - $127.887 \text{ miles chip and seal} / 5 = 25.6 \text{ miles need chip and sealed every year to maintain cycle}$
 - Currently, Gallia County averages 7 miles per year (not including grants), thus resulting in a shortfall of 18.6 miles every year. At a cost of \$18,000/mi, this is an annual shortfall of \$334,800/year for just chip and seal roads
- Gravel to upgrade to Chip and Seal
 - $117.76 \text{ miles} \times \$150,000 = \$17,664,000.$ Over 10 years, the shortfall is \$1,766,400/year in order to simply upgrade aggregate roads to chip and seal.

* Assumes solid base, no extra work, and no road damage by heavy vehicles.

Additionally, Gallia County has 277 bridges, of which 26 are structurally deficient and another 164 are functionally obsolete. Historically, on a 10-year replacement plan, Gallia County is able to replace 4 bridges a year (for a total of 40 bridges every ten years). This leaves Gallia County a full 150 bridges behind in necessary improvements and/or replacement over that 10-year period. Gallia County would need to replace 19 bridges a year for 10 years, to meet the current needs of our county. This equates to a shortfall of \$3,110,300 per year, which does not even include more bridges becoming deficient over that 10 year span.

Total shortfall for Gallia County road and bridge capital programs
\$5,904,500 / per year

Rural Counties and Gas Tax

In general, gas taxes cannot provide adequate revenue for transportation infrastructure projects unless their tax rates are adjusted to keep pace with rising construction costs and to offset revenue losses from improvements in vehicle fuel-efficiency. Ohio's gas tax rate has not been updated in over a decade, causing significant declines in my purchasing power. Those declines are negatively affecting the funding of economically vital infrastructure projects not just in my county, but in all 52 rural counties.

Increasingly across the nation, state lawmakers are deciding that outdated gas taxes need to be raised and reformed to fund infrastructure projects that are vital to their economies. **In total, 28 states have raised or reformed their gas taxes since 2013.** (Appendix 1)

Gas Tax Purchasing Power On A Decline

The single largest source of funding for Ohio's rural county's transportation system comes from the state gas tax. However, the purchasing power of that tax has dramatically dropped over the years, leaving funding for local roads and bridges in a precarious fiscal situation.

Rising construction costs and the growing needs of aging local roads and bridges have placed a greater strain on our infrastructure. Furthermore, increased fuel efficiency in motor vehicles and projected decreases in motor fuel consumption by Ohioans have combined to accelerate the downward pressure on revenues coming into the counties. This has led to consistent funding shortfalls in recent years, and looking ahead the problem will only get worse.

Two Trends Have Eroded Gas Tax Purchasing Power

- Construction Cost Inflation
- Fuel-efficiency

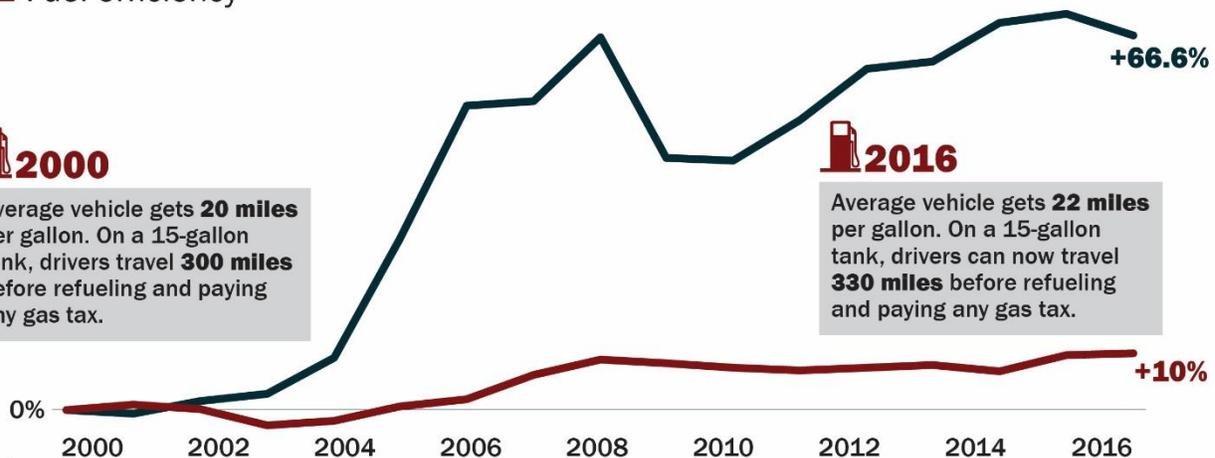
Construction costs are 66.6% higher than in 2000. A \$5M project in 2000 costs \$8.3M in 2016.

2000

Average vehicle gets **20 miles** per gallon. On a 15-gallon tank, drivers travel **300 miles** before refueling and paying any gas tax.

2016

Average vehicle gets **22 miles** per gallon. On a 15-gallon tank, drivers can now travel **330 miles** before refueling and paying any gas tax.



ITEP.org

Fuel-efficiency data reflect the average on-road efficiency of all light duty vehicles in operation in a given year.
Source: ITEP Analysis of data from the Federal Highway Administration.

Material Inflation (Gallia County 2006-2013)

- Asphalt in Place (ton): 100% increase
- Asphalt Pickup (ton): 129% increase
- Tack (gal): 186% increase
- #8 stone Delivered (ton) 68% increase
- Gasoline (gal) 190% increase
- Low Sulfur Diesel (gal) 188% increase
- MC-30 (gal) 174% increase
- RS-2 (gal) 170% increase
- Concrete (yard) 64% increase

Gasoline Excise Tax Breakdown (Every 1 cent/gallon ~ \$83,000 to county roads)

Federal	\$0.19 per gallon 1993
State	\$0.22 per gallon (Gas Excise Tax)
State	\$0.06 per gallon (HB 87 – increase the tax by \$0.02 per gallon over a three year phase in during 2006, 2007, 2008)

28 cents is distributed per the following formula

- 23.8 cents is distributed – 75% to ODOT, 10.71% to Municipalities, 9.29% to Counties and 5% to Townships
- 2.7 cents is distributed – 42.84% Municipalities, 37.16% Counties and 20% Townships
- 1.0 cent is distributed – LTIP (Ohio Public Works Commission)
- 0.5 cents distributed – ODNR, PUCO, Ohio Turnpike

County Portion is \$0.032 per gallon (not a % of the price)

County Portion is distributed by county as opposed to mileage.

(Each County receives \$0.032/gal/88 counties = \$0.0003526/gallon per county)

Motor Vehicle Registration permissive Fees

The motor vehicle registration permissive fee is an optional tax that can be levied by counties, municipalities, and/or townships on vehicle registrations. Permissive tax revenue is to be used by the counties and taxing districts per ORC Chapter 4504, which includes planning, constructing, improving, maintaining and repairing public roads, highways, streets, and for the maintaining and repair of bridges and viaducts.

Gallia County is currently ranked 73rd (30,203 people) out of all Ohio's counties in population. Raising our county's motor vehicle registration fees to the max limit permitted under Ohio law would not even generate enough funds have an any discernable impact on Gallia County's transportation system.

Alternatives to Fuel Tax: Compressed Natural Gas, Hybrid, Electric Vehicles

Gallia County, like most rural counties, does not have a single electric charging station or compressed natural gas station in the county. Using natural gas vehicles, hybrids, and electric cars as a tax option to a gasoline

excise tax increase is not a viable option for rural counties. However, addressing the proper assessment of these types of vehicles would provide stability in infrastructure funding in the future.

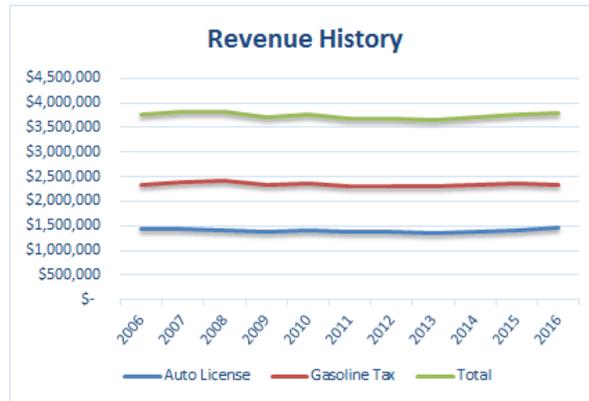
Current Gallia County Revenue vs Expenses

Gasoline Excise Tax ~ \$2.3M
Motor Vehicle Registration Fees ~ \$1.3M
 Total: \$3.6M = 98% of Revenue (No grants)

Per the Revenue History Graph below, Gas Tax and Motor Vehicle Registration Fees have been relatively stagnant.

Typical Expenses

- Payroll/Benefits \$1.8M
- Stone \$500k
- Fuel \$250k
- Utilities/Lands \$50k
- Parts/Repair \$200k
- Salt/Cinders \$100k
- Roadside Mowing \$175k
- Culverts \$110k
- Herbicide Spray \$55k
- Dust Control \$60k
- Cold Mix \$50k
- Total \$3,350,000**



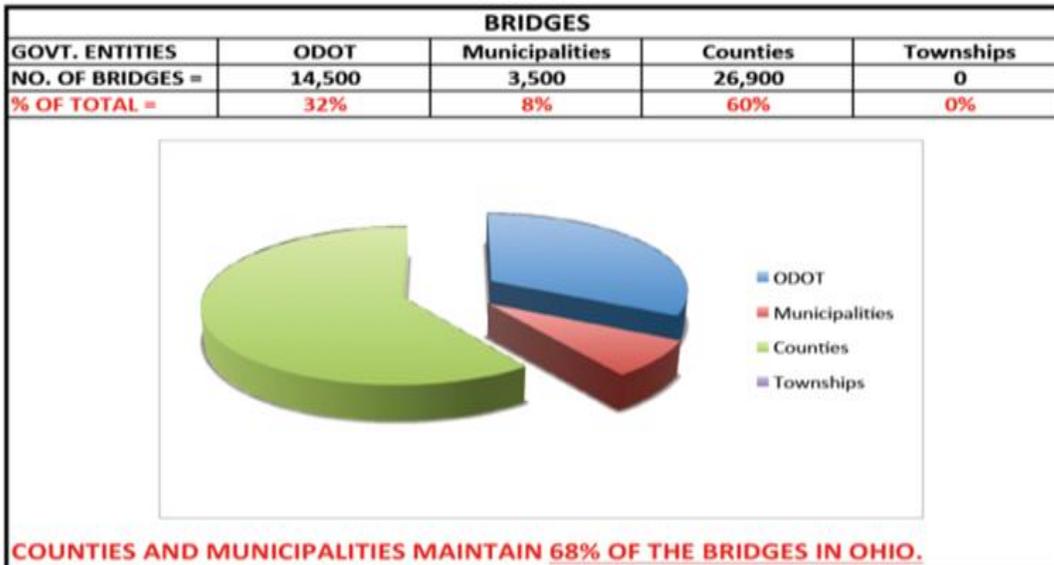
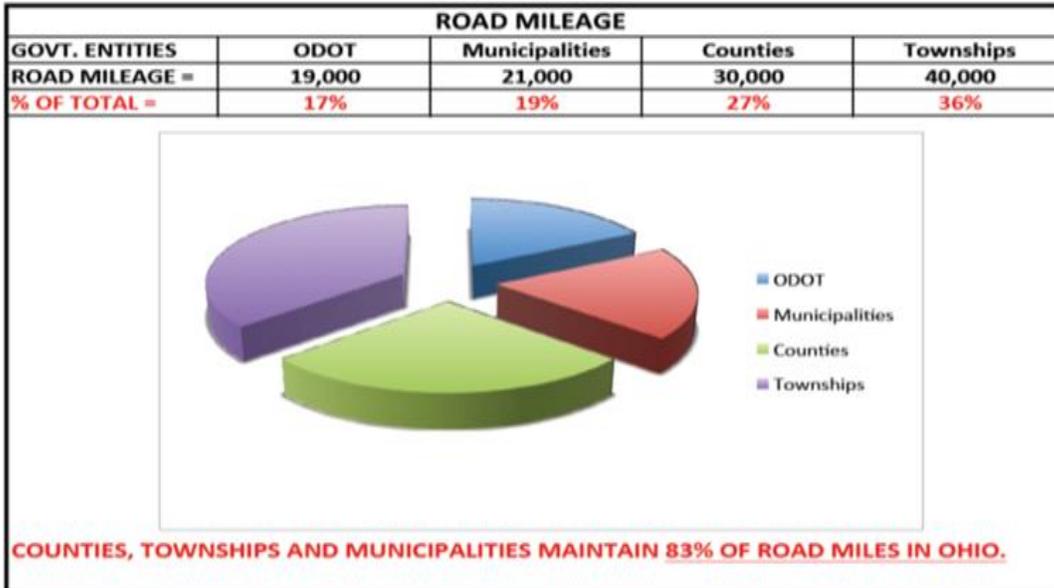
After routine maintenance expenses, the county has approximately \$250k left per year. Without grants, the \$250k would only be enough to pave nearly four miles of road, leaving nothing for replacing bridges, repairing road slips, repairing guardrails, centerline striping, new equipment, concrete repairs, or other necessary maintenance.

County Engineer’s Cost Saving Methods/ Grants

- Partnering with various government entities
- Creative road material purchasing
- Partnering with fire department to remove fallen trees
- Partnering with law enforcement work release programs for cutting roadside brush
- Acquire bottom ash (cinders) from power plants mixed with salt
- Heat facilities by recycling used motor oil
- Privatization of Services
- Private Public Partnerships (PPP)
- Creative Financing
- Working with heavy haulers to find the best route to do the least amount of damage.
- In-house cold mix production/partner with neighboring counties/townships
- Dispose of tires through Health Department/Solid Waste District
- DEF Tank Purchase
- Roadside Mowing and Roadside Spraying Applications

- Jobs and Family Services Program Low/Moderate Income Seasonal Employees
- Work force reduction through attrition.
- OPWC Grants – Typically \$500k - \$600k
- Federal Grants – Nearly 11 million in Federal Grants since 2009
 - ODOT Local Project Coordinator said Gallia County had received more Federal Grant dollars than any county in southern Ohio and more than some of the most urban counties in Ohio.)

Government Entities Infrastructure Responsibility Comparison



Other County Engineer Priorities / Efficiencies

Public Auctions

A board of county commissioners may authorize the county engineer of other contracting authority to enter into a contract, without advertising and bidding, for the purchase of used equipment or supplies to be sold at public auction.

Advertising Cost Using State and Local

Eliminate newspaper project bid advertising requirement and allow counties to advertise project bids on an online county webpage

Timber Repair of Roads/Bridges

Retain the use of county road or bridge fund to be used for repairing damage to county roads and bridges caused by timber operations.

Load Restrictions in “Right-of-ways” / Load Restrictions

County Engineers currently have the ability to post load limit restrictions on bridges located on county or township roads. This power is essential to preserve the safety of citizens. In this vein, the County Engineer should have the ability to post load restrictions on specific roadways after the completion of an engineering analysis, as well as to create specific haul routes for cargo that would be detrimental to local highways.

Overweight Vehicle Fines

Technical change – amend ORC 5577.99 to clarify all overweight fines to the maintenance and repair of county roads, highways, bridges, or culverts.

Guardrail Standards

Technical change – amend ORC 5591.36 guardrail mandates to comply with state and federal design standards.

Appendix 1



2018 Enacted Legislation

- **Missouri:** Lawmakers approved a gas tax increase of 10 cents in May of 2018.
- **Oklahoma:** The gas tax increased by 3 cents and the diesel tax by 6 cents on June 27, 2018.

2017 Enacted Legislation

- **California:** A 12-cent gas tax increase and 20-cent diesel tax increase took effect on Nov. 1, 2017.
- **Indiana:** A 10-cent increase took effect on July 1, 2017. Further adjustments will occur between 2018 and 2024 based on a new formula that considers both inflation and the rate of growth in Indiana's personal income.
- **Oregon:** A 10-cent increase will take effect in four stages, starting with a 4-cent increase that took place on Jan. 1, 2018, and ending with a 2-cent increase on Jan. 1, 2024.
- **South Carolina:** The legislature overrode Gov. Henry McMaster's veto to enact a 12-cent-per-gallon increase in the tax rate on both gasoline and diesel. The increase will be phased in over 6 years, with the first increase (of 2 cents per gallon) taking effect on July 1, 2017.
- **Tennessee:** The gas tax rose by 6 cents and the diesel tax by 10 cents on July 1, 2017
- **Utah:** A new law modifies the variable-rate gas tax formula enacted by Utah lawmakers in 2015 in a way that will allow for somewhat more robust revenue growth. The new formula is expected to result in a roughly 0.6-cent-per-gallon tax increase in 2019 and a 1.2-cent increase in 2020.
- **West Virginia:** The gas tax rose by 3.5 cents on July 1, 2017.

2016 Enacted Legislation

- **New Jersey:** A 22.6-cent per gallon increase in the gasoline tax took effect on Nov. 1, 2016. The diesel tax rose by 26.7 cents under a two-stage increase that took effect on Jan. 1 and July 1, 2017.

2015 Enacted Legislation

- **Georgia:** A 6.7-cent increase took effect July 1, 2015. A new formula for calculating the state's tax rate will allow future rate increases alongside inflation and vehicle fuel-efficiency improvements. This will allow the tax to retain its purchasing power in the years ahead. The first such increase (0.3 cents) under this formula took effect on Jan. 1, 2017 and the second increase (0.5 cents) took effect on Jan. 1, 2018.
- **Idaho:** A 7-cent increase took effect July 1, 2015.
- **Iowa:** A 10-cent increase took effect March 1, 2015.
- **Kentucky:** Falling gas prices nearly resulted in a 5.1-cent gas tax cut in 2015, but lawmakers scaled that cut back to just 1.6 cents by setting a minimum "floor" on the state's gas tax rate. The net result was a 3.5-cent-per-gallon increase relative to previous law.
- **Michigan:** The state's gasoline and diesel taxes rose by 7.3 cents and 11.3 cents, respectively, on Jan. 1, 2017. Beginning in 2022, the state's gas tax will begin rising annually to keep pace with inflation.
- **Nebraska:** A 6-cent increase was enacted over Gov. Pete Ricketts' veto. Nebraska's gas tax rate is rising in 1.5 cent increments over four years.

- **North Carolina:** Falling gas prices were expected to trigger a gas tax cut of 7.9 cents per gallon, but lawmakers scaled that cut down to just 3.5 cents, resulting in a 4.4 cent increase relative to previous law.
- **South Dakota:** A 6-cent increase took effect April 1, 2015.
- **Utah:** A 4.9-cent increase took effect on Jan. 1, 2016. Future increases will occur under a new formula that considers both fuel prices and inflation. This formula was modified under legislation enacted in 2017 to allow for faster gas tax revenue growth.
- **Washington State:** An 11.9-cent increase was implemented in two stages: 7 cents on Aug.1, 2015, and a further 4.9 cents on July 1, 2016.

2014 Enacted Legislation

- **New Hampshire:** A 4.2-cent increase took effect July 1, 2014.
- **Rhode Island:** The gas tax rate was indexed to inflation. This resulted in a 1-cent increase on July 1, 2015, and will lead to further increases in most odd-numbered years thereafter.

2013 Enacted Legislation

- **Maryland:** A significant gas tax reform, which tied the tax rate to inflation and fuel prices, was implemented in stages starting on July 1, 2013. Since then, the state's tax rate has increased by 10.3 cents above its early 2013 level.
- **Massachusetts:** A 3-cent increase took effect July 31, 2013.
- **Pennsylvania:** A significant gas tax reform, tying the rate to fuel prices, took effect in stages starting on Jan. 1, 2014. As a result of this reform, the gasoline tax rate has increased by 26.4 cents per gallon while the diesel tax has increased by 36 cents.
- **Vermont:** A 5.9-cent increase and modest gas tax restructuring took effect May 1, 2013.
- **Virginia:** As part of a larger transportation funding package, lawmakers raised statewide diesel taxes effective July 1, 2013, as well as gasoline taxes in the populous Hampton Roads region. The new formula included in the law will cause the tax rate to rise alongside gas prices in the years ahead.
- **Wyoming:** A 10-cent increase took effect July 1, 2013.