



## Ohio House Finance Committee

### *House Bill 62 Testimony*

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Chairman Oelslager, Vice Chair Scherer, Ranking Minority Member Cera, and members of the Ohio House Finance 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 and about transportation funding in Ohio at large.

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.

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. 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.

### **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.

### **Summary**

In summary, due to flat revenues, highway construction inflation, and mounting debt payments, ODOT is in jeopardy of being unable to fulfill its mission.

Please understand, we are committed to utilizing every tool at our disposal to maximize each dollar we receive; however, 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.

Beginning July 1, there is no state money for any new roadway projects in Ohio. There is no state money to address congestion in urban areas. We will be less able to fix dangerous intersections. Roadways will crumble, making driving dangerous. And, there will be no state money for projects that might help a local government attract economic development to their area.

Moving forward there is not enough money for ODOT and our local partners to keep the roadways in their current condition, let alone make significant improvements. The deterioration will begin slowly, but compound quickly.

We will continue to take care of critical safety issues as best we can however without a change in the revenue available to ODOT to do its job, more of our roads and bridges will slip into a deteriorating state. The safety of Ohio's drivers is of utmost importance. This issue affects all of us.

I urge your careful consideration of this information and am happy to provide any additional information that might help you in your task.