



The Monitor

RAISING THE BAR BY MONITORING THE CONSTRUCTION INDUSTRY

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Road user fees A smoother path

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Running on empty:
Federal Highway
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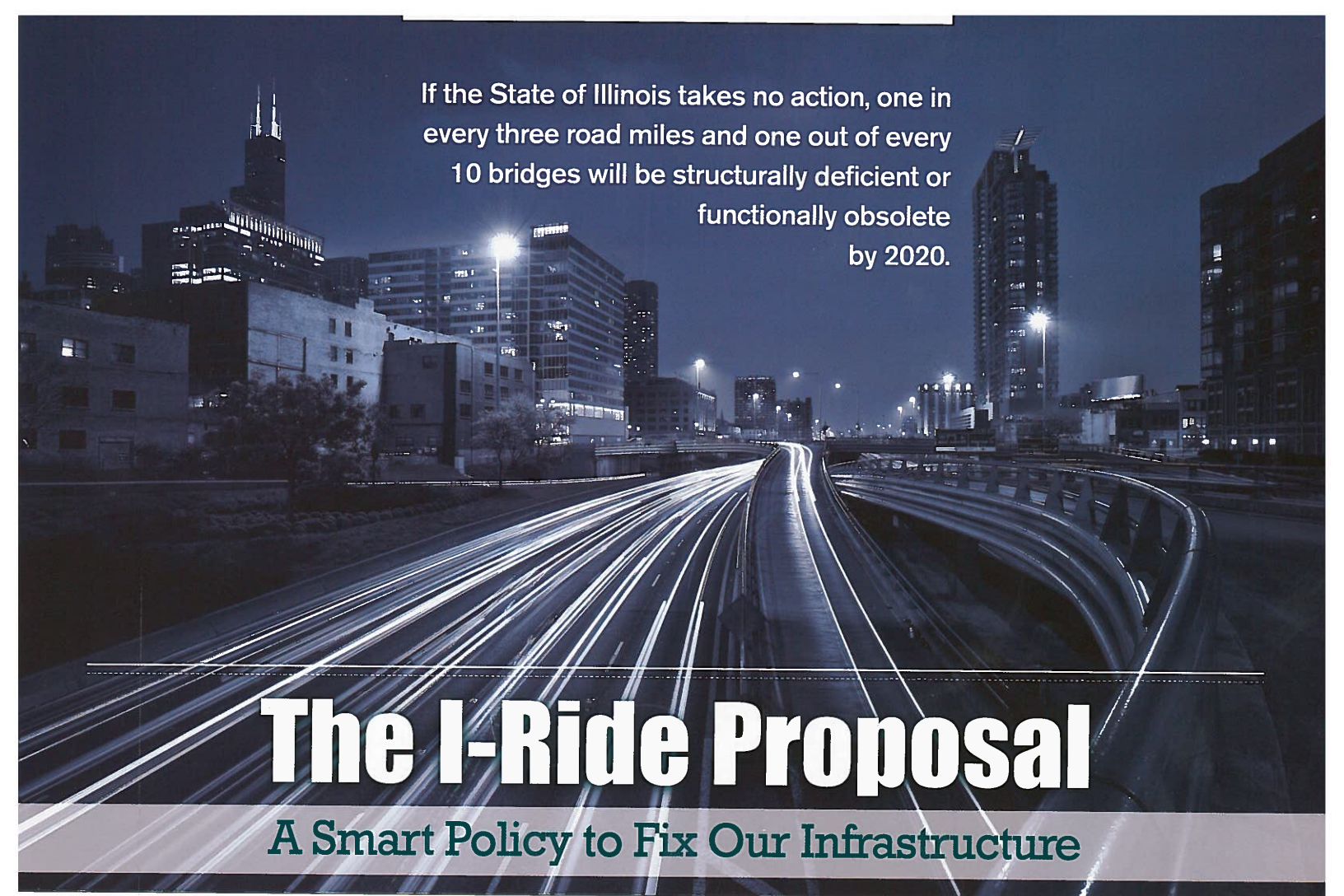
60 years of success
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If the State of Illinois takes no action, one in every three road miles and one out of every 10 bridges will be structurally deficient or functionally obsolete by 2020.

The I-Ride Proposal

A Smart Policy to Fix Our Infrastructure

Today, the quality of Illinois' transportation infrastructure is inadequate. Roads are in "poor to mediocre" condition, costing the State \$2.2 billion annually. If the State of Illinois takes no action, one in every three road miles and one out of every 10 bridges will be structurally deficient or functionally obsolete by 2020. The total annual funding needed to maintain and operate the state system has been estimated at \$5 billion per year.

Unfortunately, resources that pay for operating, maintaining, and improving the state's transportation network are stagnant and will decline precipitously over the next decade.

Illinois' transportation system is primarily supported by Motor Fuel Tax revenues, vehicle registrations and license fees, and reimbursements from the federal government. These revenue streams are becoming more and more outdated: Motor Fuel Tax revenues are projected to experience declines at all levels of government over the next decade as Cor-

porate Average Fuel Economy (CAFE) standards are raised and alternative fuel vehicles become more commonplace. Similarly, by 2025, the Highway Trust Fund will experience a 30 percent reduction in available funds for highways and a 65 percent drop in available funds for public transit.

The best mechanism to replace current revenue sources is a road user fee based on vehicle miles traveled. Road user fees charge motorists based on their actual usage of the system. Those who drive more, pay more. A road user fee can price usage of a state's highways and streets at a cost equal to the damage incurred to the road by the car plus the cost of modernizing the infrastructure to meet new demands in the future.

The State of Oregon has been the nation's pioneer of the "user pays principle." In 1919, Oregon became the first state to implement a gas tax to fund the maintenance and operation of the state's roads. Over eighty years later, Oregon has implemented two road user fee

pilot programs in 2006–2007 and 2012–2013. Both programs have proven that the concept is a viable alternative to the Motor Fuel Tax, with 91 percent of participants responding that they would voluntarily agree to continue paying a mileage fee instead of the gas tax. Using global positioning system (GPS) technology and a range of mobile apps, Oregon's second pilot charged motorists 1.56 cents per mile. Ultimately, this per-mile rate generated 28 percent more state revenue on average than Oregon's 30 cents per gallon fuel tax. The success of these pilot programs has led Oregon legislators to establish a permanent "road usage charge" system beginning in July 2015.

In a November 2014 policy brief, the Illinois Economic Policy Institute and the Indiana, Illinois, Iowa Foundation for Fair Contracting incorporate insights from the Oregon model to propose the Illinois Road Improvement and Driver Enhancement (I-RIDE) program. Authors Frank Manzo and

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Marc Poulos argue that the I-RIDE addresses current and future transportation infrastructure needs with a modern and sustainable funding method. Utilizing a public-private partnership (P3) agreement, the I-RIDE would allow individuals the freedom to choose their own pay-as-you-drive plan. Except for the third option, Illinois motorists receive reimbursement credits for their Motor Fuel Tax contributions at the pump:

The I-RIDE Smart Plan—reports only miles traveled on public, non-tolled Illinois roads using global positioning system (GPS) tracking technology;

The I-RIDE Convenient Plan—records all miles traveled without turning on GPS location services for residents who wish to keep their location private; and

The I-RIDE Flat Rate Plan—charges motorists a flat rate equal to 30,000 to 50,000 miles per year depending on vehicle class, providing an alternative for those who do not want to have mileage reporting technology in their automobiles.

The I-RIDE rate schedule would depend on the goals of the policy. To simply replace the Motor Fuel Tax for Illinois motorists, the required “Replacement-level Rates” are 1.5 cents per mile for passenger vehicles and single unit trucks and 2.5 cents per mile for multiple unit trucks. However, “Full Capacity Rates” — which would bring Illinois’ system up to par and invest in a world-class transportation network for the future — would require fees of 4.0 cents per mile for passenger vehicles and single unit trucks and 5.0 cents per mile for multiple unit trucks. All rates would be adjusted for inflation every five years.

Under the “Full Capacity Rates,” the estimated bill to the average Illinois household would be \$65 per month (with a credit for any Motor Fuel Tax contributions paid at the pump — \$20 per household on average). This is lower than typical electricity, natural gas, cable and

Internet, and cell phone bills. At just \$65 per month per household, the state could conservatively expect to generate an additional \$2.60 billion in annual funds. After allocations to both highway infrastructure and mass transportation improvements across the state, this additional funding would support over 31,000 new jobs every year, including about 19,000 direct construction jobs. Full capacity funding would also allow the state to complete the CREATE program with full funding in the next decade, would reduce traffic congestion, and would increase worker-to-firm connectivity.

The benefits of the Illinois Road Improvement and Driver Enhancement program are substantial. The I-RIDE is a fiscally-responsible policy that maintains an adequate, predictable, and sustainable revenue stream every year. By making those who actually drive on the roads pay for their usage, the I-RIDE also promotes taxpayer fairness. Moreover, in promoting the stability of infrastructure funds, the I-RIDE encourages businesses to locate in Illinois because they can be certain that their products will be efficiently and predictably delivered to the market.

Illinois has reached a fork in the road. The state can continue down the path of unsustainable funding and low-quality infrastructure, or it can be a global leader in smart, comprehensive infrastructure investment policies that grow the economy. The Illinois Road Improvement and Driver Enhancement program allows the state to choose the second path of transit modernization, congestion alleviation, safety improvements, and high-road economic development. The I-RIDE should be implemented. ■

The I-RIDE Proposal: A Smart, Reliable Policy to Fund Transportation Infrastructure is available online at <http://illinoiseipi.org/policy-briefs-countryside>.



Further, this commentary provides data that labor costs make up only 20.9 percent of the cost of a public works construction project and that there is vast amount of research that shows that state prevailing wage laws have no impact on the overall cost of public construction projects. For more information on this piece, please visit the Illinois Economic Policy Institute at www.illinoiseipi.org.

In sum, and contrary to the headlines, contractors paying at or above prevailing wages truly do prevail. Moreover, prevailing wage laws do not eliminate competition, nor do they raise the cost of public construction projects. ■

Citations:

- *Northwest Herald Article (6/26/14)*—County Board looking to challenge prevailing wage rates
- *Daily Herald Article (5/21/14)*—Mount Prospect lodges protest vote over wages
- *Palatine Patch (8/5/14)*—Letter to the editor: Palatine Township reluctantly passes prevailing wage act.