



Ohio Senate Transportation, Commerce and Workforce Committee

Testimony in support of House Bill 62, FY 20-21 Transportation Budget

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Chairman McColley, Vice Chair Uecker, Ranking Minority Member Antonio, and members of the Ohio Senate Transportation, Commerce and Workforce Committee:

I am Dr. Jack Marchbanks, Governor DeWine's appointee for Director of the Ohio Department of Transportation. Thank you for the opportunity to address you today, and to provide you with some information about the current state of finances for ODOT, about transportation funding gaps in Ohio at large, and about how Governor DeWine proposes to address those gaps.

Ohio's network of roads, bridges and highways is the state's most valuable physical asset. Ohio has the nation's 4th largest interstate system, 2nd largest inventory of bridges, and 6th highest number of vehicle miles traveled.

Because we are essentially the crossroads of America, we are within a one day's drive of 60% of the US and Canadian population. Our transportation system touches the lives of every man, woman and child in the Buckeye State every day and represents an investment of tens of billions of dollars by taxpayers over many generations.

But, I am here to tell you today that this system is facing an impending crisis.

My job and the job of all the men and women who work with me at the Ohio Department of Transportation is to make possible the safe, reliable movement of people and goods from place to place in Ohio. Historically, ninety percent of that job is taking care of what we have: the roads, bridges and traffic safety devices that comprise our transportation system.

Today, however, we are facing a future where we will clearly not be able to maintain the quality of the system we have, let alone improve upon it. And, to be blunt, this will endanger the safety of every single person who travels Ohio's transportation network. Despite ODOT's money-saving efforts of instituting efficiencies, delaying projects, and stretching our dollars as far as they can go, we are looking over the edge of a fiscal cliff.

Past practices of borrowing and bonding have brought us to this troubled state, and we are here because we need a better solution. Without one - our system of state and local roadways will fall into a dangerous state of disrepair.

Simply put, a perfect storm led us to where we are today: a combination of fiscal developments and past spending have created this critical situation.

Today I will lay out for you the status of our resources and the condition of our system for your information and background as you study the question of what Ohioans need and expect, and how best to meet those needs. I will also share details of Governor DeWine's proposal to address this shortfall and restore our transportation funding levels to a responsible state.

Motor Fuel Tax Revenues

The bottom line is that inflation has cut the productivity of our dollars by nearly half, and essentially no additional revenues have been added. The last time we increased motor fuel tax revenue was in 2003 when we passed increases of 2 cents per gallon for three consecutive years, equaling 6 cents total. That increased revenue made a big difference at the time. But the value of a dollar today is far less than it was in 2003.

In the past 16 years, heavy-highway construction inflation has ravaged the spending power of those funds. The reality is that our dollar from 2003 is now worth just 58 cents. That means today's dollars will not fully pay for the maintenance work Ohio's roads and bridges will need - and because of this, our transportation system will - without a doubt - fall into a dangerous state of disrepair.

To compound the problem, Ohio's motor fuel tax rate is not indexed - meaning it does not automatically increase with inflation as it does in neighboring states such as Michigan and Indiana. If the motor fuel tax was indexed back in 2003, we would be in far better condition than we are today. The tax would have increased along with inflation - but, without that indexing, it has remained flat and leaving us without the money to maintain our roads in the future.

Ohio's motor fuel tax revenues have, at the same time, remained relatively flat over the last 15 years. The miles people are driving on Ohio's roads is at an all-time high, but increased fuel efficiency - which is a good thing for motorists - means they use less gas. That also means we have seen only microscopic increases in the number of gallons of fuel purchased each year. To put that another way, motorists are putting more wear and tear on our roads than ever, but the money they are contributing for maintenance is not keeping up.

Back in 2003, our modest projection was that gas use would increase by one percent each year. That hasn't happened. Instead, from 2003 to 2018, consumption of motor fuel in Ohio on average increased only 1/3 of 1 percent each year.

Additionally, although the first fully-electric vehicles only recently hit the market, some are projecting they will make up as many as one-third of the vehicles on U.S. roads by 2040. Under its current structure, these and other alternative fuel vehicles will continue to contribute to the wear and tear on our roads but will pay no motor fuel taxes whatsoever.

Debt & Debt Service

Because of near double-digit inflation in 2005, 2006 and 2007, the increases passed in 2003 weren't adequate for our needs for long.

As a result, decisions were made to borrow against motor fuel tax revenues to make up the needed difference – and that process has continued through three administrations. It was only a short-term fix, leaving us in the bind we are in today.

Because of this borrowing, before we spend ANY of our gas tax money for its intended maintenance purposes, we must take \$390 million off the top to pay debt service. That's enough money for ODOT and local governments to do dozens of needed projects across the state – but that won't happen. Instead, that money is going to pay for past projects.

Turnpike Bonds

In recent years, the deficiency of highway system funding was addressed by borrowing an additional \$1.5 billion. These bonds were guaranteed by Ohio Turnpike tolls, which were increased to meet the debt service. The money allowed ODOT to do 13 major projects within 75 miles of the turnpike. It also allowed the Ohio Turnpike and Infrastructure Commission to make some much-needed improvements along the corridor.

Unfortunately, that money is now all spent or committed, and that source is no longer available. The debt service for the Ohio Turnpike and Infrastructure Commission will continue for decades. In fact, the Commission will be paying on that debt until the year 2048.

The reality is that our resources from the last motor fuel tax increase have been inadequate for the needs and wants of our transportation system for at least a decade. Instead of increasing that revenue stream, the state has been taking on more and more debt to complete projects and maintain the status quo. Today, this has pancaked into a situation that is irresponsible to continue.

Governor DeWine insisted we take a hard look at our situation and provide you and the public with the facts. After doing that, I cannot, in good conscience, recommend that this practice of borrowing continue. It only delays the problem – not fix it.

These maps show projects that state and local leaders have identified as being important. They would solve congestion issues, address safety issues and help further economic development. They would help ensure the longevity of our roads and bridges.

However, beginning July 1, there is no revenue available for any new highway improvement projects of any kind in any place on our system. Our ability to complete needed maintenance projects will also be stressed.

Maintaining Ohio's Transportation System

As I said, Ohio has the nation's 4th largest interstate system, 2nd largest inventory of bridges, and 6th highest number of vehicle miles traveled. As the crossroads of America, we are within a one day's drive of 60% of the US and Canadian population. It is a hefty responsibility to keep this system in working order.

In order to balance our budget for the next biennium, ODOT moved approximately \$150 million in maintenance work that was once scheduled for FY 2020 into later years. This is maintenance work that

should be happening now, but without a change in our revenue situation, this kicking the can down the road will continue every year into our future.

Every year there will be more essential maintenance work that cannot be completed.

A project which could once would have cost about \$110,000 per lane mile could easily cost \$335,000 per lane mile if we are forced to wait five or six years too long to make the needed repairs.

Delaying maintenance work may help us balance our budget in the short-term, but as every homeowner knows, delaying needed maintenance only results in more cost in the long-run. The price of rebuilding a broken highway system is much, much greater than the cost of maintaining it properly in the first place.

Safety

Even more important than the cost of delaying projects are the safety concerns from allowing roads and bridges to deteriorate. Statistically, we know that deteriorating road conditions lead to more crashes and that more crashes lead to more fatalities. Poor road conditions contribute to about a 1/3 of all highway fatalities. When road conditions deteriorate 25 percent, crashes double. When they deteriorate 60 percent, crashes go up by tenfold. If we do not have the funding to fix Ohio's roads, more crashes will happen. More people will get hurt. And, more people will die.

Endangering the lives and well-being of the people of this state is unthinkable. Not funding critical infrastructure projects puts the health and safety of our citizens at risk. When road shoulders get run down, your vehicle (and your family) could be pulled off the road. When roads get run down, they hold more water and increase the probability of hydroplaning. When trees are not trimmed properly, they can (and do) fall onto vehicles and pedestrians. When guardrails are not in good condition, they will not keep your vehicle from plunging down the hill they are supposed to protect you from. When pavement markings fade, both you and driver coming towards you at 55 miles per hour (or more) cannot tell where your lane ends and theirs begins. Even potholes can injure far more than just your tires.

The cost of inaction is unacceptable.

Pavement and Bridge Deterioration

Because we now have more maintenance work than revenue to fund it, ODOT will be forced to make hard decisions about which roads will get needed improvements and which roads will not.

As we move from 2020, into 2025 and 2030, we will see a significant increase in the number of roads that will be rated as "poor" because every year we will have less funding available for the maintenance needed to keep them in good order.

Our maintenance dollars are stretched even tighter when critical emergencies arise. For example, 2018 was the wettest year on record for many parts of Ohio. In Southeast Ohio, the terrain lends itself to frequent landslides when there is a lot of rain. This happened in Washington County last year and there are still over 100 locations we are monitoring for landslides due to last year's unprecedented rains.

Up until this past year, the federal government made funding available to us for emergency repairs such as this. However, that funding is far more limited, making an already bad situation much worse.

When ODOT and local governments have to fix emergencies like this, we are faced with either delaying other needed projects, or keeping roads closed because they are unsafe.

For bridges, the story is even more concerning.

Without funding for needed maintenance, these structures will eventually pose a safety threat that force them to be closed in the near future. When a bridge deteriorates greatly, we don't let people drive over it. That spells massive inconvenience for those who live nearby. Closed bridges might never reopen without the additional maintenance funding needed to bring them back to an acceptable condition.

I'd like to take a moment here and talk about our local partners.

I cannot stress enough this next point: while ODOT has had access to additional revenue from the debt we have taken on over the last fifteen years, local governments and planning organizations generally have not benefitted from those programs. They've been feeling the effects of that heavy highway construction inflation without any reprieve for more than a decade. Because of this, in many cases locally-maintained roads and bridges are already in worse shape than the state highway system.

While ODOT took the brunt of necessary budget reductions through June 30, 2020, beginning July 1 of that year, local governments will begin to see reductions to some revenue sources available to them. This is not their portion of the motor fuel tax, however, it is money used for critical county and municipal projects like the one in this photo.

I am not exaggerating when I tell you that additional delayed maintenance of these already poor roads and bridges could quickly create a situation from which county and municipal governments may never financially recover.

In summary, due to flat revenues, highway construction inflation, and mounting debt payments, ODOT is in jeopardy of being unable to fulfill its mission. The credit cards are maxed out and the long-term health of Ohio's transportation system is now at stake. The cost of continued delays will only compound year after year, making it harder every single year moving forward to ever catch up.

ODOT Cost-Savings Efforts

This impending transportation crisis is looming despite all of ODOT's multi-million-dollar cost-saving efforts to make our agency leaner and more efficient.

Since 2011, we have reduced our headcount by nearly 700 positions. This alone has saved us \$330 million.

We have cut our equipment costs by changing the way we service it and by standardizing it across the state. We have changed the way we buy and resell equipment to get a maximum resale price. We have downsized our fleet of trucks to reduce maintenance costs. We have scrutinized contracts to ensure we are getting the best deals possible. We have automated processes.

These efforts, combined with our staff reductions, have helped us save more than \$400 million in operations costs since 2011. That is money we were able to reinvest in maintaining our roads and bridges.

Starting in 2015, ODOT implemented Transportation Asset Management Plan. This project, recognized as being one of the premiere programs of its kind in the nation, allows us to analyze a number of factors – from traffic and growth rates, to project history, to degradation models of pavement and bridges – in

order to make data-driven maintenance and preservation decisions that ensure we make the best use of our dollars by doing the right treatments at the right time.

Since 2015, we have saved nearly \$300 million through our asset management efforts, and we will continue to see additional cost savings each year moving forward. Since full implementation, we have been able to preserve and maintain roughly 1,700 more lane miles per year for the same cost.

In the last few years, we have also looked to technology to help us become more efficient. We are using software to help us analyze our snow plow routes so we can be more efficient. In the past, our routes were strictly limited to county borders because our crews were told for years they are only responsible for their county. That's not a smart way for a statewide organization to operate. Now, we are operating with transparent borders to ensure our routes make the most sense, so we can to treat our highways faster and better regardless of where the county line is.

We are also equipping every plow truck in our fleet with a GPS unit and camera. Our managers can get a live stream from each truck and monitor, in real-time, the roadway conditions on each route. This allows us to make better decisions (with real-time information) about how and where we should direct our highway treatments.

We began construction last year on our SmartLane, a project that will open the existing roadway shoulder on I-670 eastbound for vehicles during the evening rush hour to help relieve congestion. Utilizing the existing shoulder helps us save millions over the cost of building a new lane to address that problem. This is our first project like this in the state. If it is successful, we will continue to look at other opportunities to do the same.

We are innovating. We are using unmanned aircraft, or drones, to help us with surveying and inspections. We are upgrading signals to better manage congestion. We are upgrading software to better collect and utilize data about our pavements and bridges so we can make wiser long-term decisions about when and where projects are needed.

But, again, despite all these cost-saving efforts – despite the hundreds of millions of dollars ODOT has saved – it is still not enough to adequately maintain Ohio's network of roads and bridges.

Shortly after taking office, Governor DeWine pulled together a group of experts to study this fiscal cliff and look at options to overcome this impending crisis.

Members of this committee had a full consensus on only one of those options: raising the Motor Vehicle Fuel Tax to put Ohio's tax in line with many of our neighboring states.

FY 20-21 Transportation Budget Proposal

Last week, we introduced our executive budget proposal that will address the concerns I just presented to you by raising the Ohio Motor Fuel tax by \$0.18 beginning July 1. At the beginning of each fiscal year, the rate would increase in accordance with increases in the Consumer Price Index to ensure, moving forward, that ODOT and its local transportation partners have what they need to keep our roadways safe for Ohio drivers and keep our economy moving. The indexing is crucial to ensuring we are not here again in four or six years giving the same presentation about deteriorating road conditions and safety hazards.

The revenue raised in the first year equates to roughly \$1.2 billion and will be split between ODOT and local governments. ODOT receives roughly 60% of that funding and local governments get about 40%. Per a constitutional restriction, this money can only be used for purposes related to the construction, reconstruction, maintenance, and repair of public highways and bridges.

In fiscal year 2020, this proposal will provide ODOT with \$750 million additional dollars in revenue to pave roads, fix guardrails, fill potholes, clear snow and ice, maintain bridges, and most importantly, improve safety. It will allow us to continue our schedule of maintenance work so we can provide correct treatments to our roads and bridges at the right time to ensure they are in good working order. We'll be able to fix dangerous intersections in places like Belmont County at State Route 147 and State Route 800, Licking County at State Route 37 and US Route 62, and Preble County at State Route 177 and County Road 30. These are the top three dangerous intersections in Ohio, and under this proposal we will be able to do something to make them safer.

It will also provide local governments with a significant increase in the funding. All 88 counties will get an extra \$1.77 million to fix county roads and bridges and keep their drivers safe. Cities, villages and townships will also see a significant increase under this proposal. ODOT historically gives an additional \$350 million to local governments, on top of their share of the motor vehicle fuel tax, through programs designed to help them address critical issues and improve safety. These programs were slated for reductions beginning next year due to our revenue restrictions, but under this proposal we will be able to restore funding to those crucial programs.

This proposal will also allow us to restore funding to our major new project program to ensure we continue to make timely progress on address critical congestion issues in our major highways. Funding for new projects was originally slated to be reduced to zero beginning July 1. However, this proposal will allow us to fund approximately \$250 million each year in new highway improvement projects. With this funding, we will be able to move forward on important projects around the state such as I-70/71 here in Columbus, I-75 in Cincinnati, widening US-35 in Dayton, and improving the innerbelt in Cleveland.

We understand asking Ohioans to pay higher fees for their use of our roadways is no small task, and we take this request seriously. Please know that the men and women of ODOT understand our responsibility to be thoughtful with taxpayer dollars.

Given that our current state motor vehicle fuel tax is \$0.28, we understand an additional \$0.18 increase will sound high, but let me put that into perspective for you. If you drive 13,000 miles per year (roughly the U.S. average) in a 2015 Ford F-150 pickup with four-wheel drive and a V8 engine, your fuel bill would increase \$2.65 per week. If you drive 13,000 miles per year in a 2015 Jeep Cherokee, you would pay an additional \$1.91 per week. If you drive a 2015 Honda Accord, you would pay just \$1.61 per week, less than the price of a cup of coffee.

It is my hope that most Ohioans will understand the importance of responsible transportation funding to ensure their roads are well-kept and their children can get to school safely. These are dollars that are guaranteed to stay right here in Ohio, improving the roads we drive on every day. These dollars will help keep our economy healthy. We know that strong infrastructure attracts investment and jobs and opportunities for Ohioans and we have a responsibility to keep it well-kept.

Our motor fuel tax is a user fee - designed so that motorists are supporting the maintenance of our roads and bridges in accordance with how much wear and tear they put on the system. While technology may eventually bring about changes to how we can calculate and better collect this revenue, the reality is the motor fuel tax is and will remain for the foreseeable future, the most reliable metric we have to assess and collect this user fee.

Governor DeWine understands that maintaining the integrity of our roads and bridges is not only important to our economy; it is important to the health and welfare of our citizens. This proposal takes care of our maintenance needs, allows us to make some important safety improvements, and restores funding to address critical new roadway needs. It allows us to continue to assist local governments through our local programs and will allow us to continue to direct revenues to other needed areas such as public transit. By indexing the tax annually, we are providing a steady flow of funding that increases slowly over time.

You can also count on ODOT to continue its aggressive determination to control costs.

My promise to you and to the people of Ohio is that we will continue to reevaluate the size of our workforce and make further reductions. We will continue to use technology to find ways to make us more efficient. We will continue to research national and international best-practices to help us make the most out of every motor fuel tax dollar we receive.

I pledge to Governor DeWine and to you as members of the Ohio General Assembly to find an additional \$100 million in operational savings for ODOT over the next four years during my time as Transportation Director. This is because I think it is the right thing to do, and because I take seriously the trust that Ohioans put in us to spend their tax dollars wisely. I look forward to reporting back to you on the progress of those savings in two years.

In summary, this is a fair and responsible proposal that ensures the health of our transportation system for years to come and helps improve the safety of the motoring public in the state. I hope you will join me in supporting it.