View from the Chair

Missouri Highways and Transportation Commission

Will We Take the Bait?

July 24, 2015

Dear Reader

Missouri's economy has taken a positive leap forward. Efforts to create jobs and put people back to work have produced some unexpected but welcomed results. That was apparent when the State of Missouri recently released revenue results for fiscal year 2015. State general revenue increased 8.8 percent over fiscal year 2014. The news is also good for transportation because state revenues from motor fuel taxes, motor vehicle sales taxes and motor vehicle and driver licensing fees are up 4.5 percent from the amount projected.

This was a little surprising because in the recent past, MoDOT's revenues have varied only slightly from projections, and some of those variances were negative rather than positive. MoDOT, along with the rest of state government, uses a variety of economic indicators to project anticipated revenue. This information is very important for planning purposes to MoDOT, as well as other state agencies – indeed most public and private entities. For instance, MoDOT uses this information to estimate the funding available to add projects to the Statewide Transportation Improvement Program – MoDOT's five-year transportation plan. But, occasionally there are anomalous years – this year was just such a year.

The good news is the 4.5 percent increase means MoDOT has received $47 million more than anticipated. You will recall MoDOT's last financial forecast predicted that if nothing changed, we'd need approximately $42 million in state matching funds to avoid the loss of approximately $167 million in federal funds in 2017. This revenue increase means MoDOT should be able to make its federal match in 2017. But simply scraping by and just barely meeting federal fund matching does not address Missouri's long range transportation needs. Further, the status of 2018 remains unclear since this is a one-time increase for MoDOT. Missouri's transportation future is uncertain and will remain so until stable, reliable long term funding is put in place.

You might ask what was different in fiscal year 2015. Sales taxes on motor vehicles are up because people bought more vehicles, and the price of vehicles was higher. Even the revenue from fuel taxes increased. After declines in the consumption of fuel in 2012 and 2013 and a flat year in 2014, very low fuel prices caused an uptick in fuel consumption in 2015. Licensing fees were also up.

While this increased revenue is good news – it raises another very serious concern. One could naively believe this unanticipated revenue solves Missouri's transportation funding crisis.

This would be huge mistake. Our funding system is still broken. We still have the seventh largest system and rank 46th in funding. We are woefully underfunded. We continue to lose ground to inflation just as we have for the last 23 years. And, tides rise and fall based on factors outside our control. We continue to lurch from financial crisis to financial crisis. But for MoDOT's sound fiscal management and internal reorganization (reducing its workforce by 20 percent - 1200 employees; closing over 120 facilities and selling over 740 pieces of highway equipment), we would have faced the potential loss of federal funds years earlier, and 2018 – and the years thereafter – remain a question mark. A serendipitous one-year reprieve from the loss of federal funds does not change the fact that a long term funding solution is essential to preserving and improving our transportation system.

So, will we take the bait? Will we be sucked into the same old lethargic, easy-way-out mode of operation? A modest increase in the motor fuel user tax – the traditional way we have funded transportation since 1924 - gained traction last session largely because of a risk of losing federal funds. Now that it seems increasingly likely we will be able to match federal funds – at least for 2017 – will transportation funding fade from the agenda as no longer an urgent issue? That's the bait – the temptation.

The reality is the factors that converged this year to produce this one-time revenue increase cannot be relied upon in the future. Who would quit their job or stop saving for retirement because the stock market had a good year? While we can be grateful for our good fortune, we must not lose our focus or commitment to seek and demand long term funding solutions. We need to use this opportunity to focus the unanticipated funds on taking care of our infrastructure.

So what will this new revenue be used for, and what does it mean for the 325 System? The Commission will meet in early August to consider these questions. One thing is clear, this one year revenue increase does not secure the future of the 26,000 miles on our supplementary system – they remain at risk. Nor, does this provide a long term fix for Missouri's 600 critical condition bridges on the system – and those added to the list each year. And, it does nothing to rebuild I-70, or to provide the system expansion projects communities need and want to enhance economic development and improve safety.   It does nothing to provide funding for other important transportation modes like transit, water, rail and air.

Let's not take the bait.

Stephen R. Miller
Chairman

If you would like to communicate with the Commission, you can always reach us at MHTC@modot.mo.gov. If you would like to read previous issues of the "View," you can find them on the MoDOT website: http://www.modot.org/ViewFromTheChair/index.htm