



View from the Chair

Missouri Highways and Transportation Commission

There are many pieces to the transportation funding puzzle

February 4, 2016



Dear Reader,

I am excited to see that transportation funding is a hot topic in the General Assembly this legislative session. Let's hope this activity translates into the long-term sustainable funding so desperately needed. As part of these discussions, many are asking the Commission and MoDOT for information regarding funding options: what they are, how they work, the needs they address and their capacity to meet a particular need. Ultimately it will be up to the General Assembly to determine the funding mechanisms that will be used, but it is the responsibility of MoDOT to educate our leaders and

the public through clear and sharp analysis and the Commission, in its constitutional role, to speak regarding the policy implications.

So what are the possible solutions? First, there is no single solution; no "silver bullet." Second, not all funding solutions are equal. Each has strengths and weaknesses. Finally, solving our transportation funding issue is little like completing a puzzle; the right solution has to be matched with the corresponding need.

Preservation of Our Current System

I have described our transportation funding issues as falling into three "buckets." Missourians have told us that our first priority must be to preserve the assets we have: 34,000 miles of highway and 10,400 bridges – over \$50 billion in assets. Even after meeting our entire federal match, Missouri still needs \$160 million in new state revenue each year to accomplish this. The revenue stream for this must be a long-term, stable, recurring source.

A fuel tax – a true user fee – is one funding mechanism ideally suited to this task. It is stable because the tax is tied to the gallons of fuel consumed and not oil markets. While the price of fuel

could swing wildly, fuel consumption is relatively stable. It also recurs year after year. Further, revenue from a fuel tax is constitutionally protected; it cannot be diverted to any purpose other than investment in our roads and bridges and law enforcement. It is deemed appropriated at the time of collection and does not require legislative debate and action. But it also has its limitations because it cannot be used to address the other needs of a comprehensive transportation system: river ports, airports, passenger rail, transit and bike/pedestrian facilities.

Senate Bill 623 advanced out of the Senate Transportation Committee on January 20. It would increase the fee on gas and diesel by 1-½ and 3-½ cents per gallon, respectively, and generate \$80 million in new revenue – \$56 million for the state highway system and \$24 million to be split evenly between cities and counties. How much this would cost the average Missourian depends on how far one drives and the fuel economy one gets. But by way of example, a person whose vehicle gets 20 miles to the gallon and who drives 10,000 miles a year could expect to pay approximately 58 cents more per month or about \$7 per year. Other pieces of transportation legislation are also being debated, which is promising.

Reconstruction of Our Interstates

The second bucket includes Interstate 70, the economic pipeline for the state, which has outlived its useful life and must be completely rebuilt from the ground up. It must be torn out back to bare ground and reconstructed – not as a highway of the 1950s but one for the 21st century. Right now 200 miles of interstate from Wentzville to Independence is environmentally cleared and awaiting a reconstruction plan. We lack only one thing: a way to pay for it. The cost to reconstruct and expand those 200 miles was estimated several years ago at \$2 billion to \$4 billion depending on the scope of work. And this does not account for the other 50 miles of I-70 within St. Louis and Kansas City. The \$160 million needed to preserve the existing system does not include anything to rebuild I-70.

One of the possible solutions for I-70 involves the use of public-private partnerships, commonly known as P3s. In a P3, a team of private funders, engineers and contractors enters into a long-term agreement to fund, design, build, operate and maintain the interstate pursuant to strict performance criteria set by MoDOT. The revenue source for such ventures typically comes from charging a fee to use the new road. The Federal Highway Administration has historically prohibited tolling an existing roadway but in recognition of the need to find a way to build the second generation of interstates, the FHWA has created three pilot projects. Missouri enjoys one of them, but it must make reasonable progress in the next year to use this special exemption or lose it. Thirty-four states already use some form of fee-based system as a tool to help fund transportation.

At the same time, MoDOT has launched its Road to Tomorrow project which is soliciting ideas from around the nation and the world regarding what the interstate of the 21st century should look like with a significant emphasis on discovering technologies and innovations that might generate revenue which could contribute to the reconstruction and operation of I-70. The hope is to discover other revenue streams, in addition to tolling, which could fuel a P3 solution for I-70.

Such a solution will require enabling legislation from the Missouri General Assembly. If enacted, however, it would be just one piece to the funding puzzle and would do nothing for preservation of the entire system. It would address just one project, albeit a huge and vital one.

Enhancements to Our Transportation System

The third bucket consists of enhancements to our system. These projects, desired by so many of our local partners, would expand our system and/or provide for economic development. These include such things as congestion relief in our urban areas, the completion of four-lane corridors in our rural areas and new interchanges or bypasses to spur economic development. It also includes funding for non-highway modes of transportation that are essential to a vital integrated transportation system. Many of the projects have already been identified by the Blue Ribbon Commission, created by the General Assembly, which toured the state in 2012, MoDOT's "On The Move" long-range planning initiative which held listening sessions across the state 2013 and the project lists generated for the Amendment 7 campaign in 2014.

One popular tool MoDOT has used in the past to address this third bucket was its cost-share program in which local communities compete for matching funding from MoDOT based on economic development, transportation need and public benefit. For those communities with vibrant economies it has offered a way to get a highly desired special project. But many communities lack the resources to take advantage of such a program. Further, cost-share projects are very targeted and do not address preserving our current system which requires long-term recurrent funding and planning. Cost-share programs can be a very important part of an overall funding program making very important contributions to this third bucket (along with other funding) but it does nothing to address the needs in the first two buckets: preservation and interstate solutions.

Piecing the Puzzles Together and Prioritizing

Sound complex? It is a puzzle to be sure. The important thing to remember is that we have a big challenge, one that is going to require multiple funding sources. Not all of them are going to be popular with everyone. Pick any single solution and some group will not like. Each has its strengths and weaknesses. Each has its appropriate role. The Commission and MoDOT will continue to educate Missourians and political leaders on these important distinctions.

Funding our transportation system is not unlike the investment we make in our homes. We take care of the basics first. This means patching the roof when it leaks, repairing the foundation if it cracks and continuing to maintain our electrical, plumbing and heating systems. We also pay our bills to keep the lights on and the water running. That's our first bucket – preserving the investment in our current assets.

Our homes do not exist in isolation. A few years ago I discovered that in a painful way. My wife and I awoke to water backed up in our basement. We live in an 85-year-old home and the sewer line to the main line had collapsed from age and pesky tree roots. My wife did not consider the repair optional! It was an expensive, but necessary capital investment. That's our second bucket; our interstates connect us to our neighbors and our nation. They are essential assets and we

must have a plan to replace them.

All of us have those special home projects we dream about doing sometime. For my wife and I, it was adding a family room. It would give our children a place to play and us a place to entertain family and friends. It would add capacity and amenities to our home, add to our enjoyment and create an economic opportunity by increasing the home's value. At the same time it creates more roof, foundation and electrical, plumbing, heating and air conditioning systems to maintain. That's our third bucket; we should always try to better our transportation system with targeted improvements.

Our popular cost-share program was very successful in helping local communities realize their dreams but in January, 2014 the Commission decided to suspend the program. The Commission believed it was not good policy to add another room to our MoDOT house until we first had funding committed to preserve our home.

Any increase in state transportation funding would be a step in the right direction but we need to be clear about what each funding source can and cannot do. Right now SB 623 is awaiting debate on the Senate floor. It would be a start to addressing our first bucket and would allow us to begin reducing our 641 critical-condition bridges.

There has also been some discussion that the House might consider some form of cost-share program. This would address our third bucket. We have not heard any details yet or seen a bill but MoDOT will be eager to look at whatever may come forward. In fact, I hope we make it a trifecta with the introduction of P3 legislation which would help us address our second bucket. We need multiple solutions and MoDOT is eager to work with all our political leaders both at the state and local levels to tackle our transportation challenge.

Let's work together to translate words into action.

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>

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