Ohio House of Representatives Finance Committee

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House Bill 62

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.

I am Chris Bauserman, the current County Engineer in Delaware County, and have served in this position since February of 1996. Previously, I was Delaware County's Chief Deputy Engineer for 7 years.

Ohio's county engineers utilize a variety of funding sources to construct, maintain and expand the county road and bridge infrastructure under our jurisdiction. Most of our resources are available for a very specific purposes, while others may allow full discretion by the county in how they are used. The following are the four primary sources:

- Federal Motor Fuel Excise Tax – 18.4 cents per gallon (distributed by formula to states)
- Ohio Motor Fuel Excise Tax – 28 cents per gallon
- Vehicle Registration Fees
- Other Federal, State and Local General Revenues
    - State grants such as Ohio Public Works Commission SCIP and LTIP Funds
    - Local property taxes (includes TIF's, special assessments and road levies)
    - Local permissive sales tax revenues

With fuel-efficient vehicles and inflation on the rise, the state and federal gas tax contributes to a shrinking share of Ohio's transportation spending. Counties across Ohio face a similar situation: increasing fuel efficiency, aging infrastructure, and the demand-dampening impact of inflation while revenue sources continue to shrink. Ohio's counties cannot keep up with the increasing costs of transportation improvements.

Total Current Revenue: $450 million
Current need: $1.12 Billion
Funding Deficiency: 60%

Ohio's Counties Inventory Breakdown

Total Number of County Bridges	**26,081**
Closed	96
Posted with Load Limits	1,553
One Lane	3,092
Bridges 50 years and older	9,595
Eligible for Replacement	2,029
Eligible for Repair	5,848
Total Cost to Replace and Repair all Eligible Bridges	$1.3 Billion
Cost per Year on a 10-year Schedule	$127.5 Million

Total Miles of County Highway	**28,970**
Miles Less than 20 ft Wide (Below Current Standards)	18,879
Between 20 and 24 ft	9,422
Greater than 24 ft	669
Cost per Year to Widen County Highways to Current Standards on a 20-year Schedule	$226.5 Million
Cost per Year to Pave County Roads on a 10-year Schedule	$362.1 Million
Cost per Year to Maintain County Highway System	$406.5 Million

(including guardrail, pavement marking, signs, culverts, mowing, and snow plowing)

Increasing Road Maintenance Costs Example

Resurfacing South Old State Road in 1988	Resurfacing South Old State Road in 2019
22 feet wide, 1,500 vehicles per day	60+ feet wide, 24,000 vehicles per day
Chip seal @ $0.70 per square yard	Hot mix asphalt @ $10.50 per square yard
$9,000 per mile	$370,000 per mile

Future of State Transportation Funding

Ohio clearly needs to raise more revenue for its transportation infrastructure to address our current maintenance backlog, meet anticipated repair and reconstruction needs, and respond to the increasing demand on our transportation system.

Ohio's state legislature last modified the motor fuel tax in 2003, when lawmakers voted to phase-in a three-year, six cent increase, raising the rate from 22 cents per gallon - as it had been for ten years, to 28 cents beginning on July 1, 2005. After the rate was last adjusted in 2005, Ohio collected more than $1.712 billion in revenue from the gas tax. By 2016, the number had remained virtually unchanged ($1.714 billion), while costs due to inflation have increased at a rate of 29.3% over that same period. What cost $100 in 2005 today costs $129.26. Had the tax rate adjusted along with inflation, Ohio could have collected just over $2 billion in 2016. In 2018 the number would have been over $2.2 billion. Inflationary cost increases have erased the impact of the 2003 tax increase and we have less purchasing power than we had at that time.

This points out the difficulty of transportation funding with the current gas tax structure. As you know, gas tax is collected on a cents per gallon basis. The tax is constant even when fuel prices fluctuate. If we continue to use gas tax as the primary method to fund roads and bridges, we need to index the tax rate to automatically adjust for inflation. Otherwise, we will continually be faced with revisiting and adjusting the rate legislatively.

Ohio Constitution restricts the use of motor fuel tax revenues exclusively for roadway projects, an increase in the state gas tax would help leverage funding Ohio receives from other sources, including federal highway funds, that can be used to fund public transportation projects in the state.

In the financial arena, diversification is viewed as a prudent strategy to balance risk. Likewise, a mix of revenue sources to fund future transportation infrastructure improvement programs will also benefit Ohio and its local partners. Industry experts agree that the financing issue is serious and complex. Most likely, the solution also will be complex with a need for multiple financing mechanisms and efficiencies. The following funding mechanisms are among those most commonly used:

- Bond and other instrument debt financing, such as Private Activity Bonds
- Public-Private Partnerships
- Tolling
- State/ local sales taxes
- Gas tax increase
- Local levies
- Vehicle registration fees
- Express lanes programs

In addition to falling back on trusted transportation revenue mechanisms, there is also evidence of states contemplating the future of transportation funding:

- 10 states approved new fees for electric and/or hybrid vehicles. In addition to an effort to add additional revenues to state coffers, the fees are recognition that climbing electric vehicle sales mean less gas tax revenues for the future and drivers of such vehicles should pay their “fair share” for upkeep of the nation’s transportation system.

- California, Oregon and Washington received grants in the latest round of funding from the Federal Highway Administration’s Surface Transportation System Funding Alternatives program, established under 2015’s FAST to develop case studies on the concept of mileage-based user fees.

Conclusion

Regardless of whether one supports or opposes the “pay for what you get, get what you pay for” model of highway finance, the reality is clear: Rising construction costs, growing maintenance needs, and declining purchasing power makes Ohio’s state and local transportation funding stream insufficient.

Ohio's growing transportation funding crisis will not be solved with a singular short-term patch. The short fall will only grow over time as inflation, improved vehicle fuel economy, and slower growth in driving continue to erode revenues. Maintenance, repair and reconstruction requirements on our existing transportation infrastructure can only be expected to grow. The time is now to design a comprehensive infrastructure-funding solution that is more sustainable and equitable in delivering the needed funds to Ohio's state and local road infrastructure.