Legislative Initiatives in Transportation Infrastructure Funding and Financing

June 13, 2018
Webinar Logistics

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Quick Turnaround Research
Webinar Overview

Overview of Recent Legislative Activity

State Highlights
- South Carolina
- Utah
- Oregon

Questions Submitted by Webinar Participants
Overview of Recent Legislative Activity

Kevin Pula
Senior Policy Specialist
National Conference of State Legislatures
State vs. Local vs. Federal

All Levels of Government Fund Highways and Transit
Average annual own-source spending by level of government, 2008-12

Federal
$54 billion
25%

State
$84 billion
40%

Local
$75 billion
35%

Source: Pew’s analysis of U.S. Census Bureau’s Annual Survey of State and Local Government Finances, 2008-12; U.S. Office of Management and Budget, Public Budget Database
© 2015 The Pew Charitable Trusts
• Transportation Governance and Finance: A 50-State Review of State Legislatures and Departments of Transportation

• Found 50+ funding mechanisms for transportation
Trends in Construction Cost Growth and Vehicle Fuel Economy Since 1990

- Highway Construction Costs
- Projected Construction Costs
- Vehicle Fuel Economy (on road average)
- Projected Vehicle Fuel-Economy

Cumulative Percentage Growth Since 1990

Year


-20% 0% 20% 40% 60% 80% 100%

73.7% 62.3% 50.8% 17.2%

Institute on Taxation and Economic Policy, August 2016
Future Gap in MFT Collections

Source: CDM Smith
Recent Gas Tax Increases

- 28 States & D.C. have enacted legislation since 2013
- 20 states & D.C. have indexed or variable-rate gas taxes (blue stars) to alleviate some long-term shortfalls

MO (2018) increase subject to voter approval

OK (2018) did not increase transportation funding, but freed up general fund $$ for education
<table>
<thead>
<tr>
<th>State</th>
<th>Bill Number</th>
<th>Gas Tax Increase (Diesel)</th>
<th>Indexing Provisions</th>
<th>Registration Fee Increases</th>
<th>Establishes Electric Vehicle Fee</th>
<th>Estimated Revenue Increase</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>SB 1</td>
<td>12 CPG (20 CPG)</td>
<td>Yes, indexed to inflation</td>
<td>Creates Transportation Improvement Fee ranging from $25 to $175 based on vehicle value</td>
<td>New $100 fee, indexed to inflation</td>
<td>$52.4 billion over ten years</td>
<td>Eliminates “Gas Tax Swap”; Stops diversions of $706 million to the General Fund from Transportation Fund</td>
</tr>
<tr>
<td>Indiana</td>
<td>HB 1002</td>
<td>10 CPG</td>
<td>Indexed to inflation but limited to 1 CPG annual increase</td>
<td>$15 new improvement fee</td>
<td>New annual $150 fee for EVs and $50 for hybrids</td>
<td>$1.2 billion annually</td>
<td>Establishes framework for tolling highways; Increases tax on aviation and alternative fuels; adjusts distribution formulas</td>
</tr>
<tr>
<td>Montana</td>
<td>HB 473</td>
<td>6 CPG over 6 years (2 CPG over 6 years)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>$27 million annually</td>
<td>Allows state to meet federal match; Adjusts distribution formulas</td>
</tr>
<tr>
<td>Oregon</td>
<td>HB 2017</td>
<td>10 cents over 6 years</td>
<td>X</td>
<td>Increase plus indexed to vehicle fuel efficiency</td>
<td>$110</td>
<td>$5.2 billion over 10 years</td>
<td>Creates new privilege tax on the sale of motor vehicles, creates a new sales tax on bicycles and establishes a payroll tax increase dedicated to transportation</td>
</tr>
<tr>
<td>South Carolina</td>
<td>HB 3516</td>
<td>12 CPG over 6 years</td>
<td>X</td>
<td>$16 increase to biennial fees and $250 first time registration fee</td>
<td>New $120 fee for EVs and $60 for hybrids (both biennial)</td>
<td>$181 million in FY 17-18 growing to $727 million by FY 23-24</td>
<td>Establishes a road use fee for commercial motor vehicles; Increases driver license fees; Requires Transportation Asset Management Plan; Makes various tax reforms</td>
</tr>
<tr>
<td>Tennessee</td>
<td>HB 534</td>
<td>6 CPG over 3 years (10 CPG over 3 years)</td>
<td>X</td>
<td>$5 increase</td>
<td>New $100 fee for EVs and increased tax rates on alternative fuels</td>
<td>$350 million annually</td>
<td>Makes various income and sales tax reforms</td>
</tr>
<tr>
<td>Utah</td>
<td>SB 276</td>
<td>Neutral</td>
<td>Accelerated indexing provisions from 2015 legislation</td>
<td>X</td>
<td>X</td>
<td>N/A</td>
<td>No immediate increase but will lead to an effective increase if fuel prices rise.</td>
</tr>
<tr>
<td>West Virginia</td>
<td>HB 1006</td>
<td>3.5 CPG</td>
<td>Adjusted existing price floor on variable rate tax</td>
<td>Increased various motor vehicle fees</td>
<td>$200 for EVs and $100 for hybrids</td>
<td>$140 million annually</td>
<td></td>
</tr>
</tbody>
</table>

*Th N  M i  L i  l t  d l i l ti  t  i d t  f l t  i  b th th  2017 l  i  d 2017 i l
<table>
<thead>
<tr>
<th>State</th>
<th>Bill Number</th>
<th>Gas Tax Increase (Diesel)</th>
<th>Additional Info</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado</td>
<td>SB 1</td>
<td>n/a</td>
<td>General fund transfer of $495 million (FY 2018-19) and $150 million (FY 2019-20) for multi-modal projects. Sends $2.34 billion bonding <strong>ballot measure to the voters</strong>. Ballot measure to be removed if voter initiatives pass in 2018. Funded in part from general fund transfers and bond-like instruments on the sale of state property.</td>
</tr>
<tr>
<td>Missouri</td>
<td>HB 1460</td>
<td>10 cpg (10 cpg) Over 4 years</td>
<td>Estimated to generate $420.6 million annually once fully implemented. Revenues will go to pay for State Highway Patrol, freeing up current transfers to be used for other purposes. <strong>Must be approved by voters</strong>.</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>HB 1010</td>
<td>3 cpg increase (6 cpg diesel)</td>
<td>Dedicated to transportation and replaces general fund transfers. <strong>No net increase for transportation</strong>.</td>
</tr>
<tr>
<td>Virginia</td>
<td>SB 896</td>
<td>Established a price floor on the existing variable-rate MFT</td>
<td>Current MFT “hybrid-structure” includes a fixed cent-per-gallon portion and a variable-rate portion applied in urban regions of the state.</td>
</tr>
</tbody>
</table>
Beyond the Gas Tax

**Tolling / Priced Lanes**
- Federal Interstate Ban
- Corridor Funding vs. System Funding

**Road Use Charges**
- Pilot Programs
- Replace or Complement MFT?

**Electric Vehicle Fees**
- 19 states
- Equity > Revenue

**Other Sources**
- Sales Taxes
- DMV Fees
- Oil and Gas
## Non-Fuel Tax Approaches

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idaho – Authorized highway transportation GARVEE bonds. Legislation passed in 2014, 2015 and 2017.</td>
<td>Alabama (SB 100) – Funds the existing Alabama State Infrastructure Bank via multiple revenue streams including dedication of 1 cent of existing MFT revenues.</td>
</tr>
<tr>
<td>Minnesota – Authorizes $940 million in highway bonds, $300 million in general fund transfers to transportation and reallocates various tax revenues for use on transportation. Establishes a $75 fee on electric vehicles.</td>
<td>Arizona (HB 2166) – Highway Patrol Funding through $18.70 registration fee increase; restructured registration fee calculations for EVs, potentially increasing by 10x.</td>
</tr>
<tr>
<td>New Hampshire – Authorized the use of GARVEE bonds to finance certain transportation projects as part of the state’s 10 year transportation plan.</td>
<td>Connecticut (SB 543) – $1 billion in bonding over 5 years for roads, bridges and transit.</td>
</tr>
<tr>
<td>Utah – Authorized $1 billion in general obligation bonds for transportation over the next four years.</td>
<td>Georgia (HB 930) – Allows for special purpose local options sales tax for transit. Additionally includes $100 million in state bonds for transit.</td>
</tr>
<tr>
<td>West Virginia – Authorized $500 million in grant anticipation notes for transportation.</td>
<td>Minnesota (HF 4425) – Provides for $400 million in bonding for the Corridors of Commerce program.</td>
</tr>
<tr>
<td>Wyoming – Increased vehicle registration fees, commercial vehicle fees and other transportation fees. Cut general fund transfers to transportation by approximately the same amount.</td>
<td>Utah (SB 136) – $120 for EVs and indexes to CPI; Allows cities to implement local option sales tax for highways and transit; Creates a sales tax earmark for transit.</td>
</tr>
</tbody>
</table>
Electric Vehicle Fees

$0 - $50
$51 - $100
$101 - $150
$151 - $200

* Charges separate fee on hybrids
1 - Grows to $120 in 2001
2 - Vetoed by Governor
3 - Biennial fee
Pay per Mile Road Charging

- Received STSFA Grant
- Completed Pilot
- Planning Pilot
- Monitoring Issue
- Interoperability Pilots
South Carolina

Secretary Christy Hall

Secretary of Transportation
Key Elements of 2017 Transportation Legislation

 Doubled state funding for SCDOT
 Increased funding for county/local programs by 50%
 Phased-in based on SCDOT’s recommendations
 Governance Changes
 Accountability and Transparency Requirements
 Tax reforms
Successfully Breaking Down the 30-year Funding Barrier in SC

- SCDOT had to establish its credibility
- Our transportation village understood our audience and tailored our message
- Secretary of Transportation engaged early and often
- Dramatically changed our approach from “here’s what we need” to “here’s what we can deliver”
- Created a menu of options to drive the dialogue at the policy level
- It is more about the art of negotiation rather than solving an equation
### Making the Case for Infrastructure Investment

<table>
<thead>
<tr>
<th>Priorities</th>
<th>Additional Annual Investment</th>
<th>TAMP Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make our Roads Safer</td>
<td>$50</td>
<td>Target our deadliest roads in rural communities. Nearly 30% of our rural fatalities &amp; serious injuries are occurring on just over 5% of our network.</td>
</tr>
<tr>
<td>Improve Pavement Conditions</td>
<td>$300</td>
<td>Primaries to 90% GOOD</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Interstates to 95% GOOD</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FA Secondaries to 46% GOOD</td>
</tr>
<tr>
<td></td>
<td></td>
<td>NFA Secondaries to 30% GOOD</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Target $50M to complement Safety Program</td>
</tr>
<tr>
<td>Increase Mobility along Freight Network</td>
<td>$200</td>
<td>Additional investments for interstate widenings and launch a non-interstate freight mobility program.</td>
</tr>
<tr>
<td>Deliver Better Routine Maintenance</td>
<td>$0</td>
<td>Achieve a &quot;C&quot; Grade on our day-to-day maintenance operations.</td>
</tr>
<tr>
<td>Continue to Invest in Bridges</td>
<td>$14</td>
<td>Continued efforts to improve our substandard bridges.</td>
</tr>
<tr>
<td>Enhance Mass Transit Services</td>
<td>$38</td>
<td>Increased efficiency in bus operations. Enable access to transportation for workers.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th>$610M</th>
<th>$794M</th>
<th>$951M</th>
</tr>
</thead>
</table>
Increased Transparency

Management Initiative: Professional Services
Outside professional services are utilized by SCDOT in order to assist in the delivery of our annual road and bridge programs. Consultants are engaged to provide specialized services, such as underwater bridge inspection, and to help fill in any gaps in internal staffing capabilities or availability. In accordance with federal requirements, consultants are selected utilizing a qualification-based selection process.

<table>
<thead>
<tr>
<th>Contract Type/Task</th>
<th>SYF 12-13</th>
<th>SYF 13-14</th>
<th>SYF 14-15</th>
<th>SYF 15-16</th>
<th>SYF 16-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Engineering &amp; Inspection</td>
<td>$6,475,635</td>
<td>$4,589,280</td>
<td>$2,181,462</td>
<td>$2,807,699</td>
<td>$12,085,252</td>
</tr>
<tr>
<td>On Call CSI</td>
<td>$7,314,830</td>
<td>$8,107,078</td>
<td>$8,531,057</td>
<td>$10,594,957</td>
<td>$12,940,766</td>
</tr>
<tr>
<td>Project Design/General Engineering</td>
<td>$14,166,481</td>
<td>$12,209,490</td>
<td>$8,790,292</td>
<td>$14,401,265</td>
<td>$17,697,112</td>
</tr>
<tr>
<td>On Call Bridge Design</td>
<td>$0</td>
<td>$0</td>
<td>$252,820</td>
<td>$996,326</td>
<td>$1,799,236</td>
</tr>
<tr>
<td>On Call Concrete &amp; Steel</td>
<td>$90,000</td>
<td>$60,000</td>
<td>$15,000</td>
<td>$15,000</td>
<td>$22,500</td>
</tr>
<tr>
<td>On Call Design Build Preparation</td>
<td>$12,000</td>
<td>$12,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Call Environmental Construction &amp; Compliance</td>
<td>$900</td>
<td>$12,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Call Environmental Small Purchase</td>
<td>$1,900</td>
<td>$1,900</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>On Call Foundation ROA</td>
<td>$900</td>
<td>$1,900</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Call General Engineering Services</td>
<td>$2,412</td>
<td>$2,412</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Call Geotechnical</td>
<td>$1,125</td>
<td>$1,125</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Call Hydrology©</td>
<td>$575</td>
<td>$575</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>On Call Interstate Rehabilitation</td>
<td>$550</td>
<td>$550</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Call Lead Paint</td>
<td>$125,000</td>
<td>$125,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Call NEDA</td>
<td>$125,000</td>
<td>$125,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Call Noise Analysis</td>
<td>$125,000</td>
<td>$125,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Call Permitting</td>
<td>$390</td>
<td>$390</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Call Photogrammetry</td>
<td>$900</td>
<td>$900</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Call Right of Way©</td>
<td>$1,125</td>
<td>$1,125</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Federal Fiscal Year 2018 Project Delivery Analysis (%) Year-to-Date
Includes All Projects Managed by Preconstruction

12 Month Construction On-time by Number of Contracts
Substantial Work Completed:
April 2017 to March 2018

- Original Completion–Contract value: $18,438,481
- Adjusted Completion–Contract value: $24,329,664
- Changed Liquidated Damages–Contract value: $15,000
- Remaining Closeout Action–Contract value: $67,913,547

Note: Graph percentages are based on the number of contracts (includes contracts only in SCDOT’s name).
Impact of Additional Funding

Upgrades to safety features on 1,000 miles of rural roads

Paving program will double

1000 MILES

465 new bridges

140 miles of interstates improved
Senator Wayne Harper
SPONSOR OF S.B. 136
Utah State Senate
House Bill 362 (2015)
- Replaced the existing gas tax of 24.5 cents per gallon with a 12 percent tax on the average rack price of a gallon of gas.
- Average rack price used to calculate tax cannot fall below $2.45 per gallon after 2019 and will be tied to the consumer price index.
- “Moving floor” so that tax rate can’t drop below previous year’s rate

Senate Bill 276 (2017)
- Accelerated the indexing provisions implemented by HB 362 by redefining the fuel tax rate to 16.5 percent of $1.78 – likely triggering CPI adjustments sooner as fuel prices rise.
- Imposes an automatic CPI trigger starting on January 1, 2019 even if average rack price doesn’t rise above $1.78.

2017 establishment of the Utah Transportation Funding and Governance Task Force
2018 Legislative Actions

Utah SB 71

- **Tolling**
  - Removes certain restrictions on the Department of Transportation's ability to establish a tollway on an existing highway, building previous authority for the Department to toll new lanes, new roadways, and High Occupancy Toll lanes.
  - Allows the Department of Transportation to use camera and video technology to monitor a tollway.
2018 Legislative Actions

Utah SB 136

- **Funding**
  - Creation of a Road Use Charge (RUC) pilot (already in development)
  - Creation of additional local sales tax options for certain communities
  - Fee imposed in addition to registration fee for electric vehicles, hybrid electric, and plug-in hybrids
    - Establishes a new annual fee of $60 growing to $120 by 2021 for electric vehicles, $10 growing to $20 for hybrid electric, and $26 growing to $52
    - CPI adjustment for motor vehicle registration fees
  - Transit funding
    - Creates a new state sales tax earmark for the Transit Transportation Investment Fund. First year may generate up to $5.2 million
  - Allows local jurisdictions to share property tax revenue for transportation capital development projects.
Summary of 2018 Legislative Actions

**Creation of a RUC pilot (which is already in development)**

**Registration fee adjustments**
- Increases motor vehicle registration fees for alternative fuel vehicles
- CPI adjustment for motor vehicle registration fees

**Transit funding**
- Creates a new state sales tax earmark for the Transit Transportation Investment Fund, up to $5.2 million

**Creation of additional local sales tax options for certain communities**

**Tolling**
- Utah SB 71 removes certain restrictions on the Department of Transportation's ability to establish a tollway on an existing highway
- Allows the Department of Transportation to establish a tollway on an existing highway if approved by the Transportation Commission
Utah SB 136

- **Planning and Governance**
  - Revises oversight and structure of large public transit districts by:
    - Modifying the board of trustees
    - Creating a local advisory board
  - Directs Utah Department of Transportation to develop statewide strategic initiatives for planning and coordinating multimodal transportation, including consideration of:
    - Economic development, congestion reduction, asset management, air quality, etc.
  - Modifies the governance of the Utah Department of Transportation to accommodate multimodal planning and capital development
Looking Ahead

- Creation of the Utah Transportation and Tax Review Task Force to build upon outcomes of SB 136

- Use of the new transportation revenues

- Possible actions in 2019 and beyond
Oregon

Travis Brouwer

ASSISTANT DIRECTOR FOR PUBLIC AFFAIRS
Oregon Department of Transportation
Gas tax will increase 10 cents in four steps – with the last three increases conditioned on meeting accountability requirements.

Registration and title fees increase in three steps. Surcharges for electric vehicles and hybrids that pay little in gas tax ensure they pay their fair share for roads.

The average driver will pay about .8 cents per mile to get better roads that provide more reliable trips – less than they would pay to repair damaged vehicles if roads deteriorate.
<table>
<thead>
<tr>
<th><strong>Public Transportation Payroll Tax</strong></th>
<th><strong>Bicycle Tax</strong></th>
<th><strong>Light Vehicle Dealer Privilege Tax</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>0.1% tax on wages will generate $115 million per year for public transportation and cost less than $1 a week for the average worker.</td>
<td>$15 fee on new adult bicycles that cost $200 or more will generate $1.2 million a year for separated biking and walking paths</td>
<td>0.5% dealer privilege tax on new light vehicles dedicated to electric vehicle rebates and multimodal transportation projects.</td>
</tr>
</tbody>
</table>
HB 2017 Investment Areas

- Maintenance and preservation
- Congestion relief
- Local roads
- Public transportation
- Bicycle/pedestrian infrastructure
- Intermodal freight
- Electric vehicle incentives
From 2013 to 2015 . . .

Portland metro region hours of congestion increased 14%

Portland metro region daily vehicle hours of delay increased 23%
Congestion Relief in HB 2017

Bottleneck relief
Transportation options
Freight rail
Value pricing

“All of the Above” Approach…
Value Pricing Feasibility Analysis Corridors
Types of Value Pricing

- Bridge/highway tolling
- Managed toll lanes
Five Concepts Under Consideration
Consultant Recommendation

Initial implementation of tolling on I-205 at Willamette River Bridge and on I-5 through central Portland

Consider phased implementation of tolling on all of I-5 and I-205 after comprehensive planning
Questions and Answers

Jennifer Brickett
DIRECTOR
BATIC Institute: An AASHTO Center for Excellence
Discussion

Please submit any questions to our panel using the Q&A box in the bottom left corner of your screen.
AASHTO Legislative Tracker

The most recent edition can be found here

https://fundingfinance.transportation.org/state-transportation-funding-proposals/

Previous updates can be found here

http://scofa.transportation.org/Pages/State-Transportation-Funding-Successes-and-Proposals.aspx
Thank you for attending today’s webinar

The BATIC Institute will post responses to all questions received today on its website.

The recorded webinar will also be available on the BATIC Institute website:

www.financingtransportation.org

UPCOMING BATIC INSTITUTE OFFERINGS

P3 Basics Training for Planners
Spokane, WA
July 17

P3 Basics Training at NCSL Legislative Summit
Los Angeles, CA
July 29 - 30

Roundtable on Funding & Financing Short Line Rail
Miami, FL
September 11

Roundtable on Transit Oriented Development
Miami, FL
September 11