TESTIMONY

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MISSOURI TRANSPORTATION INFRASTRUCTURE FUNDING

By David Stokes and Michael Rathbone

Testimony Before the Missouri Department of Transportation on Funding Options in Missouri

The reconstruction, expansion, and repair of our state's highways, bridges, and ports are needed and the timing is right for the state to do it now.

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To the Honorable Members of the Missouri Department of Transportation:

These comments are being submitted to the Missouri Department of Transportation (MoDOT) in response to the request for public input as part of a series of community forums being held around the state. Our names are David Stokes, a policy analyst, and Michael Rathbone, a policy researcher, for the Show-Me Institute, a nonprofit, nonpartisan Missouri-based think tank that supports free-market solutions for state policy. The ideas presented here are our own. This testimony is intended to summarize research that the Show-Me Institute has conducted and reviewed regarding the state of Missouri issuing transportation bonds and imposing new taxes to pay for them.

Many elected officials and state transportation voices are proposing a bond issue to fund significant transportation infrastructure investment in Missouri. We support that idea. Now is the time for major transportation investment in our state. The reconstruction, expansion, and repair of our state's highways, bridges, and ports are needed and the timing is right for the state to do it now. Missouri will benefit in many ways from this investment.

This bond issuance should be focused on true transportation needs, and not be treated as a jobs program or an economic stimulus. While quality construction jobs will temporarily result from the enactment of these projects, these projects should not be viewed as jobs programs.

According to Hoover Institution Fellow John F. Cogan and economist John Taylor, in their analysis of the 2009 American Recovery and Reinvestment Act, "The implication of our empirical research … is not that the stimulus of 2009 was too small, but rather that such countercyclical programs are inherently limited. The lesson is to beware of politicians proposing public works and

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other government purchases as a means to stimulate the economy. They did not work then and they are not working now."[1] The state has legitimate reasons to issue bonds and take on debt; using the bonds and debts as jobs projects is not one of them.[2]

State transportation leaders are also proposing a dedicated tax to pay for the infrastructure bonds. That also is a good idea. Dedicated taxes for public goods allow voters to better judge the cost and benefit of the asset; in this case, better transportation infrastructure. Implementing dedicated taxes also eliminates the need to ask future taxpayers to pay for the services that current taxpayers receive.

There are generally three ways to dedicate funds to pay for transportation improvement bonds: tolling, gas taxes, and sales taxes. Tolling and gas taxes both connect the act of using the road, bridge, or port to the method of paying for it. General sales taxes do not. General sales taxes may be preferable to voters, and they may be able to raise larger sums of money quickly, but they are not the preferred method of funding transportation investments. If Missouri pays for these transportation bonds via a general sales tax, people who do not drive will pay the same amount for roads and bridges that long-distance commuters will pay. That is not good public policy.

The decline of the effectiveness of gas taxes can be overstated. Certainly, in the long run, it may not be the best model. But right now and for the near future, gas taxes are still a fair and effective way to fund transportation in Missouri. License and registration fees could also be increased to help ensure that cars with extremely high gas mileage pay their costs of using the roads. We are nowhere near a time when gas taxes are so useless as to justify making bicyclists pay the same for highways as truckers via general sales taxes.

MoDOT should continue its efforts of the past two years to obtain further authority for tolling and public-private partnerships (PPPs). PPPs are not the right solution for many of the transportation needs we face, but for some larger projects, they are an important option worth careful review and consideration. In some instances, public-private partnerships will allow Missouri state and local governments to deliver much-needed transportation improvements in a cost-effective, timely, and fair manner. The Lake Ozark Community Bridge is a good example of how tolling can work in Missouri in certain situations. We believe that open-road tolling would work for the I-70 reconstruction as well.

Missouri should issue bonds to invest in transportation. It should also institute a dedicated funding source to pay for those bonds. However, Missouri transportation leaders should not focus on general sales taxes just because it is the easiest route to take. They should continue to seek greater PPPs and tolling authorization. Short of that, gasoline tax and registration fee increases are the preferable way to fund the bond issuance. We hope that these methods of meeting and financing our transportation needs, which have worked well in other states and around the world, will be a part of the transportation conversation in Missouri.

NOTES

[1] Cogan, John F., and John B. Taylor. "The Obama Stimulus Impact? Zero." *The Wall Street Journal*. December 9, 2010. View online here: http://online.wsj.com/article/SB10001424052748704679204575646603792267296.html and "What the Government Purchases Multiplier Actually Multiplied in the 2009 Stimulus Package." Stanford University, October 2010.

[2] To be fair, not all of the American Recovery and Reinvestment Act was infrastructure spending, but infrastructure spending was a part of it and thus is relevant to this discussion.

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