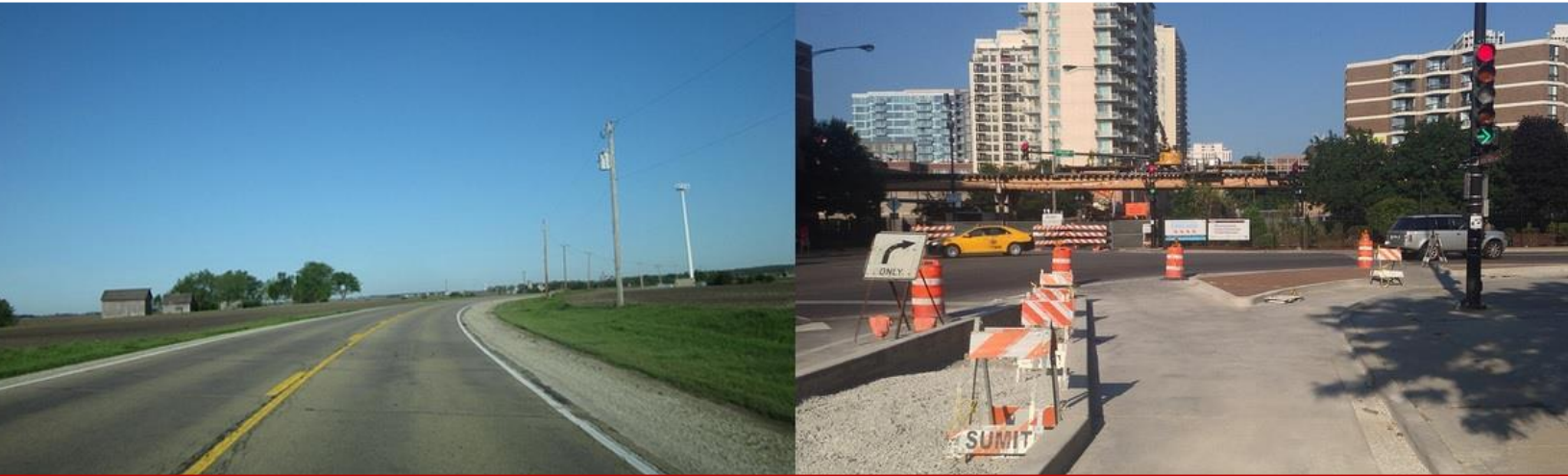


BETTER ROADS AHEAD



Vote YES on the Illinois Transportation Funds Amendment

July 18, 2016

Frank Manzo IV
Policy Director



Executive Summary

The Illinois Transportation Funds Amendment would constitutionally protect— or “lockbox”— all revenue contributed by drivers through motor fuel taxes, tollways, licenses, and vehicle registration fees and require that the money is used solely for transportation purposes. Revenue generated by those who use transportation infrastructure would only be allowed to be spent on public highways, roads, bridges, mass transit systems, commuter rail, airports, and other forms of transportation.

This amendment to constitutionally protect transportation funds is a common-sense measure. As a multi-modal transportation hub of America, Illinois needs high-quality transportation infrastructure. Motor fuel taxes, licenses, and vehicle registration fees have always been intended to fund transportation infrastructure. A recent ballot initiative in neighboring Wisconsin demonstrates that voters want their user fees to go to their intended purposes.

The Illinois amendment has strong bipartisan support from Republicans and Democrats. The Illinois House voted 98-4 in favor and the Illinois Senate voted 55-0 in favor of the constitutional amendment. Local governments, private businesses, the Chamber of Commerce, labor unions, transportation associations, and regional planning organizations have endorsed passage of the constitutional amendment.

Experience has shown that voters should not trust Illinois politicians to use transportation revenues on transportation expenditures. Despite the fact that motor fuel taxes, licenses, and vehicle registration fees are all intended for transportation funding, lawmakers have diverted about \$6.8 billion from transportation funds since 2002. An amendment to the constitution would prohibit lawmakers from creating new potholes and unsafe infrastructure over the long run to close other, short-term budget holes.

The total cost of these diversions has been a \$3.2 billion loss in economic output. Over the past decade and a half, diversions out of the Road Fund, the State Construction Account, and other transportation funds have resulted in 4,747 fewer jobs in Illinois and a significant economic loss of \$3.2 billion. A constitutional lockbox on transportation funds would protect these jobs, boost the economy, and improve economic efficiency in Illinois.

Illinois politicians have wasted tax dollars on bureaucracy and mismanagement for too long. By requiring all money from transportation-related taxes to be spent on transportation, the Illinois Transportation Funds Amendment would increase funding for roads and bridges in Illinois. The lockbox amendment, if passed, would also increase funding for safety inspections of roads, bridges, and commuter rail lines.

The Illinois Economic Policy Institute (ILEPI) urges the public to vote Yes on the constitutional amendment.

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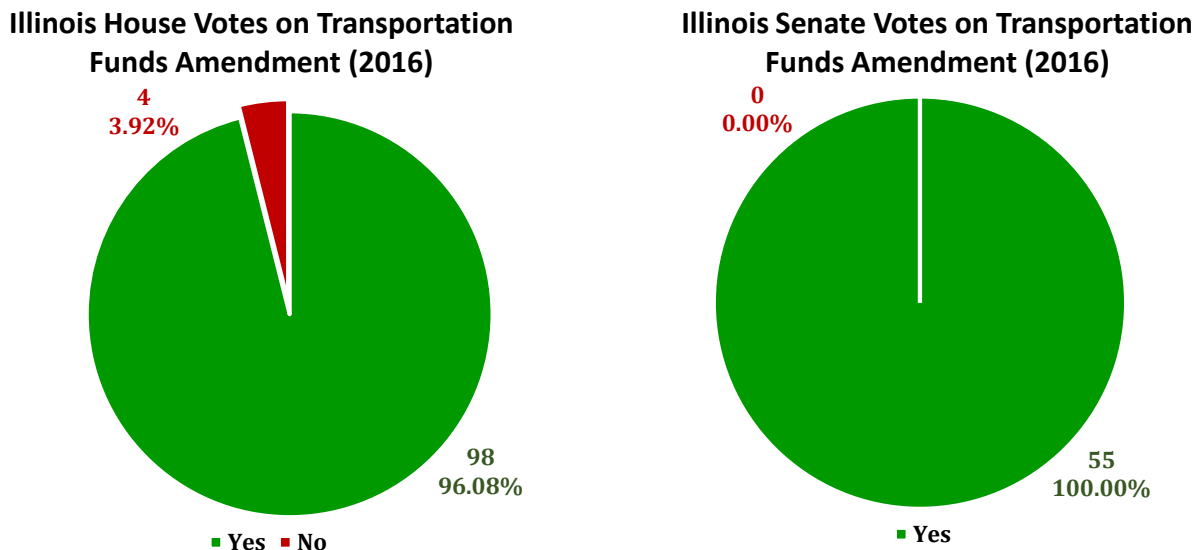
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Introduction

This November, Illinois voters will vote on a constitutional amendment that would prevent politicians in Springfield from raiding transportation funds to address other budget shortfalls. The Illinois Transportation Funds Amendment, [HJRC A0036](#), would constitutionally protect—or “lockbox”—all revenue contributed by drivers through motor fuel taxes, licenses, and vehicle registration fees and ensure that the money is used solely for transportation purposes. Revenue generated by those who use transportation infrastructure would only be allowed to be spent on constructing, maintaining, and repairing roads, bridges, mass transit systems, rail, airports, and other forms of transportation. The changes would only apply to transportation-related fees ([Reboot Illinois, 2016](#)).

The constitutional amendment passed the Illinois General Assembly with nearly unanimous bipartisan support (Figure 1). On April 22, 2016, the House voted 98-4 in favor of the bill (96.1 percent). The bill was subsequently sent to the Senate, where it was approved by a vote of 55-0 (100.0 percent) on May 5, 2016. The across-the-aisle support is encouraging during this prolonged period of partisan gridlock in Illinois.

FIGURE 1: ILLINOIS GENERAL ASSEMBLY VOTES ON THE ILLINOIS TRANSPORTATION FUNDS AMENDMENT, APRIL-MAY 2016



Source(s): [Ballotpedia, 2016a](#).

The Illinois Transportation Funds Amendment, or the “Illinois Lock Box Amendment,” will be decided upon by the voters of Illinois. The Illinois Economic Policy Institute (ILEPI) urges the public to vote [Yes](#) on the constitutional amendment, ensuring that the whimsical lawmakers of Illinois are prohibited from using transportation funds for anything other than their stated purpose. The remainder of this ILEPI Policy Brief presents the economic rationale for protecting user fees, discusses a similar constitutional amendment that passed in Wisconsin in 2014, examines the previous sweeps and diversions from Illinois’ transportation funds, and assesses the economic costs of not having a lockbox on transportation funds in Illinois. The report concludes by recapping key findings.

Why User Fees Should Be Protected

A “user fee” is simply a price paid by individuals for a government-provided good or service. Whereas a tax is levied on the general population, a user fee is only charged when an individual uses a good or service. In transportation, user fees are based on the principle that those who drive on the roads should pay for the roads. Motor fuel taxes, tolls, and registration fees are examples of user fees that Illinois motorists pay in exchange for high-quality public infrastructure.

User fees have many advantages compared to general taxation. First, they promote taxpayer fairness. Infrastructure investment is paid for by those who actually use the roads, bridges, and mass transit systems instead of being subsidized by people who do not. Simply put, motorists get what they pay for. Second, road user fees give public bodies flexibility to adjust revenues and expenditures to meet economic conditions. If a toll road becomes more congested, the Illinois State Toll Highway Authority can raise the rate to generate more revenue, alleviate traffic, and improve the environment. Finally, user fees eliminate the “free-rider” problem. While anyone can voluntarily choose to drive on public roads in Illinois, constructing and maintaining the infrastructure is not free. User fees help to prevent overuse of public infrastructure. Motor fuel taxes, tolls, and registration fees improve motorist awareness on the costs of driving on the roads ([Summers, 2005](#)).



When Illinois’ residents pay road and mass transit user fees, there is a reasonable expectation that the money they contribute will actually go to fund transportation infrastructure. However, state legislators have continually diverted money in transportation funds to other purposes many times over the past decade and a half years. Only about 73 percent of all spending from the Road Fund is on direct transportation expenditures ([Manzo, 2014](#)). From 2002 to 2015, an estimated \$6.8 billion was diverted away from the transportation funds to pay for general government, state police, Department of Natural Resources, health insurance, workers compensation, and other costs ([TFIC, 2016](#)). Additionally, in 2015, lawmakers decided to sweep \$1.3 billion from special funds to close the state revenue gap— including \$250 million from the Road Fund ([The State Journal-Register, 2015](#)).

Illinois motorists deserve better. Most states have constitutional language designating how transportation revenues are to be used; 19 have specific “trust funds,” or lockboxes. The future population of Illinois deserves high-quality transportation infrastructure. Road Fund revenues should be used to close potholes created by vehicles, not close other budget holes created by state politicians.

The Wisconsin Case Study

In 2014, voters in Wisconsin approved a comparable constitutional amendment called the “Wisconsin Transportation Fund Amendment.” The amendment was “put on November 4, 2014 ballot to ensure that revenue generated from transportation-related fees and taxes would be protected from diversion to non-transportation programs outside of the Wisconsin Department of Transportation’s jurisdiction” (TIAC, 2014). In February 2013, the resolution passed the Assembly by a vote of 82-13 (86.3 percent) and the Senate by a vote of 25-8 (75.8 percent).

Proponents of a constitutionally-protected transportation fund argued that it was a common-sense measure. In Wisconsin, nearly \$1.4 billion was diverted from transportation funds to other sources over a decade. Note that this is significantly less than the \$6.8 billion that has been diverted from Illinois’ Road Fund since 2002. Included in the 50-organization coalition to lockbox Wisconsin’s transportation funds were local chambers of commerce, labor unions, businesses, and transportation associations. This bipartisan, broad-based coalition was essential to garnering public support for the constitutional amendment (TIAC, 2014).

The *Wisconsin State Journal* urged voters to approve the constitutional amendment. “State motorists deserve a guarantee,” the newspaper wrote in an October 3, 2014 editorial. The state needed to get serious about paying for transportation, the article continued. “Yet both major political parties, when in charge, have failed to raise as much money in transportation revenue as they’ve spent on transportation projects. ... Voters this fall can help steer state leaders in the right direction by insisting the transportation fund is protected” (*Wisconsin State Journal*, 2014). The Editorial Board of the *Green Bay Press-Gazette* concurred on October 15, 2014. The newspaper contended, “If those in the State Capitol can’t stop themselves from taking money from designated funds and using it for unrelated expenses, then maybe it’s time for a constitutional amendment to do that” (Ballotpedia, 2016b).

On November 4, 2014, 79.9 percent of Wisconsin residents voted Yes to the constitutional amendment compared to 20.1 percent voting No (Figure 2). With four-fifths of voters approving the measure, the amendment passed. Voters in Illinois should do the same.

FIGURE 2: WISCONSIN TRANSPORTATION FUND AMENDMENT, QUESTION 1 – NOVEMBER 4, 2014 POPULAR VOTE

Election Result	Number of Votes	Percentage
Yes	1,733,101	79.94%
No	434,806	20.06%

Source(s): Ballotpedia, 2016b.

The Cost of Previous Diversions

Opponents of the constitutional amendment are concerned that a lockbox on transportation funds would create budget inflexibility at a time when Illinois needs to balance budgets. By specifically protecting transportation funds, politicians could argue that other non-protected funds will be plundered to make up general budget shortfalls. Though valid, these are generally weak arguments.

First, during the recent budget impasse in Illinois that lasted for over a year, the Illinois Department of Transportation was nearly forced to shut down \$2 billion in planned and ongoing public infrastructure projects. Politicians in Illinois nearly halted spending on transportation— even though the revenue had already been generated through motor fuel taxes, licenses, and other fees— because they could not find enough revenue to fund other services. Politicians should not be able to suspend vital transportation investments and freeze taxpayer dollars that have already been paid by motorists because they cannot find common ground to solve other revenue problems (*The State Journal-Register*, 2016a).



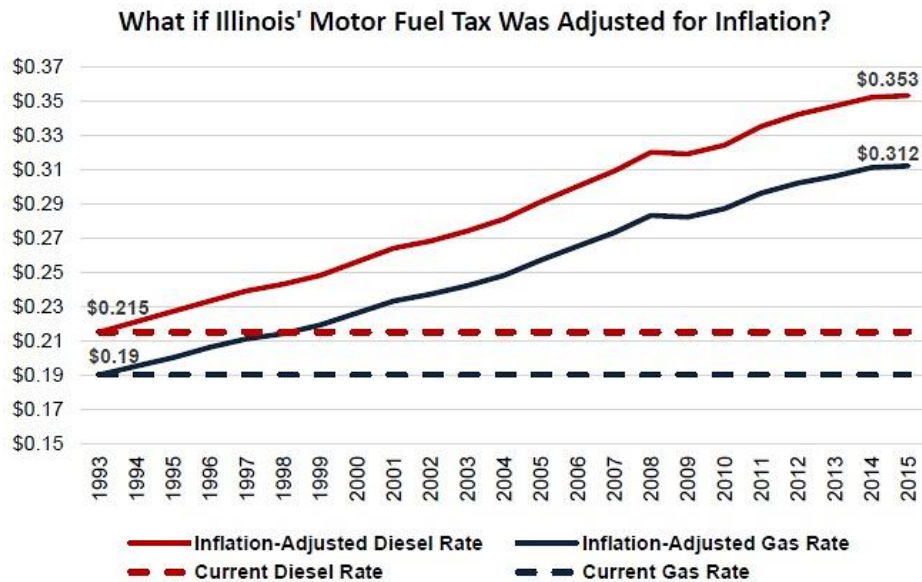
Lawmakers have not allocated transportation revenues wisely in the past. Since 2002, nearly \$6.8 billion has been diverted away from Illinois' transportation funds to pay for other items. Less than three-quarters of the revenue paid by Illinois' drivers in motor fuel taxes, licenses, and vehicle registration fees was actually spent on direct transportation expenditures from 2002 to 2012 (Manzo, 2014).

Illinois' lawmakers should not be allowed to balance the General Fund in one year by taking surpluses from the Road Fund that are intended for use in future years. Transportation fund diversions place an indirect cost on future generations, who will have to pay to fix inadequate roads, bridges, and mass transit systems that have been underfunded. Driving on roads in need of repair already costs Illinois motorists \$441 per year in extra vehicle repairs and operating costs (ISASCE, 2014). Diversions away from infrastructure investment have only increased this personal cost. An amendment to the constitution would prohibit lawmakers from creating these new potholes in order to close other unnecessary budget holes.

The costs of inaction on transportation funding have been substantial. Previous underinvestment, diversions, and political decisions have resulted in a \$43 billion transportation deficit in Illinois (MPC, 2016). In addition to political

diversions, the failure by lawmakers to simply adjust motor fuel taxes for inflation has cost the state another \$10 billion since the 1990s (Figure 3).

FIGURE 3: ILLINOIS' MOTOR FUEL TAX RATES IF THEY WERE ADJUSTED FOR INFLATION, MANZO & MANZO (2016)



The Illinois Transportation Funds Amendment promotes both government accountability and business confidence. By providing a lockbox, Illinois residents can be assured that the money they pay to use the roads will actually go towards the roads. Illinois residents *want* better infrastructure, and may be willing to pay slightly more in taxes or fees if they know for certain that the money will go to improve roads and bridges. At the same time, contractors would be assured that the state will have the necessary funds to continue investing in public infrastructure. Business confidence would rise as transportation networks are modernized, making the flow of goods and people more efficient in Illinois.

The Economic Cost of Not Having a Lockbox

Over the past fourteen years, a total of \$6.8 billion has been diverted from the Road Fund, the State Construction Account, and other transportation funds for other purposes (Figure 4). These diversions represent about one-fifth of the total revenue that was deposited into the accounts since 2002. Transfers to other funds ranged from \$172 million to \$783 million per year. Most recently, politicians swept \$522 million in transportation funds to close other budget holes in 2015. The Illinois Transportation Funds Amendment would establish a firewall and prevent these diversions going forward.

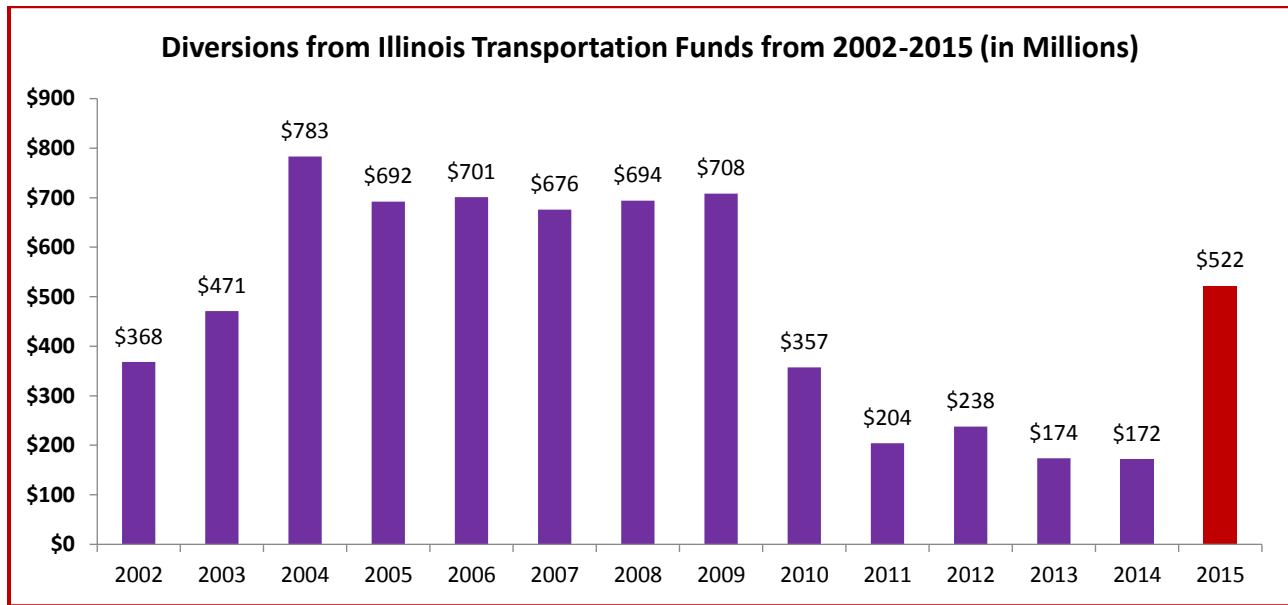
This section utilizes the IMPLAN (Impact analysis for PLANning) software to measure the impact of these diversions on total employment and economic activity in Illinois. IMPLAN is an input-output software that estimates the ripple effect, or multiplier, of changes in industry spending. The input-output model investigates inter-industry relationships in the Illinois economy based on Census data, specifically measuring market transactions between industries and households. IMPLAN is considered the “gold standard” for economic impact modeling.



IN THEIR OWN WORDS: BIPARTISAN SUPPORT IN ILLINOIS

- **Illinois Senate Republicans:** “The constitutional amendment passed with overwhelming support from both parties in the Legislature” (*Illinois Senate GOP*, 2016).
- **Illinois Democratic State Senator Bill Haine of Alton:** “This is historic in the sense that it will preserve the road fund from being raided for non-transportation, non-road or bridge use” (*Alton Daily News*, 2016).
- **Illinois Democratic State Representative Brandon Phelps of Harrisburg:** “It’s important to have this lockbox amendment in place because it will leave more money in transportation infrastructure, which will create more jobs” (*The State Journal-Register*, 2016b).
- **Todd Maisch, President and CEO of the Illinois Chamber of Commerce:** “Together with lawmakers, the Illinois Chamber will spend the next six months explaining to local chambers, business owners, laborers, and taxpayers that the amendment will honor the promise that infrastructure projects will be sole beneficiary of the Road Fund. ... This will lead to a better transportation network, more jobs, and a growing economy” (*The State Journal-Register*, 2016b).
- **Marc Poulos, Executive Director of the Indiana, Illinois, Iowa Foundation for Fair Contracting, a labor-management group:** “A thank you to 98 Representatives and 55 Senators for protecting our transportation fees through a constitutional amendment. Next up: voter approval on the November ballot” (*Poulos*, 2016).

FIGURE 4: TOTAL DIVERSIONS FROM ILLINOIS' TRANSPORTATION FUNDS BY YEAR, 2002-2015, IN MILLIONS OF DOLLARS



Source(s): Author's analysis of *TFIC*, 2016 information.

Economic impact analyses produce three distinct effects: direct effects, indirect effects, and induced effects. The *direct effect* is the impact on government as a result of the diversions. For instance, the diversions directly reduce the number of blue-collar construction workers employed in Illinois because there are fewer dollars available to construct and maintain transportation infrastructure. The *indirect effect* measures inter-industry purchases that occur, or fail to occur, as a result of the diversions. As diversions reduce the investment in transportation construction projects, contractors purchase less materials and machinery from other sectors in the Illinois economy. This is an indirect effect. Finally, the *induced effect* is the broader consumer spending impact by those who are affected by the direct and indirect effects.

The economic cost of not having a lockbox on Illinois' transportation funds has been significant (Figure 5). Since 2002, diversions from transportation funds have cost more than 49,700 construction workers and transportation employees their jobs. Estimates suggest that the diversions saved nearly 56,500 jobs at other state and local government agencies. However, the cumulative indirect and induced effects have resulted in 11,500 jobs lost in other sectors of the Illinois economy. In total, the economic cost of not having a lockbox on transportation funds has been a loss of 4,747 jobs in the Illinois labor market since 2002.

FIGURE 5: ECONOMIC IMPACT ANALYSIS ON THE EFFECT OF TRANSPORTATION DIVERSIONS IN ILLINOIS, 2002-2015

Impact Type	Employment	Economic Output
Direct Effect: Construction and Transportation Workers	-49,736	-\$6.16 billion
Direct Effect: State and Local Government Employees	+56,489	+\$6.17 billion
Indirect Effect	-17,672	-\$4.11 billion
Induced Effect	+6,172	+\$0.93 billion
Total Effect	-4,747	-\$3.17 billion

Source(s): Author's analysis using *IMPLAN*, 2015.

The diversions also have had a negative impact on Illinois' gross domestic product (GDP). Since 2002, not having a lockbox on transportation funds has resulted in a \$3.2 billion decline in economic activity throughout Illinois. The

diversions from the Road Fund, the State Construction Account, and similar funds result in an overall loss of jobs *and* a drop in economic output in Illinois. Therefore, this accounting gimmick by politicians is economically inefficient (Figure 5).

Concluding Remarks

The Illinois Transportation Funds Amendment would constitutionally protect— or “lockbox”— all revenue contributed by drivers through motor fuel taxes, tollways, licenses, and vehicle registration fees and require that the money is used solely for transportation purposes. Revenue generated by those who use transportation infrastructure would only be allowed to be spent on public highways, roads, bridges, mass transit systems, commuter rail, airports, and other forms of transportation.

This amendment to constitutionally protect transportation funds is a common-sense, bipartisan measure. As a multi-modal transportation hub of America, Illinois needs high-quality transportation infrastructure. Motor fuel taxes, licenses, and vehicle registration fees have always been intended to fund transportation infrastructure. The Illinois House voted 98-4 in favor and the Illinois Senate voted 55-0 in favor of the constitutional amendment. Local governments, private businesses, the Chamber of Commerce, labor unions, transportation associations, and regional planning organizations have endorsed the constitutional amendment.



Experience has shown that voters should not trust Illinois politicians to use transportation revenues on transportation expenditures. Despite the fact that motor fuel taxes, licenses, and vehicle registration fees are all intended for transportation funding, lawmakers have diverted about \$6.8 billion from transportation funds since 2002. An amendment to the constitution would prohibit lawmakers from creating new potholes and unsafe infrastructure over the long run to close other, short-term budget holes.

The economic cost of these diversions has been significant. Since 2002, diversions from transportation funds to other purposes have resulted in 4,747 fewer jobs in Illinois and a loss of \$3.2 billion in cumulative economic output. A

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