

Perspectives

THE PERMANENT POTHOLE

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Perspectives examine critical issues in transportation finance. Editor David Pampu can be reached through the Website.

MoveColorado also publishes in-depth white papers that examine these issues in greater detail.

MoveColorado is a private industry organization that provides information, sponsors education programs, and supports the efforts of Colorado community, business and political leaders to solve transportation funding issues.

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The financial underpinning of Colorado's highway system is the motor fuel tax—both state and federal. While this user fee is supplemented in good economic times by General Fund transfers, this fiscal structure does not provide a growing source of revenue for maintaining, rehabilitating and reconstructing our highway system.

Since the 1970's building and maintaining the system has become much more difficult. Rampant population growth, changing environmental requirements, increased costs and rising societal expectations have combined to create a new environment for building and maintaining our transportation infrastructure.

Between 1970 and 2000 Colorado's population nearly doubled and, since 1987, construction costs have increased 155% with 50% occurring in the last five years! Such growth coupled with stringent environmental regulation resulting from federal and state requirements, greater public involvement and new expectations for mitigation, transportation alternatives and amenities have all contributed to increasing the cost and complexity of the highway construction process.

Colorado and its citizens have benefited from the progress and change that has occurred. But this change has come at a price. The price is that we can no longer keep pace with the need. With limited revenue and ever higher costs, fewer and fewer projects can be built. Today, the only practical way to accomplish major, very high cost corridor projects is to either stretch them out over many years (thereby driving up costs even more), build toll roads or seek voter approval to borrow money to accelerate projects (the T-REX project).

Whether these latter two options will remain viable is suspect. The controversies generated by recent toll road proposals and the defeat of Referendum D suggest that these options may not be available. Further, these options only deal with major projects and do little to address ongoing system maintenance needs.

During much of the twentieth century a revenue stream adequate to the need could be maintained by increasing user fees periodically. The relatively low cost of motor fuel and the ability to raise fuel taxes legislatively allowed revenue and need to remain in reasonable balance. Passage of the TABOR amendment and dramatic increases in the price of motor fuel in recent years make it much more difficult to increase user fees. Anti-tax sentiment over the years and the perceived political consequences of advocating increased taxes have resulted in little interest on the part of our political leadership to embrace efforts to convince the voters to raise motor fuel user fees.

The revenue structure underlying highway maintenance, rehabilitation and construction has not kept pace with societal changes and the way we now build our infrastructure. It is out of balance. Without changes to the revenue side of the equation we are faced with a permanent pothole—a larger and larger job with a virtually stagnant revenue stream that is actually decreasing due to inflation. The way we produce highway revenue must be modernized.

Perspective: Generating new revenue is a political issue. Either existing revenue is diverted from other uses or taxes and user fees must be raised. While not a popular position in today's environment, new revenues that grow with system repairs, demand and inflation must be addressed by the political process. Like it or not, this may mean new taxes and user fees.