

A Proposal for Missouri's Transportation Future

January 18, 2013



PREFACE: The intent of this draft proposal is to elevate the dialogue regarding needed solutions to address the lack of transportation investment in the state of Missouri and growing transportation needs moving forward. It has been reviewed and is supported by each Missouri Highways and Transportation Commissioner.

Missouri is at a crossroads. Missouri's well-respected and efficient state agency, the Missouri Department of Transportation (MoDOT), has completed more than \$11.6 billion in projects in the past 10 years (four percent under budget) but many of the major arteries of Missouri's transportation system – including I-70, Missouri's "Main Street" – are in desperate need of improvements that cannot be made without a new, dedicated source of funding. The agency is currently two years into its Bolder Five-Year Direction to save \$512 million. It has already reduced staff by more than 1,200, closed 131 facilities and by spring will have disposed of more than 750 pieces of equipment. Savings of \$354 million have already been realized and redirected to critical roadway improvements. MoDOT will not return to those staffing or equipment levels ever again.

Unfortunately, the agency's savings from cutbacks do not solve Missouri's long-term transportation challenges. Since 1992, concrete, asphalt and steel costs have outpaced fuel tax revenue 2-to-1. In the last year, MoDOT's construction program funding has fallen from \$1.2 billion to less than \$700 million which supports maintenance of the statewide system but little else. Missouri is a big state when it comes to transportation infrastructure. It ranks sixth nationally in number of bridges and has the seventh largest highway system in the nation, with more than 33,000 miles of highway. *Yet even with a highway system that is larger than Kansas and Illinois combined, Missouri's transportation budget is one-third the size of Illinois.* Missouri is strategically located to benefit from increased freight movement, but without a growing infrastructure, major economic opportunities may be lost.

Today and going forward, state and federal fuel tax receipts will continue to dwindle as cars become more fuel efficient and inflation continues to decrease the purchasing power of fuel tax revenue. Both of these issues inhibit MoDOT's ability to do anything other than maintain the existing system. This has prevented not only critical improvements to our state and local systems, but has also curbed Missouri's ability to create thousands of jobs and grow our overall economy. Difficult decisions will need to be made. Finding a new dedicated funding source for transportation projects will close the gap between what is needed to maintain and grow our total transportation system, get people back to work and improve transportation safety and travel efficiency.

Poll of Missourians

According to a December 2012 public opinion poll conducted by Normington Petts of 800 likely Missouri voters, a one-cent general sales/use tax dedicated to transportation projects would pass if put before voters. Fifty-two percent said they would vote yes in favor of the one-cent general sales/use tax increase. Their approval increases by an additional two percent if sweeteners such as publishing a list of specific transportation projects or freezing the gas tax are included as part of the requirements for the increase in general sales/use tax. It was also clear the requirement to prevent the revenue from being diverted to something other than transportation projects was very significant to voters. The poll validated that voters believe funding transportation is a way to grow the state's economy and create new jobs.

Every dollar invested in transportation in Missouri generates four dollars of new economic activity and allows Missouri companies to compete globally. Additionally, transportation investments create jobs – good, sustainable jobs – in a host of industries. The Federal Highway Administration estimates that every billion dollars spent on transportation generates about 34,000 direct and indirect jobs. A one-cent general sales/use tax dedicated to transportation would sustain nearly 270,000 jobs in Missouri over the next 10 years. Although this was only an initial poll, it shows voters could be ready to make the necessary investment in Missouri's infrastructure to ensure a safe and modern transportation system into the future.

The Solution

A temporary 10-year, one-cent general sales/use tax dedicated specifically to transportation needs, would give Missouri – the state, cities and counties – the resources necessary to make significant progress toward meeting the needs of a total transportation system across the entire state of Missouri.

Revenue Projections

An estimated \$7.9 billion in new transportation funding would be generated over the 10-year life of the temporary sales/use tax. This total includes all monies going to cities, counties and the state.

General Sales/Use Tax Proposal Structure

The temporary tax would include the following components:

- One-cent general sales/use tax to create a dedicated funding source to help meet Missouri's transportation needs.
- Ten percent of the new one-cent revenue would be distributed to cities and counties for local transportation purposes.
- The temporary sales/use tax would not be collected on medicine, groceries and gasoline.
- Depending on the timing of voter approval, the temporary 10-year sales/use tax could be effective on various dates. The figures in the chart below assume the tax would be effective January 1, 2015 (CY 2015) and end December 31, 2024 (CY 2024).

FIGURE 1:

CY 2015-2024
1-Cent General Sales and Use Tax Revenue
New 10-Year Funding
(\$ in Billions)

	Total CY 2015-2024 Projected Funding
Projected New Revenue Total ¹	\$7.92
Portion Distributed to Cities and Counties ¹	(\$0.79)
Total New Revenue Available to MoDOT ¹	\$7.13
MoDOT Operations and Federal Funds Match ²	(\$0.98)
Amount Available to MoDOT for Transportation Needs	\$6.15
Dedicated for Interstate 70	(\$1.00)
Total for Other New Transportation Needs ³	\$5.15
¹ Based on fiscal year 2012 actual data with an annual growth factor of 1.5%. MoDOT distribution is 90% and Cities and Counties distribution is 10% of new funding. ² This amount is needed over 10 years to fund MoDOT operations such as plowing snow, basic maintenance and to provide the match required to receive federal funds. ³ New transportation needs include investments for roads, bridges, rail, transit, freight, waterways, aviation, bicycle/pedestrian and all other construction program costs (right of way, engineering consultants, construction inspection, and utilities).	

- The Missouri Highways and Transportation Commission would, prior to a vote of the people on a constitutional amendment, develop and publish a project-specific list that indicates how and where the new revenues would be spent.
- The Missouri Highways and Transportation Commission would be required to publish a publicly accessible annual report, project list, budget and timeline to the Governor and General Assembly, regarding the use of the new revenues.
- By constitutional amendment, new revenues would be dedicated to transportation projects only, and could not be diverted by the Governor, Legislature or other governmental entities.
- A voter-controlled freeze in the state gas tax during the collection of the temporary tax would be included.

Revenue Distribution

As shown in Figure 2 below, 10 percent of the funds would be distributed to cities and counties on a 50/50 basis – consistent with the manner in which the last six-cent increase in the state gas tax was shared when approved more than 20 years ago. Also shown below, over 10 years, an additional \$396 million would be distributed to cities; based on city population. Another \$396 million would be distributed to counties; based on a combination of road mileage and assessed land value. This represents a significant increase of nearly \$80 million per year over what cities and counties receive today. Local governments would have full discretion to spend the money on any transportation-related activities (existing revenue can only be spent on roads and bridges). This would allow local governments to fund transportation projects based on their constituents' priorities, including multimodal investments.

FIGURE 2:

CY 2015-2024
Distribution of New Funding (10% of 1 Cent)
Cities and Counties
(\$ in Millions)

Distributes new revenue to cities and counties using a 50/50 split.

	SFY 2012 Distribution to Cities and Counties*	Average Annual Distribution of New Revenue to Cities and Counties	Ten-Year Total of New Revenue to Cities and Counties
Cities	\$140.57	\$39.63	\$396.32
Counties	\$105.59	\$39.63	\$396.32
Total	\$246.16	\$79.26	\$792.64

* Includes distribution of motor fuel taxes, motor vehicle sales and use taxes, and motor vehicle and drivers' license fees.

As referenced in Figure 1, slightly more than \$7 billion over 10 years (90 percent of the total funds generated) would be distributed at the statewide level to fund several items, one being MoDOT's operating budget and cash to match federal funds. These funds would also serve a statewide need to reconstruct and expand Interstate 70. The funds would be distributed to the regions throughout the state through the Missouri Highways and Transportation Commission's approved distribution formula to pay for transportation projects selected and identified in a final project plan. The specific projects would be developed using MoDOT's Planning Framework. This framework would be used in each region to ensure transportation projects selected have a high degree of regional significance and public support. Each region would collaboratively develop their project list locally and then submit them to the Missouri Highways and Transportation Commission for final approval and funding.

As part of its long range planning efforts, MoDOT will be engaging Missourians through listening sessions, mobile tours and virtual forums over the next several months. This "On the Move" statewide engagement initiative will elevate transportation priorities across the state. An outcome of On the Move will be a list of projects, created in collaboration with MoDOT planning partners, transportation stakeholders and the general public. The revenues created by a new funding source dedicated to transportation would pay for a great many of those projects. Figure 3 illustrates how new funding would be distributed to the various regions.

FIGURE 3:

CY 2015-2024 STIP
All New Major Project Funding Distributed To Regions Using MHTC Approved Formula
(9/10 of 1 cent general sales/use tax)
(\$ in Millions)

Distributed Funds:	New Funding	Percent of Distributed Funds
Northwest	\$242.56	4.72%
Northeast	\$241.10	4.68%
Kansas City Rural	\$147.47	2.86%
Kansas City Urban	\$932.50	18.11%
Central	\$582.70	11.31%
St. Louis	\$1,768.95	34.35%
Southwest Rural	\$501.31	9.73%
Southwest Urban	\$267.51	5.19%
Southeast	\$465.90	9.05%
Total Distributed Funds	\$5,150.00	100%
Dedicated For I-70	\$1,000.00	
Total New Funding	\$6,150.00	

NOTES:

- New transportation needs include investments for roads, bridges, rail, transit, freight, waterways, aviation, bicycle/pedestrian and all other construction program costs (right of way, engineering consultants, construction inspection, and utilities).

Interstate 70

Investing \$1 billion of the new funds would allow MoDOT to build a **new** I-70 – Missouri’s “Main Street” – **and do it within the first five years of the temporary tax**. This 200 mile project, from Independence to Wentzville, would deliver immediate benefits to the state. The project would rebuild I-70 from the ground up, widening it from a four-lane to a six-lane facility, replacing all of its pavement and bridges and rebuilding its interchanges. I-70 is not only the oldest interstate in Missouri, it is the oldest in the nation.

It would put the state’s heavy construction industry back on its feet and provide sustained job support and economic opportunities across the entire state and, most importantly, create nearly 70,000 direct jobs over the span of the project. Sixty percent of Missouri residents live within 30 miles of I-70 and rely on the highway every day. The corridor is home to one-fourth of all Missouri jobs and generates nearly \$90 billion in economic activity annually. The \$1.5-2.0 billion project would be financed over 20 years using \$1 billion of the new funds and MoDOT’s existing bonding authority.

As a result MoDOT would improve safety and boost the prosperity of Missourians. I-70 has been an economic engine for Missouri for nearly 60 years, an asset of the nation’s first interstate highway that would be threatened if MoDOT is unable to deal with growing traffic levels – especially trucks – that would choke the freeway to stop-and-go conditions by 2030.

An investment now would solve I-70's safety, condition and congestion problems while assuring that I-70 continues to drive Missouri's economic vitality into the future. But, as this proposal comes together, Missourians would be polled to determine if inclusion of the I-70 project enhances the temporary tax plan's probability of passage.

Enactment

Ideally, both houses of the General Assembly would pass the required legislation allowing voters to decide on the temporary tax measure by approving a proposed state constitutional amendment. Assuming passage occurs in the 2013 legislative session, the constitutional amendment would be placed on the November 2014 ballot for voter consideration, unless the Governor places it on an earlier special election. Organizations and interested stakeholders would implement a comprehensive educational campaign in support of the constitutional amendment to encourage Missouri voters to support passage.

Conclusion

The additional dedicated funding for the state's transportation system could create nearly 270,000 jobs, make roads safer, reduce commuter congestion and stimulate economic activity creating a more competitive Missouri. This is an issue that transcends political party, ideology and geography. It's about Missouri's future. Working together, the Legislature, interested stakeholders and citizens can come together to put Missouri back on track as the transportation hub of our country.