States Turn to Commissions, Task Forces for Transportation Funding Solutions

By Sean Slone

Many states face an ever-widening chasm between how much they have available to spend on transportation infrastructure and how much it actually costs to maintain and improve that infrastructure. There are numerous reasons for this, including the decline of existing revenue sources due to increased fuel efficiency, inflation and other factors. Absent a consensus on how to move forward, a number of states in 2011 turned to transportation funding task forces and blue ribbon commissions, diverse groups of stakeholders charged with making recommendations as to how these states could come up with the needed funds to meet their infrastructure needs in the years ahead. While their recommendations aren’t always heeded immediately by policymakers, task forces and commissions can play an important role during a time of tough decisions and political divisions.

The Year of the Commission

When it comes to transportation funding policy, 2011 was something like the year of the commission/task force/blue ribbon/citizens’ panel. As this is written in March 2012, we won’t know definitively for a while whether their work will translate into policy action this year. But it may be worth taking a look at what’s happened so far in four states—Iowa, Maryland, Pennsylvania and Washington—that had such a panel to assess their transportation needs. As other states seek to assess their own needs, officials may find value in evaluating other states’ findings and experiences, their specific recommendations and panel members’ thoughts on whether the process itself was a worthwhile endeavor.

Common themes emerge from the reports and discussions with members of these panels:

- States face substantial unmet transportation funding needs.
- State transportation systems face severe cutbacks unless funding solutions are found.
- Many state governments can choose from an extensive menu of revenue options, none of which are politically or economically easy to swallow and some of which would provide only temporary, stopgap solutions. States also are looking to provide more revenue options that localities can enact to help fund transportation.
- States are eager to explore more sustainable, user-fee based, long-term solutions such as a revenue mechanism based on vehicle miles traveled and expanded tolling. But more work is required at the state and federal levels to make them a reality.
- States are interested in working with the private sector to finance transportation, but remain wary of giving up too much in the process.
- State officials face a public skeptical of government and of the need for additional tax revenues for infrastructure investment. The push is on in some states with initiatives to assure the public that revenues intended for transportation will be used for that purpose and that state government is doing what it can to modernize, streamline and increase the efficiency of transportation systems and government agencies.
- Transportation funding commissions are valuable, members say, because they can bring a diverse group of stakeholders together, allow them to hear different perspectives and allow them to spend time on an issue for which policymakers seldom have time.
- While appointing commissions is often derided as a “kick-the-can-down-the-road” approach to public policy or as a delay tactic when the policy options are politically unpalatable, it also can provide politicians some political cover when a diverse group reaches consensus on some of those unpalatable ideas. But a diverse commission’s recommendations also can put pressure on policymakers to take action.
Commissions see urgency in policymakers taking action on transportation. Impending political shifts, deteriorating infrastructure and escalating costs all add to that sense of urgency.

Some recommendations may take longer—in some cases, much longer—than one policy cycle or legislative session to accomplish. Ensuring commission reports and recommendations are written so that they have an extended shelf life should be a key goal for those who draft them.

Commission members advise that recommendations should be both practical and aspirational. Aim high, but expect the political process to grind slowly and bring things back to earth. Hope that half-measures and stopgap solutions will be enough to temporarily stem the tide.

While the findings and recommendations of these commissions include remarkable similarities, each state faces its own unique challenges. But it’s also clear from talking with commission members that each state has found unique value in having gone through this exercise. Whether that will translate into policy action is another question.

Among the policy changes recommended by the commission to fill the gap:
- Indexing all vehicle and driver fees to the Consumer Price Index, a measure of inflation;
- Uncapping the Oil Company Franchise Tax over five years;
- Increasing traffic fines;
- Increasing vehicle registration fees, with the revenue designated for local use;
- Implementing various modernization and cost-saving measures, including putting registration on a biennial schedule and driver license renewal on an eight-year cycle;
- Dedicating 2 percent of existing sales tax revenue to transit; and
- Consolidating and regionalizing transit delivery.

Pennsylvania’s Transportation Funding Advisory Commission

Pennsylvania faces $3.5 billion in unmet transportation funding needs, a gap that is projected to more than double to $7.2 billion by 2020 unless the state can come up with a plan to address the situation. The reasons for the widening gap are laid out in a report issued in 2011 by a Transportation Funding Advisory Commission empaneled by Gov. Tom Corbett:

- A projected decline in fuel tax revenue over the next decade as a result of increased vehicle fuel efficiency driven by federal CAFÉ (corporate average fuel economy) standards;
- The impact of inflation which increases the cost of asphalt, steel, concrete and other materials by about 3 percent each year and reduces buying power; and
- A 66 percent increase in the portion of the Motor License Fund devoted to the Pennsylvania State Police over the last decade.

In producing their final report, commission members aimed to offer recommendations that were both practical for the immediate future and more farsighted, said the panel’s chairman, Pennsylvania Transportation Secretary Barry Schoch.

But some in the legislature have criticized Corbett for not showing leadership by jumping on the commission’s recommendations immediately or putting forward a plan of his own to meet the state’s transportation needs. He said in February 2012 that those needs are too large to even be considered as part of the state budget and need to be considered separately. Still, Schoch said the governor’s reticence does nothing to diminish the work of the commission and simply reflects a common problem for many of the nation’s chief executives.

“We produced a good blueprint and one that (the governor) has in my dialogue with him taken
very seriously and sees a lot of good recommendations out of it,” Schoch said. “The issue for him, like any governor, is that this is just one of the many silos he has to deal with. ... He’s got the entire gamut of state services and he’s got an incredibly difficult—like most governors do right now—general fund problem because revenues are flat or down and mandated costs and pension costs are rising.”

With the scope of the challenges in perspective, Schoch said it’s of little wonder that the commission’s recommendations haven’t been quickly embraced and adopted.

“As the governor and I both say, you don’t get into this problem overnight, you don’t get out of it overnight,” Schoch said. “The idea that you’re just going to wave a wand and solve it all in a year is just far-fetched.”

Nevertheless, Schoch expects the commission’s recommendations to still be valid for years to come. And despite what may be a long road ahead for Pennsylvania’s efforts to meet its transportation needs, Schoch said he would advise any state to form a commission like his to start working on solutions.

“One of the biggest difficulties that you face in getting something passed is getting a consistent message in front of the media, the legislature and the public,” he said. “If you don’t do one of these (commissions), if you don’t take the time to come up with a reasonable plan to tell people how you would charge them, how you’d invest it and what the results would be, you’ll never get that consistent message. And I think that’s a sure way to fail.”

**Connecting Washington Task Force**

In Washington state, it was called the Connecting Washington Task Force, a 31-member panel of business, local government, labor and environmental leaders appointed by Gov. Chris Gregoire in July 2011 to develop a 10-year strategy for maintaining and improving the state’s transportation system.

The panel’s January 2012 report laid out the challenges the state faces in the years ahead. They include, among other things, a lack of funding for maintenance and operations or for future improvements. While fuel tax increases in 2003 and 2005 allowed the state to issue bonds to pay for more than 400 transportation projects around the state, the revenues generated by those increases are fully committed to debt service and remaining revenue is not sufficient to meet current needs.

The task force recommended a series of actions state officials could take to raise additional revenues and stretch available dollars:

- Focus investments in areas such as system preservation, strategic mobility improvements, system efficiency and safety.
- Invest $21 billion in state funding over a decade to preserve the transportation system and make strategic investments in the corridors that hold the most promise for job creation and economic growth. Interestingly, the task force noted that closer to $50 billion is actually needed to fully address the objectives they identified, but they proposed the lower level of investment due to the state’s challenging economic conditions.
- Consider a series of new potential funding options to pay for the needed investments, including fee increases that could be enacted by a simple majority vote of the legislature and tax increases that would require either a two-thirds vote of the legislature or a majority vote of the people on a ballot measure.
- Expand funding options that can be enacted at the local level, including local option fuel and property taxes, tolling and parking fees.
- Begin making the transition to more sustainable funding sources for transportation, which could include direct user fees based on miles traveled, wear-and-tear on roadways or other direct impact on the transportation system. This, the panel said, would allow the system to be managed and funded as a statewide transportation utility with rates based on use.

But Gregoire quickly nixed the idea of a gas tax increase in the task force’s report because it was unlikely to win public support during the challenging economic climate. She proposed instead a $1.50 fee per barrel of oil refined in the state, since that would only have to go before the legislature. The fee, it was estimated, could raise $3.6 billion in transportation funds during the next decade, a fraction of the $21 billion the task force said was actually needed.

“A lot of the work that we did in that Connecting Washington (Task Force) did not come to fruition in the legislature this year,” said state Rep. Judy Clibborn, a member of the task force who chairs the House Transportation Committee in Olympia. “The barrel fee was controversial. It would have been challenged in court. Some people said it was a tax. Some people said it was a fee. It got wrapped around a whole bunch of axles. The gas tax was
never a player because we would have had to go to the people (in the initiative process). And so what we did this year is raise a few internal fees.”

The fee increases, which include an 80 percent hike for driver’s licenses, are projected to raise an estimated $52 million next year and an average of $80 million annually during the next decade, an even smaller fraction of what the task force said was needed.

Despite the disappointments, Clibborn is convinced the task force’s report and recommendations will have a shelf life that extends well beyond the current policy cycle. She believes the task force had value because it allowed a diverse group of stakeholders to come together to hear different perspectives on the transportation issues the state faces.

“When you get the right caliber of people around the table and they have enough ‘oomph’ in their communities, they are saying things to each other that they won’t hear if they’re just sitting at home,” she said. “The people who would come in and say ‘We only want bike lanes’ were hearing that if we don’t have freight (mobility), we don’t have jobs.”

Iowa’s Transportation 2020 Citizen Advisory Commission

In March 2011, Iowa Gov. Terry Branstad established the Governor’s Transportation 2020 Citizen Advisory Commission, which worked for five months holding public meetings around the state to gather citizen input about the state’s transportation needs and potential funding options.

The commission’s report offered a series of recommendations, including generating a minimum of $215 million in revenue per year through a combination of efficiency savings and increased revenue. Specifically, the commission called for an increase in state fuel tax rates across the board by 8 to 10 cents, which would generate an estimated $184 million–$230 million.

As in Pennsylvania and Washington, however, adoption of the commission’s recommendations appears to have been at least temporarily delayed by a reluctant governor and legislature.

“I think if the governor would have come out right away and just said, ‘I think the legislature should take a very hard, serious look at this and I think that their findings are very credible,’ I would almost bet you that we would have had a bill passed out of the legislature by now,” said Rep. David Tjepkes, who chairs the House Transportation Committee and was an ex-officio member of the commission. “He did not say, ‘Oh no, I’m opposed to those.’ He said, ‘Before we consider (new revenues), we need to make sure that the department (of transportation) is exploring all the potential efficiencies that they can derive from their budget. …’ That exercise in Iowa has in fact been going forward.”

Tjepkes noted that Branstad is keeping an open mind about transportation revenue options and he predicted that a gas tax increase could get folded into a larger discussion on tax policy. He remains optimistic that the commission’s recommendations will hold sway and Iowa policymakers will recognize the urgency of the situation and move forward to adopt them.

“I think legislators need to do their jobs, step up to the plate and do what (voters) sent us to the capitol to do and that’s to govern,” he said.

Maryland’s Blue Ribbon Commission on Transportation Funding

A 28-member commission representing state, county and local governments, as well as various transportation, economic and environmental interests, came together in Maryland starting in 2010 and continuing through 2011. While noting that no single funding source will be sufficient due to the magnitude of the state’s investment needs and obligations, the commission recommended Maryland raise approximately $870 million in new net annual revenues for transportation primarily from revenue sources that are directly related to transportation. The commission selected from a menu of revenue options that were assessed at various levels. They ultimately recommended, among other things, a 15-cent per gallon increase in gas and special fuel taxes phased in over three years with an indexing mechanism added in the fourth year that would put both a floor and a ceiling on the tax level. This, they estimated, would produce $491 million in net new revenues.

It then came as something of a surprise to some when Gov. Martin O’Malley, instead of proposing the recommended gas tax increase, proposed a 6 percent sales tax on the retail price of motor fuel. While that was an idea on the commission’s full menu of revenue options included in an appendix to the report, it was ultimately not recommended even though it was estimated the sales tax could bring in as much as $613 million annually.

But the commission’s chairman, Gus Bauman, said he didn’t have a problem with the governor’s
choice because the sales tax would still bear some resemblance to a user fee.

“What I am more concerned about is not which tax or fee is used in what amount to get what we need, but will the money be protected and used only for transportation purposes,” said Bauman, an attorney who focuses on land use and environmental issues for the Washington, D.C.-based law firm, Beveridge and Diamond.14

Maryland is one of at least 19 states with a dedicated Transportation Trust Fund into which revenues flow that are supposed to be used for transportation purposes.15

“What’s happened over the past decade is a lot of money has been diverted to general fund uses by the state,” Bauman said. “We have to put the ‘trust’ back in the Transportation Trust Fund. In my opinion, there is no way you can get the public to agree to higher fees and taxes on transportation-related activities such as pumping gasoline without a guarantee that the money will then be used for transportation purposes by the state.”

So the commission also recommended a constitutional amendment to prohibit transfer from the fund for non-transportation purposes, except in declared fiscal emergencies.

As of this writing, the jury is still out on whether either O’Malley’s sales tax plan or the constitutional amendment will be successful in 2012. But regardless of what happens this year, Bauman believes the commission’s work will have a lasting impact. He said the report was ultimately strengthened by the way the commission members went about their work.

“I made clear to the group from the outset that our goal here ... is that we should be both practical and aspirational,” he said. “(The commission’s recommendations) need to be not crazy nor beyond the pale of ever being adopted. But at the same time they have to be somewhat aspirational, telling the elected folks in Annapolis these are the things that a government ought to be doing so that they can have something to shoot for.”

Ultimately, Bauman believes the process produced a report that policymakers should find invaluable.

“We were able to devote time to a subject that no elected official ever has time to devote to,” he said. “And (with) a broad-ranging group, it can be said that this is something that is politically possible. You can take these recommendations and you can apply them because this is politically viable.”16

Conclusion

While the political viability of most recommendations is still in question in all four of these states, the usefulness of this exercise is not. America’s transportation needs and how to fund them going forward are large enough problems to warrant all the hours of public hearings, all the input from diverse stakeholders and all the hundreds of pages of final reports they can produce. Unfortunately, the problems are also large enough that policymakers can choose to ignore both the practical and aspirational recommendations of such commissions for both practical and political reasons. But commissions and task forces can be an important part of eventually reaching solutions to these seemingly intractable, unsolvable problems even when those solutions seem—for the moment—a bridge too far.

Notes

8 Clibborn.
10 Ibid.


Bauman.

About the Author

Sean Slone is the senior transportation policy analyst at The Council of State Governments. He staffs CSG’s Transportation Policy Task Force and writes about transportation policy for CSG publications, such as Capitol Ideas magazine, the Capitol Comments blog and Capitol Research policy materials. He is the author of two CSG national reports: Transportation and Infrastructure Finance (2009) and Shovel-Ready or Not? State Stimulus Successes on the Road to Recovery (2010). His work also appeared in the 2010 and 2011 volumes of The Book of the States.