On December 3, I had the opportunity to address the Maine Transportation Conference in Augusta, an annual event sponsored by the Maine Better Transportation Association, the Maine Section of the American Society of Civil Engineers and the Maine Department of Transportation. I spoke about state transportation funding activities in 2015. Here’s an edited version of my remarks.

Remarks by Sean Slone, CSG Director of Transportation & Infrastructure Policy

Maine Transportation Conference

Augusta, Maine

Thursday, December 3, 2015

Here’s the rundown on what states did this year: Eight states raised gas taxes, including several very red states. Kentucky and North Carolina changed their gas tax formulas to make them more sustainable or to maintain revenue levels. Other states raised fees, increased bonding capacity and/or enacted ballot measures to help fund transportation.

If you look at the states that were successful this year in approving funding measures, you’ll find a lot of the same themes cited as reasons for their success. These are based both on my conversations with some of the state legislators who will be joining us (at the CSG National Conference in Nashville [2] on December 11) and also on a great website from the American Road and Transportation Builders Association called the Transportation Investment Advocacy Center [3], which has case studies on many of the states that were successful in 2015 and in recent years. Among the common factors that enable these successes: stakeholder coalitions, political champions, compromise, bipartisan support, taking advantage of the national momentum—the confluence of other states getting things done, and successful efforts to educate the public and policymakers.

So here are the specifics on some of the successful states.

Georgia increased and indexed its gas tax this year. They put in registration fees for electric vehicles and heavy vehicles and they established a new hotel-motel fee that goes to transportation. I was in Savannah this summer for the Southern Legislative Conference annual meeting and sure enough that $5 a day showed up on my hotel bill.

Some of the factors ARTBA cites for Georgia’s success: effective grassroots messaging emphasizing jobs creation and economic benefits, a long-term campaign among state businesses and the legislature to clearly define the need, Governor Nathan Deal was a champion for the passage of the final bill—even though he was criticized for taking a behind-the-scenes approach as it was being debated. Some other keys to success in Georgia: bipartisan compromise, a powerful but manageable coalition. In this case, the coalition was a business community-led advocacy effort of the Georgia Transportation Alliance, Georgia Chamber and Metro Atlanta Chamber. Previous efforts to increase
transportation funding in the state had produced large and unwieldy coalitions. This one was nimble and focused.

Planning, speed and simplicity. Something we also hear time and again is don’t show your hand too early and let things get analyzed to death. So while it’s important to be transparent and accountable and to have an education process, it’s also important to not let the process be pre-judged. A lot of the discussion in Georgia took place behind the scenes. There was also a commitment early on to a set of non-negotiable principles to guide the development of policy but legislative leaders and the Governor remained flexible to specifics.

Idaho this year raised its gas tax, increased registration fees, put in fees for hybrids and electric cars, and diverted some general fund money to transportation as well.

Rep. Clark Kauffman is going to be with us in Nashville. He said some of the keys to success were the fact that funding had not been increased in his state since 1996 and that they had studies showing an annual shortfall for just maintaining the current system. He also credits a two-year effort to educate both the legislature and the public about the needs that was conducted by business, industry and highway officials. And he says the process had the support of legislative leadership from the beginning.

Kauffman said it’s important to make sure the case for the need is backed up by credible studies. He said forming a stakeholder coalition is essential. He said you need to identify the opposition early and make sure you have answers for their concerns. And he said when coming up with a final plan, it’s important to spread the burden and let everyone share in the solution.

In Iowa this year, they did a 10 cent gas tax increase and increased permit fees.

When I talked with Senator Tod Bowman, who chairs the transportation committee, earlier this year, he cited a number of keys: gubernatorial leadership from Terry Branstad, uncertainty about the federal transportation program, the lessons of past failures to increase revenues and an inclusive process. One of the things he told me was they had a consensus process where if they couldn’t get agreement on one thing, they eliminated it from the overall package, so things like automatic indexing of the gas tax and an increase in the tax on new vehicle sales fell by the wayside.

ARTBA also notes that another key to success in Iowa was their campaign strategies and messaging focused on economic benefits and job creation.

In Nebraska, the legislature had to override the governor’s veto but they too did a gas tax increase that will be phased in over four years.

We’re going to have Senator Jim Smith with us in Nashville and he was the one who led the charge even as the bipartisan plan faced strong opposition from Governor (Pete) Ricketts. Senator Smith noted that in Nebraska, the state Department of Roads, cities and counties have jurisdiction over various highways. He said the transportation needs in the state had been well documented and were distributed across those three jurisdictions. Moreover, the legislation made sure to evenly divide funding across the three jurisdictions. That helped to establish a strong coalition of both urban and rural legislators, which was able to overcome the governor’s veto.

I asked Senator Smith what advice he would give to other state policymakers who might be considering transportation funding legislation and he said it’s important not to underestimate the opposition. He said it’s important to focus on coalition building well in advance of introducing legislation. He said it’s important to base legislation on documented needs and to argue the impacts
to local and state economies. Nebraska had campaign strategies and messaging focused on economic benefits and the importance of being able to get the farm to the market there in the Nation’s Breadbasket.

I also asked Senator Smith why the gas tax made the most sense for Nebraska as the vehicle for revenue enhancement this year despite it becoming a political third rail in Washington. He said it was the most direct and explainable way to meet funding needs. Also, Nebraska like Tennessee is a state that does not use bonding as a funding source and Senator Smith noted that general funds from income and sales taxes were not an option because he also had an income tax reduction bill under consideration at the same time. And he says the user fee underpinnings of the gas tax made it ultimately the most acceptable option.

In South Dakota, Senator Mike Vehle, who is co-chairing our CSG transportation committee this year, shepherded through a gas tax increase and a vehicle sales tax increase. They also expanded the authority of counties and townships to consider local option property taxes and increased optional county vehicle registration fees.

Here’s what Senator Vehle said were their keys to success: They had a Bipartisan Roads and Funding Task Force. There was an alliance of 25 interest groups called the Roads are Vital Coalition that included AAA, associations representing agri-business, grain and feed, cattlemen and wheat, engineers, contractors, paving industry folks and chambers of commerce. The process had the support of the Governor and the South Dakota DOT under the leadership of Darin Bergquist, who was a charter member of the CSG transportation committee. Senator Vehle noted that Governor Dennis Daugaard is very conservative. In his first term, he said he would not raise any taxes. Vehle said he urged him not to make that promise for the second term. He didn’t and he not only joined the effort, but when the session started this year, he became one of the biggest advocates for the package. Senator Vehle also said lawmakers were able to determine the need and set goals with credible evidence before discussing tax increases. He said he always tried to emphasize the need when he spoke to the media because he knew if he ended up talking about how much taxes would be going up for South Dakotans, the headline would read “Vehle proposes tax increase” and that might hurt its chances. Senator Vehle also went on the road last year to make the case at every Rotary Club, Lion’s Club, Chamber of Commerce or interest group function that would have him. He said it was important to be flexible throughout the process to allow them to work compromises that didn’t adversely affect the end goal.

Utah this year did a gas tax increase as well and gave their counties the ability to increase local sales taxes to fund transportation projects. That sales tax went on the ballot in 17 of the state’s 29 counties this fall and passed in 10. It notably failed in the two largest Utah counties.

Keys to success for the transportation package in Utah according to ARTBA included: bipartisan support in the legislature, the support of Governor Gary Herbert, active grassroots mobilization and effective communications emphasizing job creation and economic benefits.

Representative Johnny Anderson, who chairs the House Transportation Committee, is going to be with us in Nashville next week. He told me he had been working on transportation funding for two years with local chambers of commerce, metropolitan planning organizations, the association of counties, municipal groups and the state department of transportation. That stakeholder coalition came together and during the first year put their efforts toward educating lawmakers about a transportation funding shortfall the state would have over the next 25 years as well as a maintenance shortfall in the current state transportation budget. During the second year, they turned their focus to educating the public about the need, with the Salt Lake Chamber’s Transportation Coalition leading the way on that public outreach. Anderson said one of the most salient arguments or data points for addressing
transportation funding was they were able to show the cost impact of allowing Utah’s roads and bridges to further deteriorate. Anderson told me in building these coalitions, it’s important to find the right balance between state and local and urban and rural but he advises that “when you get there, all of the groups are very helpful in swaying public opinion.”

Anderson said the main reasons the gas tax made sense as the vehicle for addressing transportation funding were that it hadn’t been increased since 1997 and since then, lawmakers had been tapping more and more general fund dollars to cover shortfalls in transportation. In 2014-15, more than half of the state’s investment in transportation funding was coming from the sales tax and not the user fees. Anderson said a key to the passage of the gas tax increase was the argument that they needed to stop raiding the general fund and require roadway users to pay for the roads.

Washington state increased its gas tax by 11.9 cents phased in over two years and added an annual fee for plug-in hybrids that is already applied to electric vehicles.

State Representative Judy Clibborn is going to join us in Nashville. She says it certainly helped that 2015 was a non-election year but Washington’s legislation came after a process that took three years from start to finish. She advises it’s important to set realistic expectations and to recognize that no one gets everything they want but everyone can get something. She said it was a common goal among all the powers that be to have a package this year. She said there was a respect for differences throughout the process and that they had the support of a diverse group of stakeholders including labor, business and the environmental community.

Another thing she noted was that the gas tax increase became the preferred vehicle to increase revenues because it was something that everyone understood and in Washington state gas tax revenues are constitutionally protected for transportation so they can't be siphoned off or diverted for other budgetary needs. We’ve seen a number of other states trying to put in place so-called lockbox mechanisms to prevent those kinds of diversions in recent years. Many believe it’s important if you're going to tell constituents they need to pay more to fund transportation, you need to ensure them that revenues designated for transportation actually go to transportation. So that’s something that Washington state already had in place and that made the gas tax the preferred revenue mechanism.

Michigan was the most recent state to join the club this fall. Lawmakers there increased the gas tax 7.3 cents a gallon and the diesel tax 11.3 cents. They also increased vehicle registration fees on cars, vans and trucks. Those increases don't kick in until January 1, 2017, which is conveniently after the next election in the state. The other important thing to note about Michigan is this was the result of a straight down the middle compromise. They plan to get $600 million from the tax and fee increases and an additional $600 million from so far unspecified budget shifts or cuts. That compromise was reflective of two common philosophies we see in many places: the one espoused by the raise new revenue crowd and the one presented by the “let’s find some general fund savings” crowd.

So those were the states that raised gas taxes this year. I also want to mention Delaware. They did not raise their gas tax but lawmakers there approved legislation this year that increased 14 Department of Motor Vehicle fees to raise $23.9 million annually in new revenue. That's expected to be matched in borrowing over the next six years. The state DOT is also going to increase oversized vehicle permit, supersize permit and 'over-the-legal-limit’ weight fees. In addition, a bipartisan compromise resulted in a plan to shift $5 million in state DOT operating costs from the Transportation Trust Fund to the state’s General Fund.

ARTBA says compromise was key to the package’s success. The plan was originally to do $50 million annually in new revenue and another $50 million in borrowing but it couldn’t get traction so they cut the plan in half. Gov. Jack Markell was a champion for transportation funding. Also, there was a focus
on job creation, local projects and safety.

Rep. Ed Osienski will be with us in Nashville and he told me Delaware’s path was paved by the failure of a 10-cent gas tax increase proposed by Governor Markell in 2014. It didn’t win support, he said, because three quarters of the legislature was on the ballot that year. This year it was the Delaware Secretary of Transportation who suggested the plan to increase DMV fees, some of which hadn’t been adjusted in over 20 years and were well below those of neighboring states. The eventual package put together, which also enacted changes in the prevailing wage law, attracted the support of numerous stakeholders including the Delaware Chamber and various labor unions.

So, as you can see, a lot of common ground trod around the country this year in the name of increasing funding for transportation.

One of the other things I was asked to address is whether any of these transportation funding efforts is going to be truly transformative for any state. And while the jury is out on that question for the most part, there are clear indications that these packages aren’t going to be the end-all, be-all for most states. We’ve already heard for example that Utah faces a $7.3 billion shortfall for transportation projects over the next 25 years despite the gas tax increase they just passed. And in the case of Georgia, the Atlanta Journal-Constitution reported this spring that while the transportation package there may help the state address their backlog of road and bridge maintenance, it’s not going to be enough to fund big-ticket interstate widening or transit projects that could help alleviate congestion in the Atlanta area, for example. When I talked with Jay Roberts, the former state legislator who now works for the Governor, earlier this year he told me this: “If we wanted a shiny new swimming pool \textit{and the gazebo}, we need to look at about $5 billion more a year in order to get that. But we’re not going to get there. We’ve got to be realistic. We’ve got to take care of our maintenance needs.” In addition, a number of the states that passed funding measures in 2013 saw subsequent efforts to roll back various provisions included in those packages.

It’s becoming more and more clear that transportation funding is an issue that state legislatures are going to have to address every year or every other year. Senator Tom McGee from Massachusetts had a great quote at a Transportation for America conference last year. He said that with these transportation funding efforts like his state went through in 2013 “It’s not just about reaching the finish line; it’s about where you go from there.” Or as Stephanie Pollack, who now leads (MassDOT, the Massachusetts Department of Transportation), said at that same event “We all have to be in this for the long haul.”

It’s important to keep in mind too that with every year, the gas tax will continue to decline as a revenue source due to all the factors we know—declining VMT, electric cars and so forth. And if transformative transportation is going to be a goal, I think many state officials would agree it would certainly help if states had a more reliable, consistent federal partner than they have had over the last few years. Hopefully the FAST Act that Congress (has now passed) is a step towards that.

So anyway, thanks so much for inviting me to speak. I look forward to reading and hearing about how this conversation plays out here in Maine in the years ahead.

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