

Perfect Storm Brewing in Transportation

by Pete Rahn, director, Missouri Department of Transportation

A “perfect storm” is taking shape for the funding of Missouri’s highways. Three negative factors are potentially coming together to cause the investment in roads and bridges to fall off a cliff beginning in 2010 – leaving too little money to sufficiently maintain our highways, much less address congestion, safety and economic development concerns.



For the past two years, Missourians have dodged a tremendous number of orange barrels dotting our highways during construction season. That’s because we’ve been able to tackle a record amount of construction projects – about \$2.1 billion worth in 2005 and 2006. This might suggest that all is well in the transportation world because there seemingly is plenty of money for highway construction.

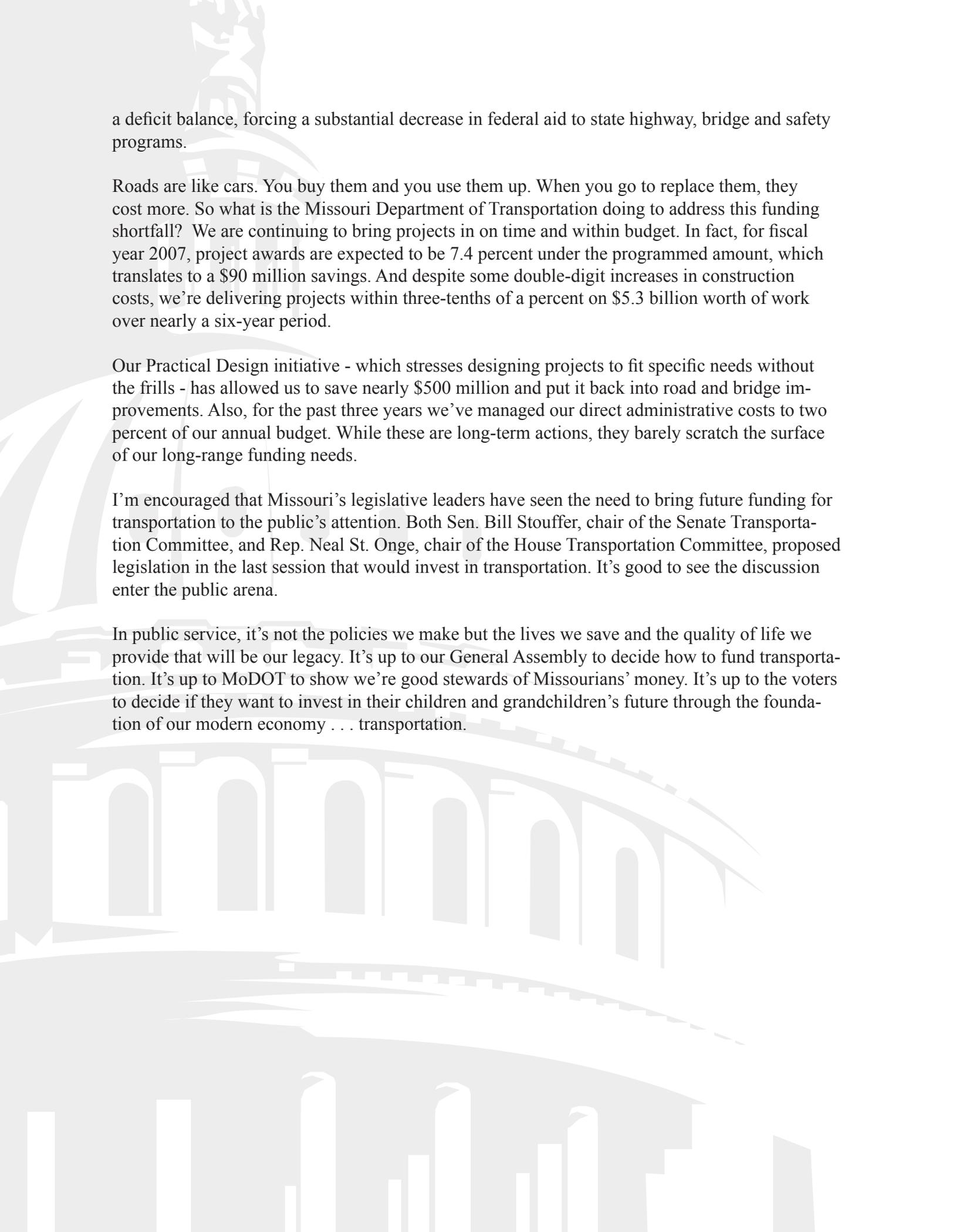
Unfortunately, that’s not the case. In Missouri, we’ve been riding a highway construction wave that is soon to end. The groundswell is largely due to an increase in federal highway funds and voters approving Amendment 3 in November 2004, which redirected one half of the vehicle sales tax from the state’s general fund to road construction and improvements.

Amendment 3 required the Missouri Department of Transportation to leverage this funding through bonding. Using this bond money, we improved the state’s busiest highways that carry 60 percent of all traffic in a two-year period, accelerated key projects and authorized close to \$1.6 billion worth of new construction. As a result, we’ve gone from having the third worst pavement on our major roads to an estimated ninth best. Seventy-four percent of Missouri’s major roads are now in good condition.

In just two years, however, our transportation revenue spirals off a cliff. We will drop from a construction program totaling \$1.23 billion in 2008 to an annual program of \$569 million in 2010. Over the next 20 years, we project we’ll need more than \$37 billion to meet Missouri’s most critical transportation needs. The bad news is we will have only \$19 billion to invest - a gap of \$18 billion not including inflation.

Our looming financial woes are largely due to a stagnant funding source further complicated by increasing construction, maintenance and fuel costs. State and federal fuel taxes – a significant source of transportation revenue - are assessed on a per gallon basis and are not set up to keep pace with the rising costs. They also provide little revenue for alternative modes of transportation, such as aviation, rail, barge and public transit. Additionally, this revenue is shared with cities, counties and other state agencies.

Compounding this problem is lagging federal revenue. The U.S. Department of Transportation is advising states that by October 2009 - for the first time ever - the Highway Trust Fund will have



a deficit balance, forcing a substantial decrease in federal aid to state highway, bridge and safety programs.

Roads are like cars. You buy them and you use them up. When you go to replace them, they cost more. So what is the Missouri Department of Transportation doing to address this funding shortfall? We are continuing to bring projects in on time and within budget. In fact, for fiscal year 2007, project awards are expected to be 7.4 percent under the programmed amount, which translates to a \$90 million savings. And despite some double-digit increases in construction costs, we're delivering projects within three-tenths of a percent on \$5.3 billion worth of work over nearly a six-year period.

Our Practical Design initiative - which stresses designing projects to fit specific needs without the frills - has allowed us to save nearly \$500 million and put it back into road and bridge improvements. Also, for the past three years we've managed our direct administrative costs to two percent of our annual budget. While these are long-term actions, they barely scratch the surface of our long-range funding needs.

I'm encouraged that Missouri's legislative leaders have seen the need to bring future funding for transportation to the public's attention. Both Sen. Bill Stouffer, chair of the Senate Transportation Committee, and Rep. Neal St. Onge, chair of the House Transportation Committee, proposed legislation in the last session that would invest in transportation. It's good to see the discussion enter the public arena.

In public service, it's not the policies we make but the lives we save and the quality of life we provide that will be our legacy. It's up to our General Assembly to decide how to fund transportation. It's up to MoDOT to show we're good stewards of Missourians' money. It's up to the voters to decide if they want to invest in their children and grandchildren's future through the foundation of our modern economy . . . transportation.