



Mid-Ohio Regional
Planning Commission

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Memorandum

TO: MORPC Executive Committee Members

FROM: Joe Garrity, Senior Government Affairs Coordinator

DATE: June 6, 2018

SUBJECT: Formation and Outline of the Leadership Strategy Group

Purpose

President Trump unveiled his infrastructure proposal earlier this year, which ignited a national dialogue regarding the need for infrastructure investment. The Mid-Ohio Regional Planning Commission (MORPC) viewed Trump's proposal as an important starting point. However, as an agency serving local governments was concerned with the reduced federal share in projects and the increase in the financial burden for states and localities. In short, there is a clear consensus that improving our infrastructure should be a national priority. The disagreement is how we pay for it.

The central goal of the Leadership Strategy Group is to find both new and old funding mechanisms that can measurably improve our transportation network in the region and state. One of the MORPC's chief public policy goals is to achieve an advanced and exceptional transportation system that connects Central Ohio's people and products to the world. Central Ohio is the fastest growing region in the state and is expected to grow by one million people by 2050. As infrastructure needs continue to grow beyond existing funding levels, it is essential to find new long-term funding mechanisms at the local, state, and federal levels of government. This group can help advance the discussion in Ohio.

The U.S. has been under-investing in infrastructure. The American Society of Civil Engineers (ASCE) gave the nation a grade of D+ for the condition of transit, highway, bridge, rail, water and other infrastructure. According to ASCE the US would need to invest \$4.59 trillion by 2025 to improve its infrastructure grade. Furthermore, at the state level, Ohio's motor vehicle fuel tax or "gas tax" Ohio's fuel tax rate has remained at 28 cents per gallon since 2005, thus forcing local governments to find new tools for funding.

With the midterm elections approaching this fall and a new leader in the governor's mansion in January, there is room for opportunity. As a convener of local governments working to address regional challenges, the Leadership Group has the ability to provide a strategic framework of revenue seeking opportunities and potential cost saving measures to present to other partners regionally and statewide to spur a broader effort and discussion. It can also educate and influence the new Governor and legislators to invest in the transportation needs of today and tomorrow.

William Murdock, AICP
Executive Director

Rory McGuiness
Chair

Karen J. Angelou
Vice Chair

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Secretary

Proposed Standard

Meetings will strive to contain a balance of the following overarching topics:

- **Innovative Revenue Streams & Cost Saving Measures:** Old revenue streams are flat. How can we improve old funding mechanisms and create new innovative ones? Possibly review Competitive Advantage Projects as a starting point for a statewide infrastructure prioritization process.
- **Education:** With a new Governor in 2019 and new legislators at the Statehouse, there is an opportunity to create a statewide infrastructure narrative around maintaining existing infrastructure, investing in new technology, and positioning Ohio for economic development.
- **Strategic Planning:** Too often we view funding for infrastructure projects in the short term. How do we position Ohio for long term success? Leveraging our resources to invest in innovative funding mechanisms that will still be relevant in 2050. e.g. Infrastructure2050.

Timeline

First Meeting (June):

- Review goal or purpose of the creation of the committee.
 - Is late 2018 to early 2019 the timeframe to launch a conversation regarding the need for infrastructure investment statewide?
- What funding tools do we have currently, that we can use to leverage federal funds for infrastructure projects?
- How do we currently fund regional infrastructure projects?
- What works and what doesn't?
- Homework assignment: potential solutions.

Second Meeting (July)

- States and major regions facing similar circumstances that have created plans or state referendums: e.g. Michigan, California, Pennsylvania, Atlanta, Los Angeles, Seattle.
- What could work in Ohio?
- Review other existing efforts currently under consideration in Ohio.
- How can we educate the new governor and legislators on funding infrastructure in the state?
- Will this revenue tool be relevant in 2050?

Third Meeting (August/September)

- Incorporate suggested solutions into a memorandum/document.
- Share with key stakeholders regionally and statewide Fall 2018.
- Develop possible action steps for Commission and/or individual local governments.



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TO: Mid-Ohio Regional Planning Commission
FROM: Joe Garrity, Senior Government Affairs Coordinator
DATE: March 14, 2018
SUBJECT: Infrastructure Funding

Overview

One of the Mid-Ohio Regional Planning Commission (MORPC) chief public policy goals is to achieve an advanced and exceptional transportation system that connects central Ohio's people and products to the world. In order to achieve that goal, it is essential to find new long-term funding mechanisms at the local, state, and federal levels of government. Infrastructure investment is at the forefront of policymakers minds, with the recent unveiling of the Trump Administration's infrastructure proposal. With a renewed national focus on infrastructure, MORPC views this as an opportune time to search for a variety of innovative funding mechanisms which can be used as tools for our growing region and state.

Due to a lack of federal investment, many states' transportation budgets are tight. In many cases local governments and states are on their own in regards to finding funds to maintain and enhance their infrastructure. There is no silver bullet answer within this memorandum, yet its purpose is to provide a framework of revenue seeking opportunities and potential cost saving measures. With additional knowledge on ways to fund infrastructure projects, local leaders can better advocate for federal and state dollars to fund projects in their communities.

Federal Infrastructure Investment

The U.S. has been under-investing in infrastructure, leading a state of growing disrepair. The American Society of Civil Engineers (ASCE) gives the nation a grade of D+ for the condition of transit, highway, bridge, rail, water and other infrastructure. According to ASCE the US would need to invest \$4.59 trillion by 2025 to improve its infrastructure grade.

The Trump Administration's proposal is an important starting point to reaching a federal bipartisan infrastructure investment bill. As an agency serving local governments, MORPC is concerned with the reduced federal share in projects and the increase in the financial burden for states and localities. \$200 billion in federal spending is called for in the plan, with the remaining \$1.3 trillion to be generated by state and local governments, as well as private investors, over a ten-year period. Current highway funding programs usually require a local share of 20-40%, while this proposal calls for the federal share to be 20%. While this is great leveraging for the federal government, it causes hardships to communities that are already struggling to address their infrastructure needs. In addition, in order to pay for the plan, money would be cut from grant

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programs such as the Transportation Investment Generating Economic Recovery (TIGER) grant in Fiscal Year 19. Ohio has succeeded in national competitive grant programs such as TIGER and the Smart City Challenge, and keeping TIGER provides a competitive advantage for the region and state rather than a solely formula-based funding programs.

Federal Gas Tax

The federal gas tax hasn't increased in 24 years. In 2018, the U. S. Chamber of Commerce called for an increase in the federal gas tax of 25-cents a gallon, phased in over five years. The business group and many others have long been calling for a boost in the gas tax, which is now 18.4 cents a gallon and hasn't been increased since 1993. An increase in the federal gas tax would be an ideal funding source for President Trump's infrastructure proposal. However, U.S. Speaker Paul Ryan has stated his opposition to a hike in the gas tax.

Given Ryan's stance, it will be difficult to fund an infrastructure package on the scale of what President Trump is proposing. In short, without new revenue a robust infrastructure bill has an unlikely chance of passage, especially after the tax bill being signed into law in late 2017. With the recent tariffs to steel, the cost of infrastructure projects requiring steel could rise, making it all the more difficult to pass a bill. Some believe the \$20 billion allocated for infrastructure in FY18 and FY19 was intended to mitigate the chance of a robust bill failing.

State Motor Vehicle Fuel Tax

Similar to the federal level, a simple option that can address the growing backlog and evolving need for new state and local transportation infrastructure projects is to increase Ohio's motor vehicle fuel tax. 26 states have increased their gas taxes since 2013, eight of them just last year.

For decades, the motor vehicle fuel tax or "gas tax" has been a successful way to fund transportation infrastructure projects in Ohio and across the country. However, Ohio's fuel tax rate has remained at 28 cents per gallon since 2005, thus forcing local governments to find new tools for funding. The Ohio Department of Transportation (ODOT) gets much of the tax money – about 17.49 cents per gallon, according to a report released in 2016 by the Ohio Joint Legislative Task Force on Department of Transportation Issues. According to a report conducted by the Ohio Municipal League, a 10-cent increase would generate \$600 million a year. In addition, the County Engineers Association of Ohio (CEAO) is exploring the benefits of increasing the gas tax in the state.

Tolls

In order to make up for tight state transportation budgets and a shortage of federal investment, toll roads have been a popular funding mechanism for states recently. Although new toll roads or increasing toll fees would benefit Ohio, there are several downsides. Tolls are a regressive double tax, especially on top of a potential increase in the motor vehicle fuel tax. Furthermore, a significant portion of the funds would be utilized for overhead. Lastly, an unintended consequence of toll roads is drivers will avoid the tolls, thereby reducing revenue and more importantly tearing up local roadways that were not intended to receive such congestion.

State Infrastructure Funding Bills

As fuel efficiency continues to improve and electric vehicles gain traction in Ohio, the state will need to adapt from solely relying on the gas tax to finance transportation infrastructure projects. Legislators must find innovative ways to sustain and enhance our infrastructure fund. Below are a couple examples of legislation at the Statehouse that could enhance our infrastructure needs in the state.

- **Ohio Senate Bill 113 (SB113)** SB113 would create a motor fuel tax reduction card for those registering a car in the state. The card would be linked to that specific vehicle. When a driver goes to pay at the pump, they would swipe their card and automatically receive a rebate for the motor fuel tax of 28 cents a gallon. All out-of-state drivers would still pay the motor fuel tax unless they purchase an Ohio motor fuel tax reduction card. The cost to register a non-commercial motor vehicle would increase from \$34.50 to \$149.
- **House Bill 415 (HB 415)** The bill would allocate 50% of the state's surplus revenue each year to a newly-created Local Government Road Improvement Fund that would be distributed to counties and then redistributed to local governments within the county.

Local Revenue Generating Concepts

Greater Ohio Policy Center's (GOPC) advisory committee is conducting a study on how to pursue additional funds specifically for transit. However, many of the revenue generating concepts being considered by GOPC could also be utilized for other infrastructure purposes.

- Rental vehicle sales tax
- Sales tax expansion
- Payroll / Income tax
- Uber/Lyft fee
- Vehicle Title Transfer fee
- Statewide Ballot Initiative

Local governments can also raise their motor vehicle license fee \$5 after passage of the Ohio transportation budget last year (House Bill 26). In 2017, Cuyahoga County raised their fee which could add \$4 million to \$5 million to the county's public works budget each year, according to county estimates. The funds will be used exclusively for roads and bridges. Furthermore, these fund can be leveraged for potential federal investment in the future.

Prioritization Process

Central Ohio is the fastest growing region in the state and is expected to grow by one million people by 2050. As infrastructure needs continue to grow beyond existing funding levels, leaders from across the region came together to discuss how to best prioritize and advocate for infrastructure investment in the region. Through the partnership of MORPC, Columbus2020 and thirteen counties across the region, the Competitive Advantage Projects (CAP) initiative was created. As of February of 2018, 49 projects have been identified by ten counties as CAP projects. CAP projects portfolios,

providing a list of all the projects, are distributed to elected officials on Capitol Hill and at the Statehouse to ensure legislators are aware of critical projects that need investment in their districts. Such a prioritization process on statewide scale would be an effective cost saving measure for infrastructure projects.

Advocacy Events

With the midterm elections approaching in November of this year, it is an ideal time to promote infrastructure funding and to ensure infrastructure issues are addressed at public meetings. Below are a couple of opportunities on the horizon that can be used to elevate the issue.

- **Infrastructure Week** is a non-profit education and advocacy organization and is convening its national week of education and advocacy from May 14-21.
- **Ohio Association of Regional Councils (OARC) Candidates Forum:** The 2018 Gubernatorial and Senatorial candidates will be invited to share their platforms related to transportation, infrastructure, job creation, and economic development to some of the state's top political, business and civic leaders. The event takes place on Tuesday, July 10, 2018 at the Hilton Downtown Columbus.