Attachment 6A

AKRON METROPOLITAN AREA TRANSPORTATION STUDY

M E M O R A N D U M

TO: **Policy Committee**
Technical Advisory Committee
Citizens Involvement Committee

FROM: **Jason Segedy, AMATS Director**

RE: **Resolution 2015-05R – Supporting an Increase in the Federal Gasoline Tax and Endorsing a New Federal and Statewide Transportation Policy Framework**

DATE: **March 11, 2015**

NOTE: This memorandum and resolution have been revised slightly, based on discussion with the Technical Advisory Committee (TAC) on March 19. The memorandum and resolution have been edited to recommend that, in addition to being increased by ten-cents per gallon, the federal gasoline tax should also be indexed for inflation.

TAC approved this resolution, as amended, with one dissenting vote.

Background

For the past several years, public officials throughout the Greater Akron area have recognized the pending insolvency of the Highway Trust Fund as a significant threat to the continued ability of our region to maintain its transportation infrastructure.

In 2010, the AMATS Policy Committee passed a resolution endorsing a $0.10 per gallon increase in the federal gasoline tax, recognizing that the nation's fiscal position with regards to transportation funding was rapidly eroding.

The Highway Trust Fund is a significant source of revenue for nearly every sizable highway, public transit, bicycle, and pedestrian project in our region. Without this federal funding, progress on our region's two highest transportation priorities – keeping our existing roads and bridges in a good state of repair; and making it safer and easier for our residents to walk, bike, and ride the bus – would grind to a halt.

Highway Trust Fund Insolvency

In 1956, when President Eisenhower signed the Federal-Aid Highway Act into law and created the Highway Trust Fund, it was envisioned as a self-supporting source of revenue based upon a "user fee" – the gasoline tax. This is no longer the case.

The federal gasoline tax (18.4 cents per gallon) has not been raised since 1993. Because the tax was never indexed to inflation, its actual purchasing power has declined significantly, causing chronic fiscal problems for the Highway Trust Fund.

Indeed, without Congressional action, the Highway Trust Fund is projected be insolvent later this year. The Fund, which is supposed to be self-sustaining, has not been so since 2008.

Since that time, $55 billion in general revenue funds have been transferred into the Fund. Given that our nation's general fund itself is only kept solvent by a national debt that now exceeds $17 trillion, we are essentially borrowing money from countries like China to pay for our roads.

So, not only do our roads no longer pay for themselves; but increasingly, neither do our own citizens. This is a transportation future that President Eisenhower would never have imagined.

It is clear that the current federal transportation system is fiscally unsustainable. Many different ideas have been proposed as a means of dealing with the pending insolvency of the Highway Trust Fund: corporate tax reform; a wholesale gasoline tax; a vehicle miles traveled fee; continued borrowing from the general fund; devolution of the federal transportation program; a diversion of funds from the United States Postal Service; or a fuel tax increase.

The only viable and fiscally-responsible solution to this problem in the short-run is a $0.10 per gallon fuel tax increase, coupled with a new federal and statewide transportation policy framework (described below).

The new policy framework outlined here recognizes that that we cannot just throw more money at the existing federal and statewide transportation programs, but that we should reform them so that the hard-earned taxpayer dollars that are allocated for transportation are spent more wisely, and in keeping with today's social and economic realities.

A New Federal and Statewide Transportation Policy Framework

We think it important to have federal and statewide transportation programs that are stable, fiscally sound, and enable our region to continue to move its key transportation priorities forward – namely a "fix it first" program that prioritizes maintenance of existing roads and bridges over expanding highway capacity; and a diverse transportation program that uses well-targeted investments to improve mobility for those that walk, bike, and ride the bus to get to where they need to go.

While our region could always use more federal and state funding, what we need even more is a new federal and statewide vision for transportation – one that prioritizes fixing the roads and bridges that we already have, and creating viable alternatives to driving.

In many ways, we are still stuck in 1956 – both the federal and statewide transportation programs remain primarily the road-building programs that they were under President Eisenhower.

Although both have made minor adjustments in their policy programs from time-to-time, neither USDOT nor ODOT have really looked beyond the completion of the Interstate Highway System. Both programs continue to encourage the addition of more and more highway capacity in a state that is no longer growing, and in a region of the state that is shrinking.

Here in 2015, our current federal and statewide transportation policy framework is woefully inadequate for dealing with today's realities in our region: no-growth urban sprawl; unstable and uncertain energy prices that are costing taxpayers and consumers more and more; inequality (limited transportation access to jobs and social opportunities for the poor); and the desire of new generations to not be as car dependent.

Our federal and state transportation programs need to be reformed from both a fiscal and a policy standpoint. These two issues should be addressed together, for they are inextricably linked.

USDOT and ODOT both need to recognize that the continued focus on building more, wider, and more expensive roads (that state and local governments will be responsible for maintaining in perpetuity) is a large part of the reason why the Highway Trust Fund is insolvent, and is a large part of the reason why ODOT has had to resort to non-traditional funding mechanisms such as the creation of the Ohio Turnpike and Infrastructure Commission, which has issued over $1 billion in new debt, primarily to fund roadway capacity expansion projects.

Our current fiscal difficulties are not just a matter of federal or statewide gas taxes failing to keep up with inflation, or per-capita vehicle miles traveled declining – they are directly related to how federal and state transportation dollars are being spent.

ODOT, for example, should conduct a wholesale reassessment of its TRAC/Major-New Capacity program. While there are undoubtedly individual cases where new highway capacity could be added in Ohio; given that we are the seventh largest state, but have the fourth largest interstate system; and given that we rank 44th out of the 50 states in terms of population growth, and have low overall levels of traffic congestion, we are actually in the enviable position of not *having to* spend much money on building new or expanding existing roads if we so choose to.

If the U.S. and Ohio do not act now to reform their transportation programs, future funding authorizations will become increasingly disconnected from both economic and social realities, and both programs will run the risk of fiscal collapse.

It is in our citizens' best interest to avoid even greater fiscal pain (in the form of future unfunded roadway maintenance liabilities) by reforming these programs sooner, rather than later.

While there are exceptions, we have largely reached a point of diminishing returns when it comes to continuing to expand our highway system, which has served to create a self-reinforcing cycle of continued low-density, scattered development; greater fuel usage; greater automobile dependence; and greater difficulty for the poor to access social and economic opportunities.

This is especially true in Northeast Ohio, where overall regional population has declined by 7% since 1970, but expenditures on new highway capacity have continued apace, and the region's developed footprint has continued to increase (by an estimated 25% since 1970) – compelling taxpayers at all levels of government to pay for ever more infrastructure for ever fewer people.

At AMATS, we have recognized this trend and have reprioritized the federal transportation funds that are available to our Metropolitan Planning Organization (MPO) accordingly. Our commitment to routine maintenance is reflected in both our Regional Transportation Plan and our Transportation Improvement Program.

Currently, 12% of our region's pavements are in poor condition, and 7% of our bridges are structurally deficient. Our region is performing better in this regard than many of its peers, but roadway maintenance is not a one-time responsibility. Keeping our roads and bridges in a relatively good state of repair will be an ongoing and costly proposition that is likely to require nearly all available federal, state, and local funds over the next 20 years.

The average bridge in our region, for example, is 49 years old, and maintenance that is deferred now, due to a lack of available funds, or a misallocation of resources, will end up increasing the cost of future bridge repair projects exponentially.

Conclusion

In closing, we are recommending that the Policy Committee endorse a $0.10 per gallon increase in the federal gasoline tax, and that it be indexed for inflation, in order to remain a sustainable source of revenue into the future.

We are also recommending that the State of Ohio continue to pursue innovative and non-traditional sources of revenue, such as the tolling of additional facilities, and further partnerships with local governments, and with the Ohio Turnpike and Infrastructure Commission.

The Ohio gasoline tax of $0.28 per gallon, which was last increased in 2005, should also be reexamined, given declining local revenues and ongoing roadway maintenance needs.

We make these recommendations with the recognition that we cannot solve our current fiscal difficulties by just increasing revenue, but that we also must reform our current transportation policy framework at both the federal and state level.

As such, we recommend that both USDOT and ODOT adopt a new, fiscally-conservative transportation policy framework that does the following:

- "Fix-It-First", and prioritize roadway maintenance over highway expansion.

- Invest more in the relatively inexpensive projects that provide residents (especially some of our most vulnerable citizens) with more transportation options, such as bicycle, pedestrian, and public transit operational improvements.

We recognize that adopting a new transportation policy framework will entail difficult political decisions, and that there are many points of view to consider. However, we feel that we would be doing our members and citizens a disservice without honestly recognizing the public policy dimensions of the fiscal equation, on both the supply-side and the demand-side.

Recommendation

Attached to this memo is Resolution Number 2015-05R, supporting an increase in the federal gasoline tax and endorsing a new federal and statewide transportation policy framework. The Staff recommends approval.

RESOLUTION NUMBER 2015-05R

OF THE METROPOLITAN TRANSPORTATION POLICY COMMITTEE OF THE AKRON METROPOLITAN AREA TRANSPORTATION STUDY

Supporting an Increase in the Federal Gasoline Tax and Endorsing a New Federal and Statewide Transportation Policy Framework

WHEREAS, the Akron Metropolitan Area Transportation Study (AMATS) is designated as the Metropolitan Planning Organization (MPO) by the Governor, acting through the Ohio Department of Transportation and in cooperation with locally elected officials in Summit and Portage Counties and in the Chippewa Township and Milton Township areas of Wayne County; and

WHEREAS, the Highway Trust Fund was established by Congress in 1956 as a means of funding transportation improvements; and

WHEREAS, the revenues that support the Highway Trust Fund are generated through taxes on fuel; and

WHEREAS, the existing federal tax on gasoline of 18.4 cents per gallon has not been increased since 1993, and was never indexed for inflation; and

WHEREAS, the Highway Trust Fund has had to have infusions of over $55 billion in general revenue funds from Congress since 2008, in order to remain solvent; and

WHEREAS, the Highway Trust Fund's precarious fiscal situation will necessitate spending cuts, tax increases, continued general fund transfers, or some combination of the three; and

WHEREAS, budget cuts in the federal transportation program will mean that local governments, states, and regional transit authorities will have greater difficulty in maintaining our transportation infrastructure and providing a wider range of transportation alternatives; and

WHEREAS, the Highway Trust Fund's current reliance on general fund transfers is neither fiscally responsible, nor desirable, because it undermines the "user-pay" principle that has been in place since 1956; it threatens the loss of contract authority for planned transportation improvements; and it severely hampers the ability of AMATS and its member governments to reliably plan for the future; and

WHEREAS, this Committee recognizes that neither the Federal nor the State government can solve current fiscal difficulties by simply increasing revenue, but that they also must reform their current transportation policy frameworks; and

WHEREAS, this Committee believes that ODOT should continue to pursue innovative and non-traditional sources of revenue, such as the tolling of additional facilities, and further partnerships with local governments, and with the Ohio Turnpike and Infrastructure Commission; and

WHEREAS, this Committee believes that both USDOT and ODOT should reform their transportation programs by prioritizing roadway maintenance over highway expansion, as this Committee has already done at the regional level; and

WHEREAS, this Committee believes that USDOT and ODOT should use some of the additional revenue raised by a federal fuel tax increase and by innovative financing mechanisms at the state level to invest more in the relatively inexpensive projects that provide residents with more transportation options, such as bicycle, pedestrian, and public transit operational improvements; and

WHEREAS, this Committee believes that the continued ability of AMATS and its member local governments to plan for and to fund transportation improvements is of critical importance.

NOW THEREFORE BE IT RESOLVED:

1. That this Committee recognizes that it is not fiscally responsible, nor is it in the public interest, to resort to deficit funding to pay for critical transportation improvements.

2. That this Committee therefore supports a ten-cent per gallon increase in the federal gasoline tax, indexed for inflation, in order to generate transportation revenue in a fiscally sound manner.

3. This Committee recognizes that neither the Federal nor the State government can solve current fiscal difficulties by simply increasing revenue, but that they also must reform their current transportation policy frameworks, by prioritizing roadway maintenance over highway expansion and by using some of the additional revenues raised to invest more in the relatively inexpensive projects that provide residents with more transportation options, such as bicycle, pedestrian, and public transportation operational improvements.

4. That this Committee authorizes the Staff to provide copies of this Resolution to the members of Ohio's Congressional delegation and to other individuals and agencies, as appropriate, as evidence of action by the Metropolitan Planning Organization.

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Eugene Roberts, 2015 Chairman
Metropolitan Transportation Policy Committee

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Date