Bottleneck on the Way to Prosperity:

The Need for Transportation Funding Reform in Ohio

Transportation Advocacy Committee

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EXECUTIVE SUMMARY

For the past two years, the Transportation Advocacy Committee of the Greater Cleveland Growth Association (GCGA) has been analyzing current transportation funding policies in Ohio and identifying deficiencies in these policies that preclude proactively addressing local and regional transportation needs.

Listed below are the four Ohio transportation funding-related deficiencies identified in this report:

- lack of sufficient funds to maintain/rehabilitate local highway systems
- lack of sufficient state and local funds to support priority regional major new transportation initiatives
- no dedicated state capital funding support for priority local non-highway transportation preservation, rehabilitation and enhancement projects
- inequitable (not need-based) distribution policies for motor vehicle fuel taxes to local governments

Currently, the local governments in the 5-county Northeast Ohio Areawide Coordinating Agency (NOACA) region are facing an annual shortfall of approximately $145 million to preserve and rehabilitate existing transportation systems. In addition, this same 5-county region is proceeding with the planning of several major transportation initiatives to improve Northeast Ohio's economic competitiveness and quality of life that are estimated to cost approximately $2.5 billion over the next 10-15 years. When these needs of Northeast Ohio are combined with the needs identified to preserve and rehabilitate the state's Interstate, state and other regional highway systems, it is obviously necessary to substantially increase the amount of transportation funds available in Ohio. This is crucial in order to keep these highway systems from further deterioration and to insure that Ohio remains competitive in the global economy. There are too many uncertainties impacting our nation's economy to rely on the federal government to provide these additional funds in the near-term future.

Furthermore, additional transportation funds in Ohio could be spent on "ready to go" construction projects that would provide a badly needed stimulus to Ohio's economy by creating new jobs immediately. Historically, public works projects have a proven track record for quick positive impacts on economies in recession.

Therefore, the GCGA strongly supports the Governor's proposal to raise the state motor fuel tax by six cents per gallon over three years and to modestly raise vehicle license, registration and title fees.

In addition, the GCGA recommends that the portion of the new state motor fuel tax proceeds that are to be allocated to Ohio's cities, townships and counties be distributed using a more "need-based" formula than the formulas that are currently being used.

And finally, the GCGA encourages both the Governor and the General Assembly leadership to initiate discussions in the near future to focus on longer-term transportation policy issues in Ohio that directly address identifying dedicated funding resources for non-highway transportation projects in Ohio and reduce the heavy reliance on the motor vehicle fuel tax-- to support the bulk of state, regional and local highway preservation, rehabilitation and capacity-enhancement projects-- as the use of alternative fuels becomes more prevalent.

INTRODUCTION

In today's economy, the need for efficient and effective *local and regional* transportation systems/services has never been greater. For example:

- The growth of service and high-tech industries within Ohio, in locations outside the traditional urban cores, are creating new transportation challenges for both employees (existing and future) and employers that require non-traditional local transportation solutions. This is an especially difficult issue in the larger urban regions of Ohio where creative multi-modal transportation initiatives are being pursued to address the spatial mismatch between concentrations of unemployed people and available job opportunities.
- Throughout Ohio, portions of the Interstate and state highway systems are severely congested. Because of funding, environmental and space constraints, transportation professionals generally agree that it will not be possible to build sufficient highway capacity to resolve most existing and projected traffic congestion problems. Hence, more emphasis must be placed on innovative local solutions that increase the operating efficiency and effectiveness of existing transportation systems.
- The increase in international trade to and from Ohio's many economic regions is revolutionizing local goods movement systems. More emphasis is being placed on the development/enhancement of regional intermodal and multi-modal freight facilities that also require quality truck access via local roadways.
- Just-In-Time (JIT) delivery systems have become the norm for Ohio's manufacturers. Similarly, the growth of e-commerce has raised consumer expectations for deliveries within hours of placing an order. Both of these relatively recent logistics phenomena have put increased pressures on providing roadway systems that maximize delivery efficiencies, minimize delays and provide commercial vehicles with good connectivity and an "all season" system of roadways. Especially important is the provision of quality local roadways that link Interstate and state highway networks with manufacturing centers and intermodal facilities.

Intuitively and anecdotally, there has been long-term general agreement that public investments in transportation have positive impacts on economic growth. For example, it is widely accepted that investments made in local and regional transportation systems create meaningful jobs immediately in the construction, manufacturing and distribution sectors of the economy, and thus are a quick stimuli to reducing unemployment rates. Furthermore, in 1988, the National Council on Public Works stated that: "The quality of a nation's infrastructure is a critical index of economic vitality. Reliable transportation, clean water and safe deposits of waste are basic elements of a civilized society and productive economy. Their absence or failure introduces a major obstacle to growth and competitiveness."

However, it was not until about ten years ago that researchers started to focus on quantifying this relationship. The general consensus that resulted from these scholarly efforts is that public capital infrastructure spending has a positive impact on private sector output, investment and employment growth. In addition, this research indicated that states that have invested more in transportation infrastructure tend to have more economic growth.*

More recent research has focused on microanalyses of the economic impacts associated with local/regional transportation system investments (i.e. resurfacing and rehabilitation of highways, intersection and traffic signal upgrades, lane widenings). The principal findings of this research indicate that productivity gains—outputs per worker, not more workers—account for most of the economic benefits associated with transportation investments. Examples of these impacts are timesavings, better fuel economy, lower accident rates, longer vehicle lives, lower inventory carrying costs and enhanced logistics systems.

Ohio's business community recognizes that Ohio must have a world-class transportation system if the state and its many economic regions are to be competitive in the global economy. For example:

- In the Greater Cleveland region, the business community has provided proactive leadership for 19 years to facilitate approximately $3 billion of investments to preserve, rehabilitate and enhance the local transportation system. In addition, current business community transportation priorities are focused on enhancing regional air passenger and cargo services/facilities, improving public transportation to facilitate access to jobs and serve the region's growing tourism markets, upgrading the capacities of water and rail-based intermodal freight facilities to better serve the growth in international trade and increasing the operating efficiency and effectiveness of the existing highway network.
- In the City of Lorain, priority is being given to a transportation/economic development project, focused on the redevelopment of a waterfront brownfield site, to create new jobs associated with an increasing visitor market and improve the linkage between waterfront and downtown developments. The major transportation component of the project is an intermodal facility to serve passenger trains, buses, excursion and charter watercraft, bicycles and pedestrians.
- The Greater Cleveland Growth Association and Cleveland Tomorrow have recently championed an innovative transportation concept to reconfigure the highway infrastructure along the City of Cleveland's lakefront to improve access to Lake Erie for neighborhood and regional residents and create over 500 acres of public land for development/redevelopment/recreation purposes.

**For more detail insights, see "Is There a Shortfall in Public Capital Investment?", the proceedings of a conference held in June, 1990, sponsored by the Federal Reserve Bank of Boston*

WHAT IS THE PROBLEM?

During the decade of the 1990's, the federal government made major strides in providing enhanced flexible funding for the nation's and states' transportation systems through the passage of two major transportation authorizations—ISTEA and TEA-21. As a result, funding to maintain and rehabilitate Ohio's primary highway system (Interstate and state highways) is at an all time high.

However, as recently stated in the Ohio Construction Information Association Report—*Infrastructure Crisis: Local Governments Struggle to Meet Road and Bridge Needs*, the outlook for local transportation systems has never been worse. Ohio's local governments are responsible for maintaining and rehabilitating approximately 94,000 miles of roads and over 27,000 bridges with limited dedicated financial resources. In addition, public transportation systems and port authorities in Ohio are almost exclusively local responsibilities.

Furthermore, a report recently released by the Maxine Goodman Levin College of Urban Affairs, Cleveland State University, entitled *"The Spatial Distribution of the Gasoline Tax in Ohio: The Distorting Effect of History on Municipal Finances",* observes:

- "The current manner in which road and highway funds are distributed is perfectly geared to build the highway system conceived of in 1920. It does not work to finance the mass transportation demands of 2020. The current system favors new construction and limited access highways over maintenance of arterials that are part of the regional road system, but are not on the state highway map. The current distribution system is outdated and adds to the competitive disadvantage of central cities and their older suburbs compared to cities and townships on the urban fringe.
  Local property tax revenues and other municipal sources of funds support roads that are deemed by highway engineers to be purely local, but are determined by the highway drivers to be regional."

- "The rationale for the current system of highway finance made perfect sense when the highway system was constructed; it does not make sense as a way of maintaining the system."

Over the past two years, the Greater Cleveland Growth Association's Transportation Advocacy Committee—a coalition of representatives of the business community, local/regional/state infrastructure agencies, and local governments—has been focused on (1) better understanding how local transportation infrastructure systems are funded in Ohio, (2) quantifying the magnitude of transportation-related infrastructure needs in the Greater Cleveland region and (3) formulating creative scenarios for transforming these needs into competitive assets. This in-depth analysis determined that the major transportation infrastructure dilemma the region is facing is the inadequacy of current

state transportation funding policies and programs to properly preserve, rehabilitate and enhance the existing transportation systems that are the primary responsibilities of local governments—municipalities, villages, townships, counties and port/transit authorities. The basic premises of these policies have not changed, or been seriously challenged, for decades despite major shifts in federal transportation funding policies and growing demands on local and regional transportation systems—such as being responsible for the maintenance of state highways located in municipalities and the operation and maintenance of public transportation systems. As a result, the ability to move people and goods effectively and efficiently to, from and within the Greater Cleveland region is at risk and could seriously jeopardize the region's, and Ohio's, economic competitiveness.

Subsequently, the Committee became aware that anticipated ODOT funds for priority regional major new projects were at risk due to long-term federal transportation funding uncertainties and the growing need for ODOT to increase funding priorities for the preservation and enhancement of the existing Interstate and state highway systems.

Hence, the following four transportation funding-related deficiencies have been identified by the Committee:

- Lack of sufficient funds to maintain/rehabilitate local highway systems.
- Lack of sufficient state and local funds to support priority regional major new transportation initiatives.
- No dedicated state capital funding support for priority local non-highway transportation preservation, rehabilitation and enhancement projects.
- Inequitable (not need-based) distribution policies for motor vehicle fuel taxes to local governments.

The Committee has also attempted to determine whether or not these transportation-funding deficiencies are unique to the Greater Cleveland region by entering into dialogues with chambers of commerce from other regions throughout the state and statewide associations that have local governments and transportation infrastructure agencies as their constituencies. Based on these discussions, it has become quite clear that the lack of sufficient funds for the preservation, rehabilitation and enhancement of local/state roadways and bridges is a universal statewide problem. However, the latter two deficiencies tend to impact Ohio's urban regions more than its rural areas.

Furthermore, a byproduct of these discussions with other chambers of commerce within the state has been the development of consensus business community objectives for reforming Ohio transportation funding policies. These objectives are described below:

- Improve Ohio's business climate and quality of life by providing need-responsive transportation resources to fund local and regional projects that support regional economic development priorities, reduce traffic congestion; improve safety; support regional air and water quality goals; improve access to jobs; enhance

regional people and goods mobility; and maintain and rehabilitate existing local transportation systems.

- Maximize flexibility in the use of all transportation funds to meet the diverse transportation needs of the various economic regions within Ohio.
- Increase the business community's direct involvement in local and regional decision making processes that allocate federal and state funds to transportation projects.

TRANSPORTATION NEEDS IN THE GREATER CLEVELAND REGION

Since 1983, Build Up Greater Cleveland (BUGC) has been preparing an annual Community Capital Investment Strategy (CCIS) to identify critical capital infrastructure funding needs within Cuyahoga County. The CCIS is comprised of three components:

- A five-year capital infrastructure improvement plan that is derived from plans prepared by infrastructure agencies and municipalities within Cuyahoga County.
- An estimate of the expected funding that will be available over the five-year period at federal, state and local levels for the priority projects included in the CCIS.
- The projected 5-year funding shortfall for the CCIS (i.e., the anticipated funding gap between the capital improvement plan's funding needs and estimated available funding).

The most recent CCIS is for the period 2001-2005. This CCIS also contains for the first time input from a Municipal Infrastructure Needs and Expenditures Survey, conducted in 2001, that was completed by 43 municipalities/villages in Cuyahoga County (which represent 92.5% of the county's population).

Based on the 2001-2005 CCIS, the annual average local government-related funding shortfall in Cuyahoga County for priority roadway and bridge projects is $63.7 million. This annual shortfall amount has been quite consistent for the past six years. The CCIS also contains the Greater Cleveland Regional Transit Authority's (RTA) five-year plan. For the period 2002-2006, the projected capital need of RTA is approximately $747.6 million. Of this total, $392.5 million is anticipated from the federal government, $89.8 million from Ohio (primarily a "major new" commitment for the Euclid Corridor Transportation Project), $14.0 million from the City of Cleveland (also for the Euclid Corridor Transportation Project), and $71.4 million from proceeds of a local 1% transit sales tax. This leaves a projected five-year capital public transportation-funding shortfall of $180.0 million ($36.0 million annually).

The Northeast Ohio Areawide Coordinating Agency (NOACA) provides regional transportation planning for the five-county Greater Cleveland Region—Cuyahoga, Geauga, Lake, Lorain and Medina counties. This five-county region has a population of approximately 2.15 million people (19 % of Ohio's population).

NOACA has prepared a local government 2001-2005 roadway/bridge funding need analysis, similar to the BUGC CCIS, for the other four counties in Greater Cleveland that is summarized below:

- Estimated Annual Need: $110 million
- Estimated Annual Available Funding: $65 million
- Estimated Annual Shortfall: $45 million

By combining the BUGC and NOACA information, the estimated annual local government transportation-related funding shortfall in the Greater Cleveland region is:

- $108.7 million Roads and Bridges
- $36 million for Public Transportation

These funding estimates do not include the local resources that are needed to create comprehensive local and regional capital asset management systems to create better databases for determining priority transportation needs. NOACA recently committed $1.3 million to initiate a regional pavement management system (RPM) that will focus on assessing the conditions of the region's major highway arterials. It is envisioned that this RPM will become the nucleus for facilitating municipal pavement management programs within the region, especially for the City of Cleveland.

Currently, the Cleveland-Cuyahoga County Port Authority is revising its master plan so it is not possible to estimate the waterport capital funding needs for the Greater Cleveland region. Furthermore, the major capital program for enhancing Cleveland Hopkins International Airport over the next five years is currently underway and is totally covered by federal and local funding resources.

In addition to the five-year capital needs described above, there are several major regional transportation planning studies currently underway that are envisioned to require $2-3 billion of funding support over the next 10-15 years:

- The intelligent renewal of the Innerbelt
- Revitalization of the Lakefront transportation network
- Improved access to, from and within the Cuyahoga River Valley
- Surface transportation enhancements in the Cleveland Hopkins International Airport area

And other regional transportation/development related initiatives are emerging.

Hence, if any of these proposed regional transportation investments are to become reality, a new paradigm of funding policies must be readily available at state, regional and local levels in Ohio.

HOW OTHER STATES SUPPORT LOCAL AND REGIONAL TRANSPORTATION NEEDS

An analysis was recently undertaken to determine how Ohio and 7 other competing states, within a 300 to 400-mile radius of Ohio, provide financial resources to meet their existing and emerging transportation needs. A summary of this analysis is provided in *Table 1*. More detailed information is available for anyone interested in researching this issue in depth.

The primary conclusions that can be derived from analyzing the information in *Table 1* are identified below:

- The principal funding resource in all of these states for highway-related investments is the motor vehicle fuel tax.
- However, the amount of motor vehicle fuel tax that is distributed directly to local governments varies considerably—from no direct distribution in New York and West Virginia to over 60% of the total receipts in Michigan. Indiana, Illinois and Kentucky are in the 40-50% distribution range and Pennsylvania and Ohio are in the 25-28% range.
- Three states—Indiana, Michigan, and West Virginia—have a sales tax on motor vehicle fuel, the receipts of which are used for a variety of transportation and non-transportation purposes.
- Only Michigan and West Virginia do not have some form of additional motor carrier (3 or more axles) surtax on fuel.
- Five of the 7 other states incorporate a road mileage (need-based) factor in the formulas used to distribute the motor vehicle fuel tax revenues to local governments. Ohio (for LTIP funds only) and 5 states use population as a distribution factor. Four states (including Ohio) use motor vehicle registrations as a distribution factor.
- Only 2 states—Ohio and West Virginia—do not have some form of dedicated tax revenue to support local non-highway priority transportation needs.
- Most of these non-highway dedicated resources have some relationship to transportation usage, such as:
    - Tire tax
    - Motor vehicle lease tax
    - Motor vehicle rental fee
    - Petroleum business tax
    - Motor vehicle fuel or vehicle-oriented sales tax

From a transportation funding policy perspective, these peer state comparisons indicated that Ohio needs to seriously consider:

- increasing the proportional amount of state motor vehicle fuel tax receipts it directly distributes to local governments,

- using more equitable and need-based factors in the formulas for distributing motor vehicle fuel tax proceeds to local governments, and
- establishing new-dedicated sources of revenue to finance priority local and regional transportation needs.

TRANSPORTATION FUNDING POLICY OPTIONS

Short-Range

If it is assumed that the existing annual transportation funding shortfall in the 5-county Greater Cleveland region is typical of other regions in Ohio, it is conservatively estimated, using population as the basis for the projection, that a statewide funding program that generated approximately $725 million annually, would be a proactive responsive to addressing known funding deficiencies of local and regional transportation systems in Ohio. This annual yield is equivalent to a user tax increase of about 11 ¢ per gallon of motor vehicle fuel. Although such a one-time fuel tax increase would be unprecedented in Ohio, it indicates the magnitude of the scale of the funding challenge. It should also be pointed out that the price of motor vehicle fuel has fluctuated more than 11¢ per gallon weekly in recent years without any measurable change in consumer travel patterns and with no enhancement of Ohio transportation funding resources.

In 2000, the Ohio Legislative Budget Office (LBO) prepared the "Local Transportation Needs and Funding Report". Using data from the Ohio Public Works Commission (OPWC), LBO estimated that in Ohio "…the one-time cost of restoring local transportation infrastructure in critical conditions to be approximately $527 million…".

It is not possible to directly compare the above LBO local government transportation infrastructure need estimate to the one developed for the Greater Cleveland region for the following reasons:

- The LBO estimate is a total cost estimate for restoring, on a one-time basis, local transportation infrastructure that is currently categorized by OPWC as being in "critical condition". In addition, the estimate makes no assumptions about whether or not existing funding resources available to local governments should or could be used to correct this deficiency.
- The Greater Cleveland region's local government-related transportation infrastructure need estimate reflects the funding shortfall that exists and assumes all available infrastructure-related revenue sources will be obligated to address priority transportation deficiencies over a five-year period. In addition, these needs reflect infrastructure that is not only in "critical condition" today, but is projected to be in "critical condition" in the future. Other projects address safety, capacity, and/or basic planned rehabilitation/preservation needs within the region that are also the responsibility of local governments.

The LBO Report also provided an excellent summary of 15 alternative revenue sources and cost savings measures that are variations of existing Ohio transportation user fee and design/construction policies. Using this LBO Report information, the following combination of transportation funding policy options could be used to address more equitably the short-term existing needs of local governments in Ohio:

- Increase the motor vehicle fuel tax by 6¢ per gallon and distribute to Local Transportation Improvement Program (LTIP) Fund.
  ESTIMATED NEW ANNUAL YIELD: $400 million
- In 2005, seek Ohio voter approval of a constitutional amendment to sell bonds in the amount of $240 million per year, for no more than 10 years, for the State Capital Improvements Program (SCIP). The current annual yield for local governments ($120 million) has not changed since the initial SCIP bond vote (Issue 2) in the mid-1980s. However, in 1995, Ohio voters approved a 10-year, $2.4 billion capital infrastructure bond issue, but half of the yield was set aside for improving ODOT's bonding capacity. The SCIP was renewed at the $120 million per year level.
  ESTIMATED NEW ANNUAL YIELD: $120 million
- Increase the cap on local motor vehicle license taxes by $20 annually (current local cap is $20; this would increase maximum to $40). Assuming that only the local governments with the highest needs would use this permissive option, the ESTIMATED NEW ANNUAL YIELD is about $100 million (if all local governments used this option, the annual yield would be about $230 million)
- Create a new State Transportation Fund that has dedicated revenue source(s) that can be used to support priority local and regional non-highway projects. These funds could be distributed using a Transportation Review Advisory Council (TRAC)-type or OPWC process. Potential sources of revenue *(see also long-range section)* could include:
  - dedicating a portion of existing state sales tax revenues on motor vehicle purchases
  - motor vehicle lease tax
  - motor vehicle rental tax
  - tire tax

  DESIRED ANNUAL YIELD: $100-150 Million

<u>Long Range</u>

As the Transportation Advocacy Committee analyzed the use and distribution of the motor vehicle fuel tax receipts within Ohio, it became quite apparent that, in the long-run, it would be quite risky to continue to rely heavily on the use of the motor vehicle fuel tax receipts to support the bulk of state and regional transportation system preservation, rehabilitation and capacity-enhancement needs. Recently, this risk has become very real as the use of ethanol has increased in Ohio and the resultant impact this situation has had on the return of federal motor vehicle tax receipts to Ohio. As the use of *alternate* fuels becomes more prevalent in the future, as they undoubtedly will, Ohio will need new non-fuel sources of revenues to just adequately maintain its existing highway system.

Other factors that are exacerbating this situation are the:

- production of more fuel-efficient vehicles,
- unpredictability of the foreign supply of oil, especially during this period of concern over terrorism, and
- constantly changing, and often conflicting, federal transportation, environmental and energy policies.

Therefore, a need exists NOW to think "outside the box" to ensure that future Ohio transportation funding policies and programs are responsive to the growing needs in a changing world economy. As the analysis of how peer states currently fund their transportation needs has shown, most of these peer states are more advanced in structuring their transportation funding policies to be less reliant on the motor vehicle fuel tax while supporting the increasing demands of a multi-modal transportation system.

What are Ohio's options? As stated previously, the funding alternatives described in the LBO Report are best suited to satisfy the shorter-term funding challenges facing Ohio's extensive multi-modal transportation network. These alternatives are limited in their ability to address the strategic, long-term transportation funding challenges facing Ohio if Ohio is to be competitive in tomorrow's global economy—an economy that will place increasing importance on the efficient and effective movement of people and goods by highway (autos, trucks and buses), rail, water and air.

Listed below are several "non-traditional" and/or flexible transportation funding options that are currently being used in other states, and should be considered to help Ohio's regions preserve and enhance their transportation systems:

- Statewide multi-modal transportation bond issue backed by general fund revenues.
- New state motor vehicle lease tax (the estimated annual yield of a 3% lease tax, similar to Pennsylvania's, in Ohio is about $115 million).
- State and/or permissive county sales tax on motor vehicle fuels.
- Dedicated portions of existing state sales tax proceeds on motor vehicles and auto-related expenditures to a local government transportation fund.
- Tire tax.
- Severance tax(es) on natural resources.

Table 1

Overview of Competing States' Transportation Funding Policies/Practices

Policies/Practices	Ohio	Indiana	Illinois	Kentucky	Michigan	New York	Pennsylvania	West Virginia
Gasoline Motor Vehicle Fuel Tax—2001 (¢/gal)	22 • fixed	15 • fixed	19 • fixed	16.4 • variable/ computed quarterly	19 • fixed	22.05 • 8¢/gal fixed • variable petroleum business tax, adjusted annually	26 • 12¢/gal fixed excise tax • 14¢/gal variable oil company franchise tax, adjusted annually	25.35 • 20.5¢ fixed • Variable 5% sales tax applied to wholesale price, adjusted annually
Motor Vehicle Fuel Tax can only be used for highway purposes	Yes	Yes	Yes	Yes	Yes	Yes (does not reflect petroleum business tax)	Yes	Yes
Other Motor Vehicle-Fuel Related Taxes	Motor Carriers pay 3¢/gal surtax on all fuel purchased within Ohio	• 5% sales tax on fuel, but goes to general fund • Motor carriers pay 16¢/gal surtax for fuel consumed within State but purchased elsewhere • Motor carriers pay 11¢/gal surtax for fuel consumed in Indiana	None	Motor carriers pay 2%/gal surtax on gasoline; 4.7%/gal on diesel	6% sales tax on motor fuel (also on motor vehicles, auto parts and accessories)	Motor carriers pay 22.21¢/gal surtax on gasoline; 23.24/gal on diesel	Motor carriers pay 6¢/gal road tax	None
Local Government Motor Vehicle Fuel Tax Distribution Policy	6.2¢/gal (28%) direct to municipalities (2.2¢), counties (1.9¢) and townships (1.1¢). Also 1¢/gal to Local Transportation Improvement Program Fund (LTIP).	• 10.5¢/gal to Motor Vehicle Highway Fund of which 32% goes to counties and 15% to cities/towns • 3.5¢/gal to Highway Road and Street Fund of which 45% goes to cities and towns • $50 million Special Distribution Account of which 40% goes to cities and towns and 20% to counties.	41.6% to local governments of which 49% goes to municipalities and 51% to counties.	18.3% to counties, 7.7% to cities/unincorporated areas and 22.2% retained by state for reconstruction and maintenance of rural and secondary roads.	• 1.17¢/gal to counties and 0.65¢/gal to cities and villages direct. • Local Road Program; $21.2 million to counties and $11.8 million to cities and villages. • $40 million Transportation Economic Development Fund goes directly to cities and counties • 90% of residual goes to State Transportation Fund; 39% of which goes to counties and 22% to cities and villages.	No specific earmarks for local governments.	6.55¢/gal (25%) to municipalities.	No specific earmarks for local government.

Table 1 (Continued)

Overview of Competing States' Transportation Funding Policies/Practices

Policies/Practices	Ohio	Indiana	Illinois	Kentucky	Michigan	New York	Pennsylvania	West Virginia
Distribution Factors	• Municipalities: Motor vehicle registrations • Counties: Equal • Townships: Equal • LTIP: Population	Motor Vehicle Highway Fund • Counties: 65% mileage based, 30% motor vehicle registrations, 5% equal • Cities/towns: population Highway Road and Street Fund Cities/towns: • <50,000; 20% population, 80% mileage • >50,000; 60% population, 40% mileage	• Municipalities: population • Counties: motor vehicle registrations and mileage	• Counties: 40% rural area, 20% rural mileage, 20% rural population, 20% equal • Cities/ unincorporated areas: population	• Counties: 10% urban road mileage, 25.5% population and local road mileage, 55% motor vehicle registrations and primary road mileage, 9.5% equal • Cities and villages: 75% population and major street mileage and 25% population and local street mileage	None	50% population and 50% mileage	None
Other Dedicated Sources of Transportation-Related Revenues (other than Motor Vehicle Registration Fees)	State Capital Improvement Program (Issue 2) Bonds: • $120 million annually • General fund supported bonds • Distributed to OPWC districts on population basis • Competitive • Roads, bridges, culverts eligible; not other transportation infrastructure • Cannot be used for capacity-enhancement projects	County-based wheel tax, vehicle excise tax and county option income tax	Public Works Bonds (1999) • $12 billion (total) • $4.1 billion for transit • Rest for roads and schools • Fund sources a) $30 increase in vehicle registration fee b) 25% increase in motor carrier registration fee c) increase in title transfer fee d) increased tax on alcohol e) $48 million from Motor Vehicle Tax Fund • Motor Vehicle Fuel Tax Fund also receives a portion of state sales tax (1.7% of 80% of net sales tax revenue)	70% of coal severance tax and natural resource severance and processing tax may be used for highway, non-highway and economic development purposes.	• 15% of the collections of the sales tax on motor fuel, motor vehicles, auto parts and accessories (imposed at a 4% rate) are distributed directly to cities, villages and townships. • At least 7% of vehicle-oriented sales tax revenues are distributed to Comprehensive Transportation Fund of which 70% is for public transit operating expenses, 20% for public transit capital expenses and 10% for intercity passenger and freight transportation purposes.	• Dedicated Mass Transportation Trust Fund receives 37% of supplemental petroleum business tax and 25% of petroleum business tax • Mass Transit Operating Assistance Account receives 19.5% of petroleum business tax	Public Transportation Assistance Fund a) New tire tax ($1/tire) b) 3% motor vehicle lease tax (on total lease price) c) motor vehicle rental fee ($2/day)	None