

OSHP in Need of Funding

'MAY I RAISE YOUR LICENSE AND REGISTRATION FEES?'



Increases in the license and registration fees of Ohioans could help generate an estimated \$106 million a year to help stem the Ohio State Highway Patrol's funding shortfall.

Back-up cameras and sensor alarms, side-airbags, navigation systems, anti-lock brakes and traction controls are all new car "extras" that consumers willingly pay for to improve their safety.

Paying more for highway safety may be something all Ohioans will be doing if recent recommendations by an Ohio State Highway Patrol

(OSHP) Funding Task Force come to fruition.

The 19-member task force, which was created by the 2007 General Assembly, was formed to identify funding sources that would sustain a long-term funding solution for the OSHP.

Prior to State Fiscal Year 2004, the OSHP was primarily funded through the state gas tax – receiving

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Infrastructure Insight is featuring a series of articles on innovative transportation financing ideas. In this issue we study the Public-Private Partnerships:

Innovative Transportation Financing Ideas

VMT TAX
SPRING

P3s
SUMMER

Congestion Pricing & Dedicated Freight Lanes
FALL

HOW ARE WE GOING TO PAY FOR INFRASTRUCTURE IN THE COMING DECADES?

A Look at Public-Private Partnerships

While this *Infrastructure Insight* series on "Innovative Transportation Financing Ideas" has been looking at ways to provide road and bridge improvements in a time when public fund-

ing is lacking and project timelines are long, one construction model – **Public-Private Partnerships (P3s)** – seemingly could help on both fronts.

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approximately \$185 million annually from the Ohio Highway Fund. The state's FY 2004-2005 biennial budget began a four-year phase out of funding the OSHP through the gas tax, which the revenue is now fully going toward Ohio's construction and maintenance of its roads and bridges. Even with the former OSHP funding going to the Ohio Department of Transportation, **pavement and bridge preservation programs remain under-funded by more than \$1.07 billion.**

In order to fund OSHP's services, the FY 04-05 budget bill provided increases in vehicle registrations, driver licenses and temporary tags. However, those combined increases - totaling \$174 million in FY 2007 - were \$11 million less than the patrol was previously receiving from the gas tax. Although it has begun reducing its operating budget, which will trim more than an estimated \$43 million over the next four years, the OSHP is predicting a budget deficit of more than \$400 million by FY 2013.

In its final report, released June 30, **the OSHP Funding Task Force proposed to change Ohio's title fee structure to generate an additional \$106 million a year for the patrol department.** "It's not set in stone. All that has been presented is a series of recommendations," said Tom Hunter, communications director for the Ohio Department of Public Safety, which oversees the OSHP.

The proposed fee increases, which if approved would at the earliest go into effect July 2009, would include a 2.5-percent increase to the International Registration Plan - which is a standardized fee for trucking companies operating in multiple states; a \$1 increase in vision screening; a \$5 increase for temporary tags; a \$10 increase for late renewal transaction fines; and vehicle registration increases of \$5.75 and \$19 for non-commercial and commercial trucks.

According to Hunter, 82 percent of OSHP's funding is currently based on motor vehicle fees, so it's no surprise that those fees are likely to increase. "When you have 82 percent based on one funding source, that's obviously an area you need to look at," he said.

Just as the state motor-fuel tax was increased in 2003 as a user fee of improving Ohio's roads and bridges, motorists are being asked to fund proper law enforcement through title fee increases. **Although, title fee increases would be another dent to Ohioans' pocket-books, the late Dudley Moore's thoughts on the service that law enforcement provides society is prophetic, as he said, "The best car safety device is a rear-view mirror with a cop in it."**

STICKER SHOCK

Car shoppers peruse invoice stickers to see if their next automobile has the latest safety features. Ohioans could soon be paying more in the way of license and registration fees to provide proper funding for the Ohio State Highway Patrol. Here are the recommendations in fee increases by the OSHP Funding Task Force:

**Back-up camera • Back-up sensor alarms • Side airbags
Navigation systems • Anti-lock brakes • 4-wheel traction controls**

	Current Fee	Proposed Fee Increase	Est. OSHP Revenue
International Registration Plan	Varies	2.5%	\$1.7 million
Vision Screening	\$1	\$1	\$1.8 million
Temporary Tags	\$10.50	\$5	\$9.4 million
Late Renewal Transaction Fines	\$0	\$10	\$21.0 million
Vehicle Registrations Excluding Commercial Trucks	Varies	\$5.75	\$61.8 million
Including Commercial Trucks	Varies	\$19	\$10.5 million

ESTIMATED TOTAL REVENUE GENERATED

\$106 million

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. According to U.S. DOT Secretary Mary Peters in a *Minority Report of the National Transportation Policy and Revenues Commission*, released this past January, "There is a vast amount of private sector capital and capacity for investment and innovation that can be brought to bear to improve the U.S. transportation system in a price-and-invest versus a tax-and-spend policy."

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.

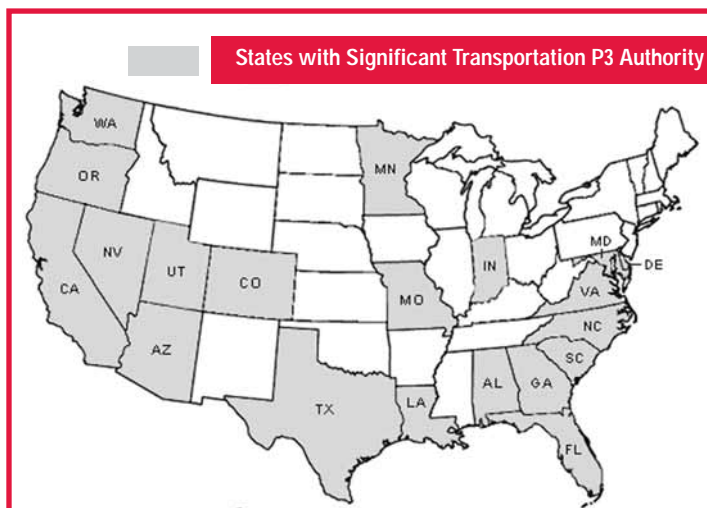
P3s, according to the Federal Highway Administration, can be applied to a variety of transportation functions, including:

- 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 bid-

ding, while the Design-Build-Finance-Operate method gives a private entity, or entities, as much autonomy as 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. Because American companies have had limited experiences with leases

and private sector management of transportation assets, most consortiums bidding on concessions are foreign based, which is adding another obstacle to being accepted.

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.**

In the fall issue of *Infrastructure Insight*, another form of innovative financing ideas considered in the National Commission on Surface Transportation's report – dedicated freight and High Occupancy Toll lanes – will be studied.

TRANSIT AUTHORITIES HURTING DESPITE MORE RIDERS

‘Increased ridership actually results in a revenue shortfall’

It’s like asking someone you don’t know: “When is your baby due?” As the question leaves your mouth you aren’t sure if you’re going to offend the person. That’s the similar dilemma one faces if you would ask a public transit authority exec: “Are you happy that ridership is up?”

The question might lead to a pregnant pause.

With **gas prices climbing nearly 30 percent from last year’s Independence Day to this past July 4**, more and more Americans are surrendering their cars – and their personal freedom of leaving for and arriving at destinations on their own time – for bus schedules and multiple transit connections. According to the American Public Transportation Association (APTA), Americans took 85-million more trips on public transportation in the first three months of 2008, than they did in the first quarter of last year – a 3.2 percent increase.

While use of public transportation rose nationwide in the first quarter, the Federal Highway Administration reported that vehicle miles traveled declined 2.3 percent over that same span.

“There’s no doubt that the high gas prices are motivating people to change their travel behavior,” said APTA President William W. Millar. “More and more people have decided that taking public transportation is the quickest way to beat the high gas prices.”

Transit ridership is on the upswing in Ohio as well. This year, the Southwest Ohio Regional Transit Authority in Cincinnati reported an 8-percent ridership increase on its longer routes of 25 miles or more in April, and its West Chester to downtown Cincinnati route was up 19 percent; Cleveland’s Regional Transit Authority (RTA) has seen a 10-percent increase in ridership; the Central Ohio Transit Authority in Columbus reported ridership up 8 percent in the first half of 2008; and in Zanesville, South East Area Transit (SEAT)

and Z-Bus have seen a 10-percent increase.

While getting people out of their cars and on buses may seem like good news for public transportation, *Popular Science* reports differently. “The cost of fuel and electricity are at recent highs and climbing. Building materials for system expansion are also on the rise. **Only a quarter to a third of the actual cost of a fare is paid by the rider; taxes and government budgets account for the remainder.** In some states like Rhode Island, the public transit relies on the state’s gas tax. (In Ohio, public transit is funded through a combination of fare-box charges and local and state funds.) **This creates a kind of mad circle in which commuters buy less gas to instead use mass transit more – and increased ridership actually results in a revenue shortfall.**”

Ironically, while high fuel prices are prompting higher ridership numbers, they are hurting bus transit groups. SEAT reports a 26-percent increase in diesel costs which is hurting the bottom line. “We’re going to convert some of our buses over to gas to try to save some money,” SEAT General Manager Steve Connell told the *Zanesville Times Recorder*. “It’s very challenging.”

And how are other transit authorities meeting the higher fuel cost challenge? In a time when they’re generating more ridership revenue, the Butler County Regional Transit Authority **raised fares on some of its roundtrip routes by as much as 50 cents, and RTA is cutting routes in the wake of a projected \$8-million shortfall because of higher fuel costs.**




The impact of high motor-fuel prices, which affect the amount of revenue being generated for the construction and upkeep of roads and bridges – and in some states the funding of mass transit systems, is further evidence that **new ways need to be sought in order to fund the nation’s transportation construction and mass transit systems.**

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FUEL COSTS AND WHERE WE CALL HOME

Whether it's made to make us laugh, or an attempt to commiserate with the consumer, we're all familiar with the eye-catching gas station marquees that list the cost of different fuel grades:

Well, that's when gas prices were at 2007 levels. ▶

Regular <i>(Arm)</i>	
Plus <i>(Leg)</i>	
Diesel <i>(1st born)</i>	

If we're talking summer 2008, a better depiction would be: ▶

Regular <i>(Arm & Leg)</i>	
Plus <i>(1st born)</i>	
Diesel <i>(Mortgage)</i>	

According to a national survey of real estate agents, **more than three fourths of prospective home buyers are now more inclined to live in an urban area because of fuel prices.**

In its article, "Fuel Prices Shift Math for Life in Far Suburbs," *The New York Times* reported, "The shift to costlier fuel is threatening to slow the decades-old migration away from cities, while exacerbating the housing downturn by diminishing the appeal of larger homes set far from urban jobs."

Suburban Denver resident Phil Boyle said in the article that his family is considering moving closer to town. "Before, it was: 'We spend too much time driving.' Now, it's: 'We spend too much time *and* money driving,'" he said.

In 2003, Bureau of Labor Statistics listed the average suburban household spending \$1,422 a year on gasoline; in April 2008, that same household was spending \$3,196 a year, and at \$4/gallon, that suburban household can expect to spend more than \$3,500 per year.

Higher gas prices aren't the only thing affecting the price of the American commute. In May, *Forbes.com* wrote, "Indeed, though the cost of gasoline does matter, other factors, including distance, congestion, carpooling rates and the use of public transit also play

important roles." In looking at "Cities With the Worst Pain at the Pump," *Forbes* looked at the nation's 50-largest metro areas to determine how much commuters pay each day based on the combination of motor fuel and congestion costs. David Schrank, a research engineer with the Texas Transportation Institute, said that a **car traveling an unimpeded 50 to 60 mph is traveling approximately 23 miles per gallon (mpg), but once that speed limit drops to congested 20-mph traffic, the mileage drops to 16 mpg.** "As you get more and more stop-and-go – with the emphasis on stop – you start ... going nowhere and burning gas," Schrank said.

Higher gas prices aren't only affecting our drive to and from work. City planners and officials are anxiously watching this reversal of where Americans are calling home. **In recent decades, more and more infrastructure – from roads to water, storm water and sewage facilities – and schools have been constructed in the suburban areas. Many governments now focus on reviving their downtowns.**

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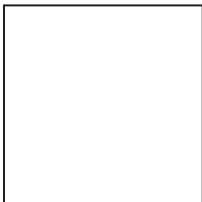
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