IMPORTANCE OF OHIO'S ROAD & BRIDGE SYSTEM

While Ohio is only 35th in size, its population and location makes its road system essential not only to Ohioans but also the nation.

Ohio has the:

- **10th largest highway network**
- **5th highest volume of traffic**
- **4th largest interstate system**
- **2nd largest number of bridges**
- **3rd greatest amount of freight moving in, through or out of the state, as it handles 14 percent of all U.S. freight**

Funding for Ohio's Future

How will we pay for our roads and bridges?

Bridges collapsing, record-high $4 per-gallon gas and construction material shortages have made national headlines. The dire picture of our nation's highway system has been brought into focus closer to home with recent reports showing that the Ohio Department of Transportation's bridge and pavement preservation programs are under-funded by $1.07 billion; 36 percent of Ohio's major urban roads are congested; 25 percent of the state's major roads are in poor or mediocre condition; and one in every four Ohio bridges are structurally deficient or functionally obsolete.

Compounding the situation is the increased use of fuel-efficient and alternative-fuel vehicles, which is dwindling the amount of revenue being generated through the state and federal motor fuel taxes used for transportation improvements and maintenance.

Besides calling for state fuel tax increases, which Ohio's is 28 cents/gallon, the National Surface Transportation Commission (NASTRAC) proposed several innovative transportation financing ideas. Here is a look at three of those financing ideas:

VEHICLE MILES TRAVELED (VMT) TAX

A VMT Tax is a mileage-based pricing concept where a road user can be charged a fee based on:

- Actual miles traveled
- Time of day of travel
- Facility and/or jurisdiction of travel
- Vehicle type

Instead of the current system where motorists are taxed on each gallon of motor fuel they purchase, the VMT Tax would apply a cost for each mile a vehicle is driven.

Advantages to shifting to a VMT Tax are that it could be equitably applied to any vehicle regardless of fuel efficiency or fuel type. The VMT Tax rates could be adjusted to reflect congestion levels, and the charge could be modified based on how much relative wear and tear on the road a given vehicle-type might produce.

The VMT Tax was tested with a 12-month pilot program in Oregon by the Oregon Department of Transportation. The study was considered a success, with key findings indicating that not only was the overall concept viable, but that the utilization of existing infrastructure (such as gas station collection points) was possible, administrative costs minimal, and privacy issues could be adequately managed.

If the VMT Tax concept is to be used on a larger scale several things must occur. A legislative mandate would be needed for vehicles to be outfitted with the technology to track the number of miles they travel, and gas pumps at retail stations need to be set up for the pay-by-the-mile tax payment.

Because of a $16-million authorization through the current federal transportation funding bill, the Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), VMT Tax pilot programs are being conducted in six areas across the nation. While the outcome of these pilot programs will be important in the final decision about the utilization of a VMT Tax, the Oregon experience demonstrates that this is a viable option for generating transportation revenue.

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The Ohio Construction Information Association is a group of citizens, businesses and associations concerned with the condition of Ohio's public infrastructure and its direct relationship to Ohio's economy.

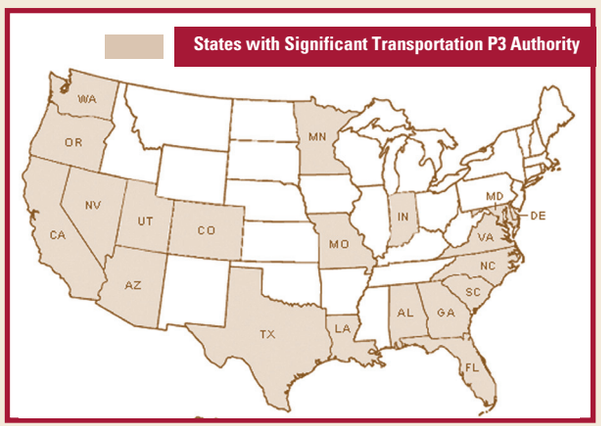
PUBLIC-PRIVATE PARTNERSHIPS (P3s)

P3s are contractual agreements that allow private-sector participation in public-sector projects. While P3s are common internationally, it's fundamentally a different way of looking at transportation investment in the U.S.

Besides having the potential of using private capital – which would free up public money to be used on other needed improvements, and expediting project delivery – because projects can be packaged and procured in numerous ways for faster completion, P3s can incorporate cutting-edge design, management and construction techniques not associated with traditional public-sector projects.

P3s, according to the Federal Highway Administration (FHWA), can be applied to a variety of transportation functions, including:

- Project conceptualization and origination
- Design
- Financial planning and finance
- Construction
- Operation
- Maintenance
- Toll Collection
- Program Management



P3s offer varying degrees of operational and financial responsibilities between the public and private sectors. At opposite ends of the spectrum, the traditional Design-Bid-Build method places the entire process on the shoulders of the public sector – from designing the project in-house to selecting a contractor through bidding, while the Design-Build-Finance-Operate method gives a private entity, or entities, as much autonomy they desire – from initial design phases and accessing capital, to post-construction maintenance and operation.

P3s do not work well in all circumstances. There must be a reliable funding stream to attract private investment, such as a mechanism to recoup front-loaded expenses and make a reasonable profit. A form of P3 gaining much media attention – and controversy – is a "concession" model, which is where a private company or consortium enters into a long-term lease of 75 years or more to operate and maintain specific, already existing, roads or bridges. An example of a "concession" is the $3-billion Indiana Turnpike lease that occurred in 2003.

Many concerns have been raised about concessions. Among those is the fear that profits (i.e. toll increases) will take precedence over safety, maintenance and environmental protection concerns. Also, when an existing road is leased (and tolled), the public perception is it is "paying twice" for the benefit of the road. Another concern is that American companies have had limited experiences with leases and private-sector management of transportation assets, most of the consortiums bidding on concessions are foreign based, which is adding another obstacle for acceptance.

Though concessions are currently not popular with the public, the desire to look at all forms of P3s remains strong. The fact that many states are exploring P3 options indicates that this form of innovative transportation funding and project delivery will increase in popularity.

High-Occupancy Vehicle (HOV) Lanes
High-Occupancy Toll (HOT) Lanes
Freight Lanes

HOV lanes are specifically reserved for vehicles with at least one passenger in addition to a driver. HOV lanes are intended to move traffic along at full speed, while surrounding roads are congested. Numerous cities use HOV lanes, including: Atlanta, Houston, Los Angeles, Washington, D.C. and Seattle.

Working in conjunction with HOV lanes are HOT lanes, which require that a single driver pay a varying toll based upon traffic conditions. Some cities make HOV and HOT lanes reversible, where the same lane used for inbound traffic during the morning is also used by outbound traffic in the evening.

HOV and HOT lanes represent a market-based mechanism for dealing with congestion in high-traffic-volume areas. While toll revenue doesn't always go to the actual construction of new lanes – a criticism that has been raised by those who consider the tolls a form of "double-taxation" – it is a way to stretch scarce resources by finding the most-efficient use of existing lanes. The FHWA supports HOV and HOT lanes as part of a multi-faceted traffic management program.

"Truck Only Lanes" or "Freight Lanes" are also being examined as a way to enhance the national transportation infrastructure. Essentially these would be additional toll lanes that would only be utilized by trucks for freight movement. The core idea being that increased speed, reliability and payload would provide the right incentives for trucking companies and shippers to pay for superior performance. These narrowly focused tolls would direct money in a targeted way, as opposed to merely increasing the diesel fuel tax those companies now pay. This idea of a toll lane designed specifically for "superior performance" for freight delivery will be especially important in the future, as the dramatically increased level of freight being carried by trucks will coincide with the anticipated growth of regular traffic congestion.

Ohio could soon find out how well truck-only lanes will work. As part of a program known as "Corridors of the Future," a federal initiative to develop multi-state highways that will help reduce congestion, Ohio, Illinois, Indiana and Missouri will begin examining truck-only lanes over a 789-mile stretch of Interstate 70. Particularly attractive in testing for reduced congestion and rapid freight movement along this route is that I-70 travels within 25 miles of six major international airports and air-cargo hubs.

The future of highway funding is in doubt. Numerous ideas are being floated around as to how to best enhance an aging infrastructure that needs not only **repairing**, but significant **upgrades** in order to keep Ohio moving forward. Whether it's VMT, P3s, HOV, HOT and freight lanes, increased gas tax, or some combination of them all, **the time is now for looking at our options and investing in Ohio.**