

STATE HIGHWAY NEEDS AND REVENUES

As discussed previously in Chapter 2, Highway Needs, roads and bridges under MDOT jurisdiction are projected to accumulate capital improvement needs of \$22 billion during the study period (2003 to 2030). The needs are expressed in constant 2002 dollars.

On the other side of the balance sheet, it is estimated MDOT revenue that can be applied to highway capital improvement projects over the same time period may total \$15.1 billion, when discounted back to 2002 dollars.

Table 7-1 summarizes MDOT highway needs and revenues by dividing the 28-year study timeframe into four 7-year periods. **Figure 7-1** illustrates this information graphically.

Table 7-1: MDOT Highway Needs and Revenues

Type of Highway Need	2003 - 2009	2010 - 2016	2017 - 2023	2024 - 2030	Total (1)
Road Preservation	\$329.9	\$843.2	\$1,177.3	\$1,484.3	\$3,834.7
Road Modernization	\$4,510.5	\$480.9	\$554.7	\$1,205.7	\$6,751.8
Road Expansion	\$3,381.5	\$1,843.1	\$2,839.8	\$1,935.0	\$9,999.5
Bridge Needs	\$1,046.4	\$106.5	\$104.2	\$163.5	\$1,420.6
Total MDOT Needs	\$9,268.3	\$3,273.8	\$4,676.0	\$4,788.5	\$22,006.5
Total MDOT Revenues	\$3,942.0	\$3,832.4	\$3,707.8	\$3,595.6	\$15,077.7
Revenues - Needs	\$ (5,326.3)	\$ 558.6	\$ (968.2)	\$ (1,192.9)	\$ (6,928.8)

Note: (1) Needs and Revenues in millions of base year 2002 Dollars.

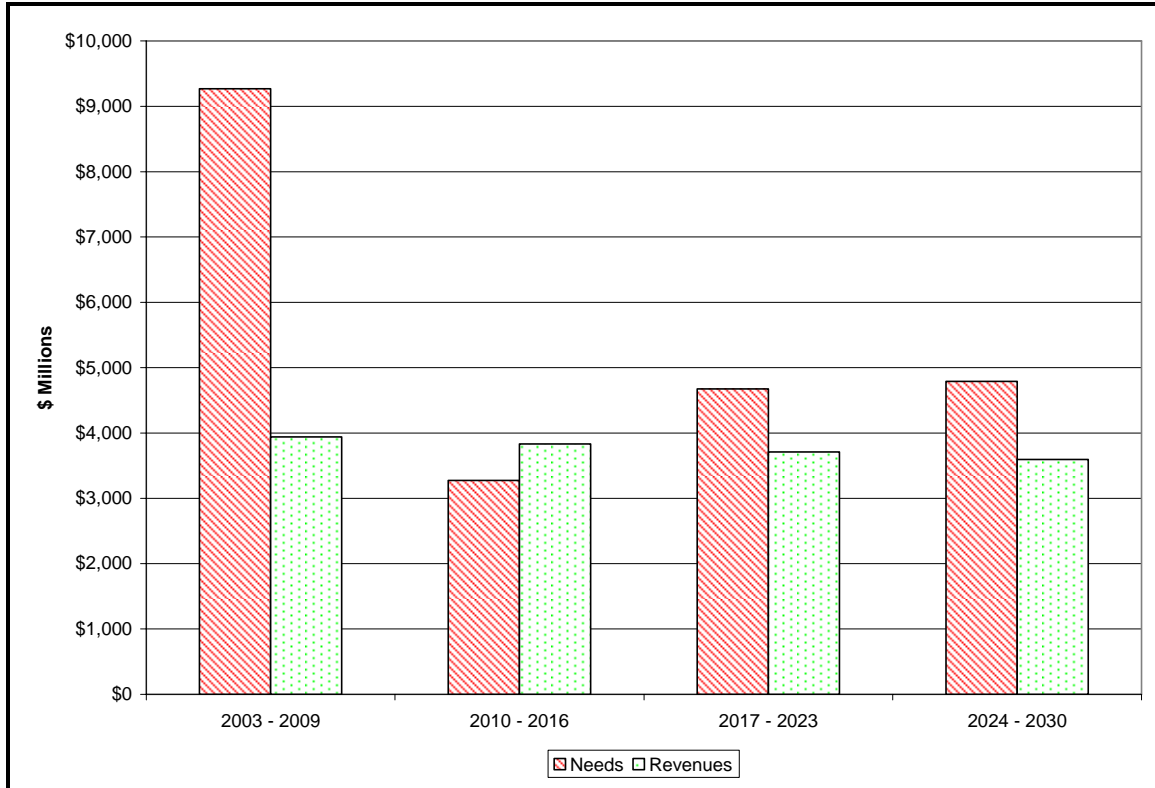
When looking at the entire 28-year study timeframe, total revenues amount to 68 percent of needs, resulting in a shortfall of \$6.9 billion. However, this shortfall in revenue is not spread evenly over time. The lion's share of the shortfall occurs in the first period from 2003 to 2009, when needs are projected to exceed revenue by \$5.3 billion or 77 percent of the \$6.9 billion total. This is primarily due to the backlog needs existing on MDOT's highways and bridges in the study's base year of 2002.

CONSEQUENCES

When faced with a projected shortfall in revenue compared to anticipated needs the options may be summarized as:

- Set priorities to fund selected, but not all, improvement needs;
- Increase revenues; or
- A combination of the above.

Figure 7-1: MDOT Highway Needs and Revenues



Setting Priorities

As part of MULTIPLAN's public involvement activities, described in **Appendix D**, attendees at six meetings held throughout the state in September 2006 were asked to select their top three concerns. Two issues clearly ranked as the top two;

- Safer roads (wider lanes/shoulders); and
- More lanes.

Other issues, all ranked close to each other in third place, include:

- New highways;
- Smooth pavements;
- Sidewalk and Bike improvements; and
- Rural transit.

This suggests an emphasis on modernization type improvements to provide safer roads, while continuing with capacity expansion efforts as needed (more lanes and new highways), as well as preservation activities (smooth pavements).

Based on questions and comments heard at the meetings, it was apparent the Multimodal Funds made available through MDOT during the fiscal years of 2005 (\$5 million), 2006 (\$5 million) and 2007 (\$10 million) were very well received and much appreciated by the agencies

and organizations that benefited. While the amounts were not large when compared to spending on highways and were distributed among numerous airports, ports, public transit and railroad projects, these funds served as a “shot in the arm” for transportation agencies that are often overlooked and under funded.

Unfortunately the Multimodal Funds do not represent a continuing or sustained source of funding for capital projects or operational expenses for these non-highway modes that are becoming increasingly important to Mississippi’s economic development and quality of life, as detailed in Chapter 3. Mississippi remains one of the only seven states that do not provide any sustained assistance for transit services.

Increasing Revenues

While increasing revenues is always difficult politically, the public meetings indicated a recognition on the part of at least some of the attendees that revenues may need to be increased to meet future transportation needs. Specific suggestions included:

- An increase in the state’s fuel tax;
- Enforce the existing license tag law on utility trailers; and
- Consider increasing the usage tax.

Also mentioned was the fact that the Mississippi fuel tax is based on a fixed amount per gallon (currently 18.4¢) rather than as a percentage of the cost of fuel. With a percentage based tax (or indexed tax), the amount of revenue raised would increase over time with the upward trend of global fuel prices. With the current system, the revenue raised today can purchase fewer highway improvements than when the fuel tax was first introduced due to the impacts of inflation.

The need to clearly identify the purpose of proposed tax or user fee increases was also emphasized by some meeting attendees. Public approval for such proposals will be improved if citizens are confident the money raised will be spent on clearly defined projects and programs that they support.

Examples of Fuel Tax Changes – To illustrate the potential increases in revenue resulting from changes in the current level of fuel taxes, the following alternatives are considered:

- A. Increasing the fuel tax by 2¢ per gallon would raise an additional \$0.7 billion;
- B. Indexing the fuel tax would increase revenues by \$3.4 billion; and
- C. Implementing both A and B above would raise an additional \$4.4 billion.

The revenues estimated above are expressed in constant 2002 dollars and assume the changes in fuel tax are in effect throughout the study period from 2003 to 2030. If Alternative C had been implemented prior to 2003, the gap between needs and revenues for MDOT highway improvements would have been reduced to \$2.5 billion or 36 percent of the \$6.9 billion projected shortfall.

SUMMARY

The comparison of transportation needs and revenues clearly indicates the importance of taking action to address the imbalance between needs and available funds – before the situation worsens. As time goes by, needs will only increase, and existing revenue streams will become less effective due to inflation.

Actions to be considered should include, but not be limited to:

- Emphasis on highway modernization projects to improve safety – including safety related public education and law enforcement programs;
- Future funding for non-highway modes to follow the successful Multimodal Funds program of 2005-2007;
- Sustained state support for transit agencies in Mississippi to assist with capital project and operational costs; and
- Indexing of Mississippi fuel taxes.