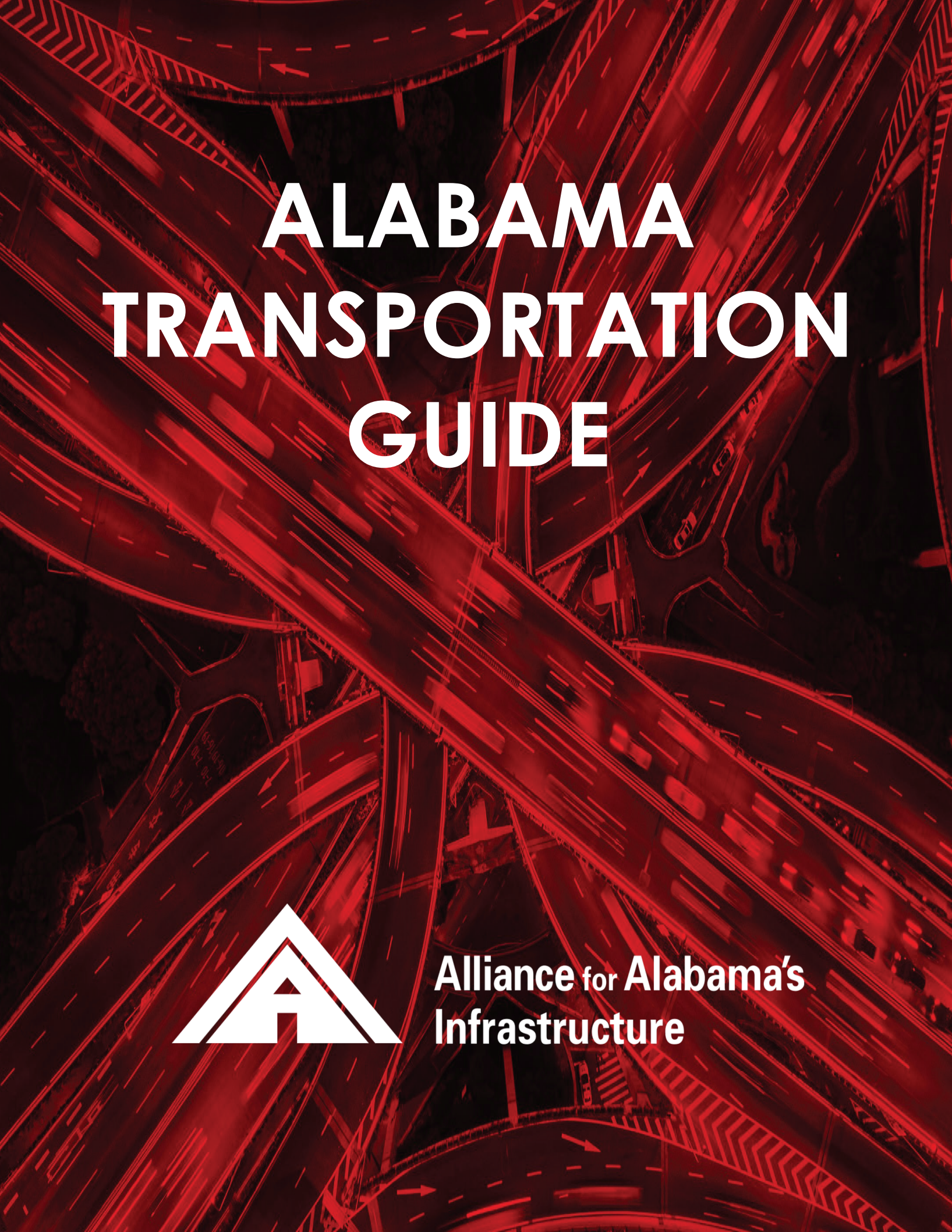


ALABAMA TRANSPORTATION GUIDE

Alliance for Alabama's Infrastructure

Alabama Transportation Guide

Alliance for Alabama's Infrastructure

The Facts and Figures on Alabama's Transportation System

INSIDE THIS GUIDE

> "One of our great material blessings is the outstanding network of roads and highways that spreads across this vast continent. We simply cannot allow this magnificent system to deteriorate beyond repair. The time has come to preserve what past Americans spent so much time and effort to create."
>
> – *Ronald Reagan, 1982*

Introduction

Over the past 25 years, Alabama has experienced significant growth with its population rising from 4 million residents to 4.8 million. Additionally, vehicle miles traveled on our roads have nearly doubled, while our lane miles have only slightly increased over that same time span. This has resulted in increased traffic congestion and dangerous road conditions. The root of this problem is simple – our road and bridge system is significantly underfunded.

Because of this underinvestment in our transportation system maintenance and expansion, Alabamians now have serious road and bridge deficiencies in all 67 counties.

Several proposals have been introduced in recent years, yet the can is still being kicked down the proverbial crumbling road. This issue is too important to wait any longer to address. The public supports it, our leaders are ready to tackle it, and everyone acknowledges the need to get it done.

Guide Overview

How we construct, maintain and fund our roads and bridges in Alabama is a complex issue. That is why AAI designed a resource guide designed to inform and educate with quality data and information from reliable sources.

This resource guide consists of facts and figures regarding Alabama's transportation system from several national and Alabama-based institutions and research firms. It contains detailed information on issues such as the state motor fuel tax, transportation funding at the state level and how Alabama compares to other states.

By ensuring legislators and stakeholders have accurate and trustworthy information, we can collectively move forward and construct a 21st Century infrastructure funding plan that will help take Alabama to the next level.

ALABAMA'S ROADS AND BRIDGES

Alliance for Alabama's Infrastructure

Alabama's Road and Bridge System

Our roads, highways, and bridges are critical to the day-to-day functionality of our state, providing access to schools, employment, social and health services and economic opportunities.

101,429 Public Road Miles in Alabama

- 75 percent are rural lane miles
- 25 percent are urban lane miles
- More than 66 billion vehicles miles are travelled annually on Alabama roads
- Nearly 60 percent of this travel occurs on 11,000 miles of federal and state highways maintained by the Alabama Department of Transportation

16,129 Bridges in Alabama

- 5,784 ALDOT-maintained bridges; 8,624 County-maintained bridges; 1,512 City-maintained bridges
- More than 50 percent of ALDOT maintained bridges will be over 50 years old by 2020
- There are 2,447 (15.1 percent) bridges in Alabama are currently posted for reduced weight limits
- Currently, counties are operating on a 186-year bridge replacement schedule, but they should be operating on a 50-year cycle

Road and Bridge Conditions

In 2016, the American Society of Civil Engineers (ASCE) released a report card on Alabama's infrastructure system in which **Alabama's roads received a D+.** County governments are currently on a 56-year county road resurfacing schedule, which it should be operating on a 15-year cycle. Alabama also ranks **38th** in the nation in percentage of urban interstate mileage in poor condition, according to the Reason Foundation's 23rd Annual Highway Report.

Condition Ratings of Roads in Alabama Urban Areas

	Poor	Mediocre	Fair	Good
Birmingham	15%	33%	25%	27%
Huntsville	29%	27%	13%	32%
Mobile	15%	17%	16%	52%
Montgomery	15%	18%	18%	49%

Source: TRIP, Alabama Transportation by the Numbers: Meeting the State's Need for Safe, Smooth and Efficient Mobility

The 2016 ASCE report gave Alabama's bridges a C- and stated that roughly one in every six drivers travels over a structurally deficient bridge every day in Alabama. Structurally deficient bridges require significant maintenance, rehabilitation, or replacement and must be inspected at least once a year.

Condition of Bridges in Alabama by Ownership

Owner	Bridge Counts					
	Total	Fair Condition	Poor Condition	Structurally Deficient	Functionally Obsolete	Load Posted
State	5,784	2,075	91	**101**	**969**	**12**
County	8,624	4,128	538	**936**	**834**	**2,197**
City	1,512	610	88	**143**	**309**	**219**
Other	209	86	16	**20**	**15**	**19**
TOTAL	16,129	6,899	733	**1,200**	**2,127**	**2,447**

Source: Federal Highway Administration's 2017 National Bridge Inventory; 2017 ALDOT Annual Report

ALABAMA'S ROADS AND BRIDGES

Alliance for Alabama's Infrastructure

Road Congestion

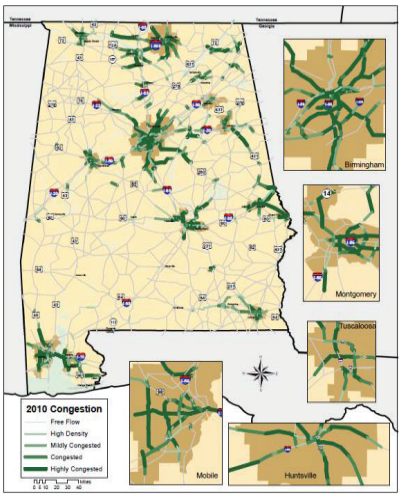
Over the past 25 years, Alabama's population has grown by 20 percent, rising from 4 million residents to 4.8 million. During that same time, vehicle travel in the state has increased by 54 percent placing serious strain on our road network's ability to allow traffic to flow efficiently. This is mainly due to the fact that Alabama's total lane miles have only grown 3 percent during that time.

21% of Alabama's interstates and freeways are congested

$63 billion is lost nationally in freight costs each year due to traffic congestion

Annually, $436 billion in goods are shipped to and from sites in Alabama, mostly by truck. Increasing levels of congestion add significant costs to consumers, freight companies, manufacturers, and others and can reduce the attractiveness of a location to a company when considering expansion or where to locate a new facility.

Congested roadways in Alabama as of 2010



Source: ALDOT 2040 Statewide Transportation Plan

It's Real – Bad Roads Cost Drivers

Driving on deficient roads costs Alabama drivers a total of **$4.2 billion annually** in the form of additional vehicle operating costs **($1.5 billion a year),** congestion-related delays **($1.2 billion a year)** and traffic crashes **($1.5 billion a year),** according to the 2017 TRIP report. The report also detailed the average cost per driver and hours lost to congestion on an annual basis in the state's largest urban areas, which is provided in the table below.

Annual Cost to Drivers in Alabama Urban Areas

	Vehicle Op. Costs	Safety	Congestion	Total
Birmingham	$487	$285	$891 / 34 hours	$1,663
Huntsville	$619	$196	$510 / 23 hours	$1,325
Mobile	$379	$388	$670 / 30 hours	$1,437
Montgomery	$391	$352	$553 / 24 hours	$1,296

Source: TRIP, Alabama Transportation by the Numbers: Meeting the State's Need for Safe, Smooth and Efficient Mobility

Road and Bridge Safety

Collectively, Alabama's roadways have increasingly become more unsafe in recent years. Alabama's roadways have seen an increase in traffic fatalities over the past two years with a combined **2,031 traffic fatalities occurring in 2016 and 2017.**

One-Third

Of all serious traffic crashes are a direct result of a roadway feature

Two times

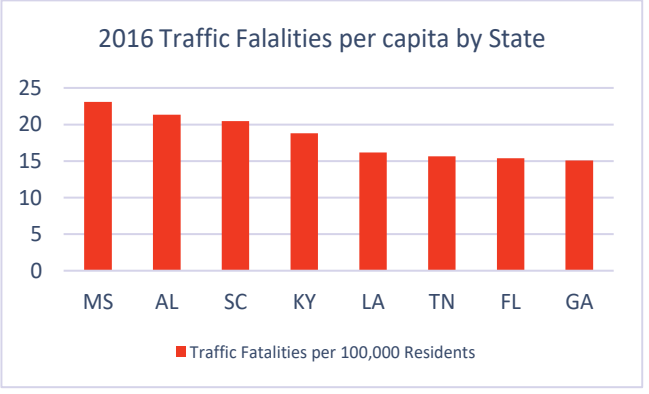
As many fatal crashes occur on rural roads in Alabama than all other roads

$17.4 billion

Total economic impact of traffic crashes on Alabama roads in 2015

1.26 vs. 1.13

Alabama's traffic fatality rate (1.26) versus the national average (1.13) in 2014



TRANSPORTATION FUNDING FACTS

Alliance for Alabama's Infrastructure

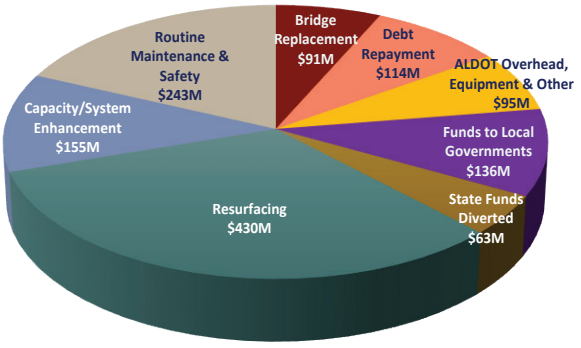
How Does Alabama Spend Today's Funding?

In 2018, Alabama's transportation funding is estimated to total approximately $1.328 billion of which $802 million (60%) is federal funding and $526 million (40%) is state funding.

The chart to the right provides a high-level breakdown of how that funding is allocated and spent, with resurfacing, routine maintenance and safety representing more than 50 percent of the overall budget.

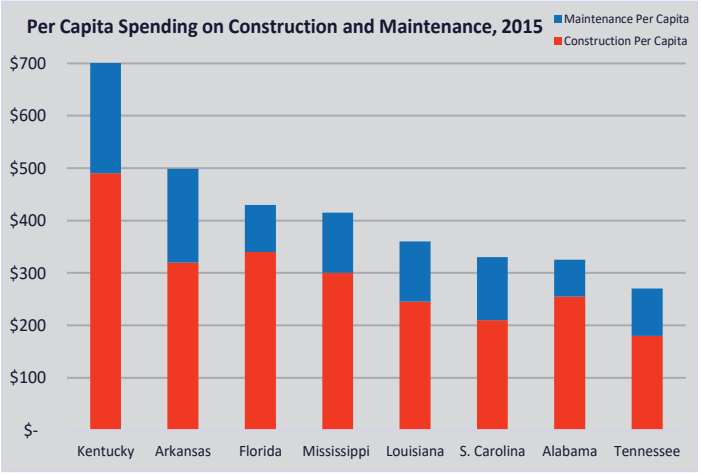
ALDOT currently spends a signficantly low amount of funding on capacity and system enhancement. If current funding levels persists, ALDOT forecasts it will only have between $100 million and $120 million to spend on capacity projects each year. That's enough funding to contract only a couple of capacity/expansion projects per year depending on the size of the projects.

Overview of 2018 ALDOT Expenditures



When it comes to spending on transportation construction and maintenance on an overall basis, Alabama trails several Southeastern states in per capita spending. This is displayed by the graph on the right which was sourced by PARCA's 2017 study, *How Alabama Roads Compare*. This is yet another contributing indicator that Alabama clearly trails other competing states when it comes to preserving and expanding its road and bridge system. It's worthy to note that currently Tennessee is most likely ahead of Alabama in per capita spending with its passage of a $400 million a year boost in transportation funding in 2017.

At this rate, Alabama can do very little to expand its road and bridge system to enhance economic growth and compete with our surrounding states in attracting new jobs and industry.



State Funding Diversions

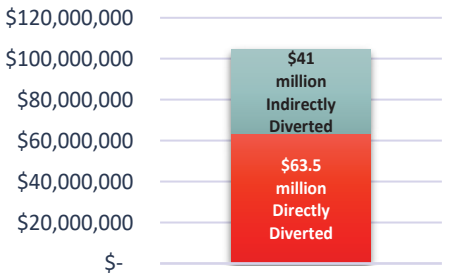
The 2018 ALDOT expenditures graph at the top of this page also includes funding that isn't spent on transportation purposes. Over recent years, the Legislature has appropriated funding from the Public Road and Bridge Improvement Fund and diverted it to other state agencies also struggling to fund government services. Before 2010, these funding diversions totaled less than $25 million annually. **Since 2012, the total annual funding amount that is transferred is $63.5 million.**

How much goes where?

$35 million ⟹ Office of the Courts

$28.5 million ⟹ Alabama Law Enforcement Agency (ALEA)

Estimated Funding Diverted from Transportation Uses



Contractors Gross Receipts Tax

There is another instance where transportation funding is indirectly diverted to other agencies by taxing road and bridge projects that are contracted by ALDOT with private contractors. The state charges road and bridge contractors a **5 percent gross receipts tax** that is unique to road and bridge construction contracts and isn't charged to vertical contruction projects, such as buildings.

Of the total receipts of the gross receipts tax, 85 percent is designated to the Mental Health Trust Fund and 15 percent is designated to the Department of Human Resources' Pension Security Fund. **$41 million** was indirectly diverted from the Public Road and Bridge Fund via the gross receipts tax in 2017.

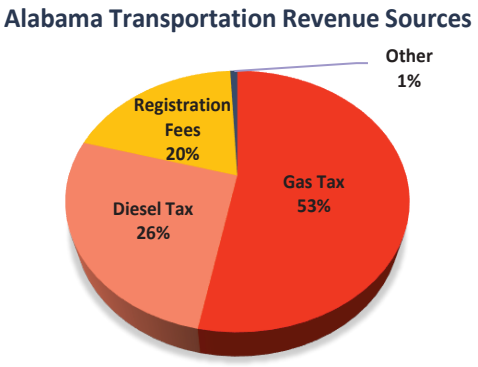
TRANSPORTATION FUNDING FACTS

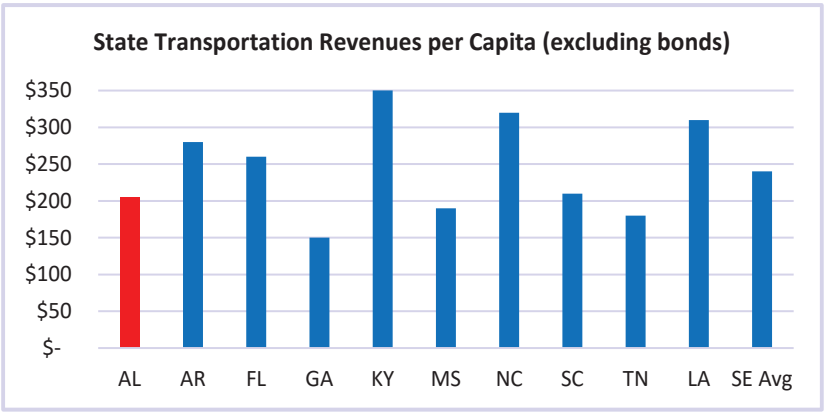
Alliance for Alabama's Infrastructure

State Funding - Where Does it Come From?

As mentioned earlier, around 40 percent of Alabama's road and bridge funding comes from state revenue sources. A majority of state funding for road and bridge improvements and maintenance comes from state fuel taxes and vehicle registration (tag) fees.

The graph on the right shows the revenue sources that make up the $526 million in state funding provided for ALDOT annually. As you can see, nearly 80 percent comes from Alabama's road user fees, the state gas tax (53%) and the state diesel tax (26%). The taxes or fees in this graph display only long-term sources for transportation.





The graph on the left displays how Alabama compares to other states when long-term transportation revenues are broken down to the per capita level.

Alabama trails six other Southeastern states in state transportation funding per capita. And with a number of these states recently enacting legislation to increase transportation funding, Alabama will likely move even farther back in the pack.

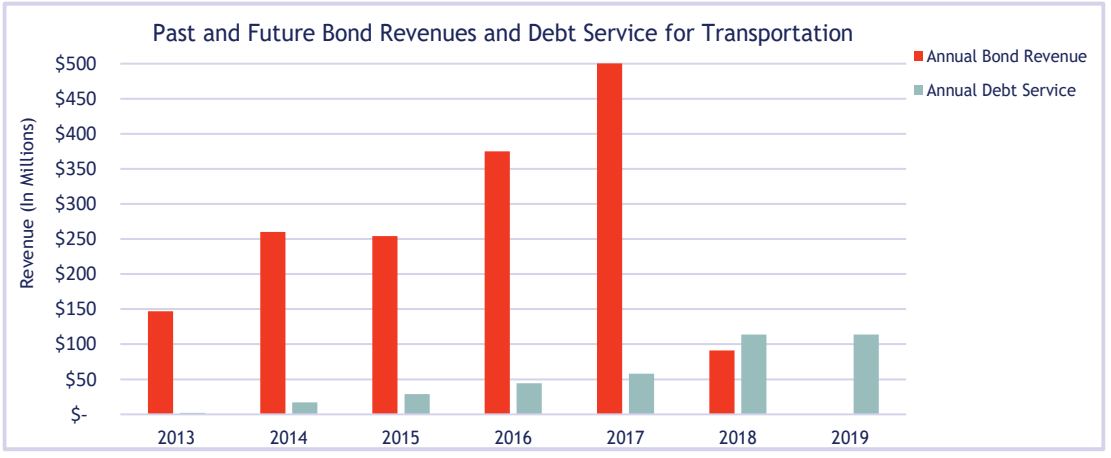
Funding Void Left by Bond Measures

Over the past 10 years, several stop-gap measures implemented, mainly bond issuances, have buoyed transportation funding for the short-term but created long-term debt that will decrease transportation spending in future years.

Beginning in 2012, Alabama issued bonds to fund the ATRIP program, which was a $1.2 billion bond issuance providing much needed transportation funding for local governments from 2013 through 2018. This allowed for the completion of 581 system improvement or preservation projects and 243 bridge replacement or rehabilitation projects. Additionally, the state issued bonds in 2016 and 2017 in the amount of $762 million to fund the federal share of cost for the $830 million Central Business District (CBD) bridge program along I-59/20 through the City of Birmingham.

While both programs were greatly needed, they have given a false view of Alabama's long-term ability to fund transportation projects by inflating our spending only for a short time and creating long-term debt which will subtract from future funding provided by stable revenue sources.

By 2019, ALDOT will be **spending an estimated $114 million on debt service** and all bond revenue will have expired.



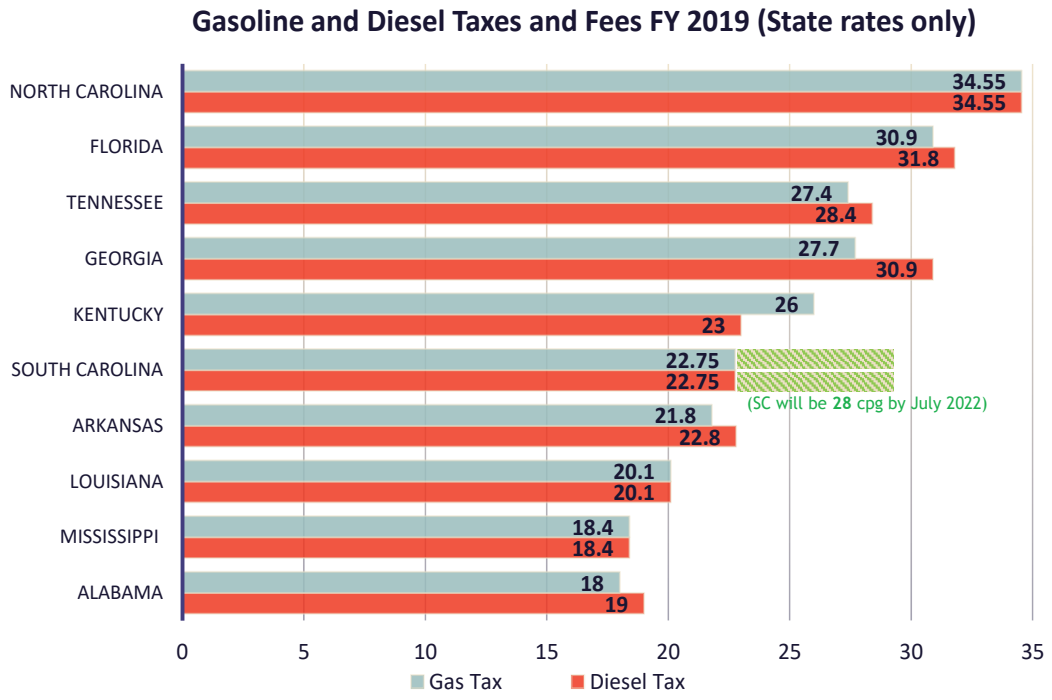
FACTS ABOUT THE GAS TAX

Alliance for Alabama's Infrastructure

The Facts on Alabama's Gas Tax

Alabama's fuel tax revenues provide nearly 80 percent of state funding for transportation. Alabama's gas tax has remained 18 cents per gallon, and its diesel fuel tax 19 cents per gallon, since 1992 when last adjusted by the state Legislature. The federal excise tax on gas is 18.4 cents per gallon and 24.4 cents per gallon on diesel. Various counties and cities in Alabama additionally have implemented local taxes on fuel at minimal levels.

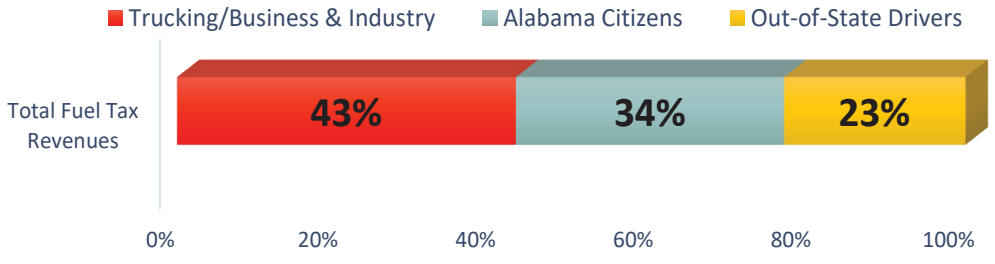
The chart below reflects state only gas and diesel tax rates for the Southeastern states. As you can see, Alabama's gas tax rate is the lowest in the Southeast and its diesel tax rate is the second lowest. And when you couple that with the fact that Alabama has a smaller tax base than many of the other southeastern states, then you find that Alabama trails many of its sister states in transportation investment on an annual basis. In fact, **Alabama ranks 8th in the Southeast in state highway resources per capita.**



Excluding federal and local gas tax rates, Alabama has the lowest gas tax rate in the southeast and the **5th lowest state gas tax rate in the entire country.**

Who Pays the Gas Tax?

A common misconception about a gas tax increase is that the burden completely rests on the Alabama citizens, which is not accurate. The trucking and business community pay the majority of the fuel tax revenues and a large portion of fuel tax revenues is paid by out-of-state drivers who use our roads and bridges quite frequently. Currently, the fuel tax is the best measure to ensure out-of-state drivers pay their fair share for using Alabama's transportation system. In the graph below is an estimated percentage breakdown of the different taxpayer segments and how much of the fuel tax revenues they represent.



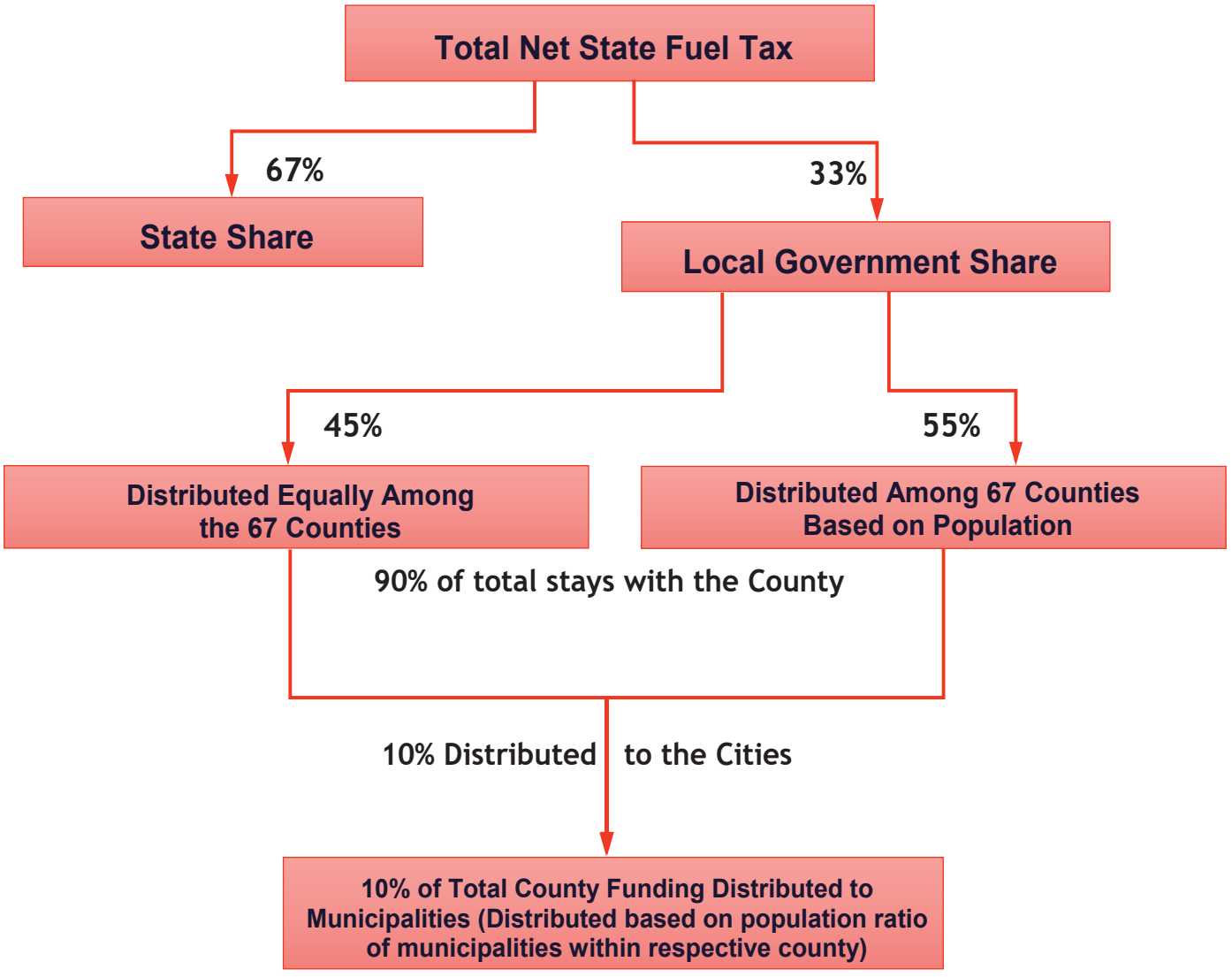
FACTS ABOUT THE GAS TAX

Alliance for Alabama's Infrastructure

How is Alabama's Fuel Tax Revenue Distributed?

The distribution of state fuel tax revenues is an issue that varies by state. In Alabama, the formula by which these revenues are distributed has transformed over time to account for changing regional and population dynamics.

The graphic below provides a simplified illustration of how the revenue generated from Alabama's state fuel tax is distributed among the three levels of government (state, county and municipal). This graphic reflects a combination of the distrubution of the state gas tax and diesel tax, which differ in their distribution levels among state and local governments.



Outside of the revenue local governments receive from the state gas and diesel tax, many counties and municipalities have imposed their own local option tax on gas and diesel. Counties must receive legislative approval from the state Legislature before levying a local tax; however, a municipality has the authority to levy a local tax through a simple vote of its city council. Currently, 309 of the 460 municipalities in Alabama levy some form of local fuel tax. 27 of the 67 counties also levy their own local fuel tax.

Declining Revenues and Increasing Costs

It is no secret that Alabama's transportation revenues have not kept pace with the rest of the economy. Why is this? Alabama's gas tax has been fixed at 18-cents per gallon since 1992, and while there has been a moderate increase in the number of vehicles that travel on Alabama's roads and pay the state gas tax, vehicles have become increasingly more fuel-efficient, negating the gains seen from the increase in vehicles. At the same time, more vehicles mean an increased level of maintenance needed for our roads and bridges. It also means more capacity is needed in certain areas of our state where roadways become congested.

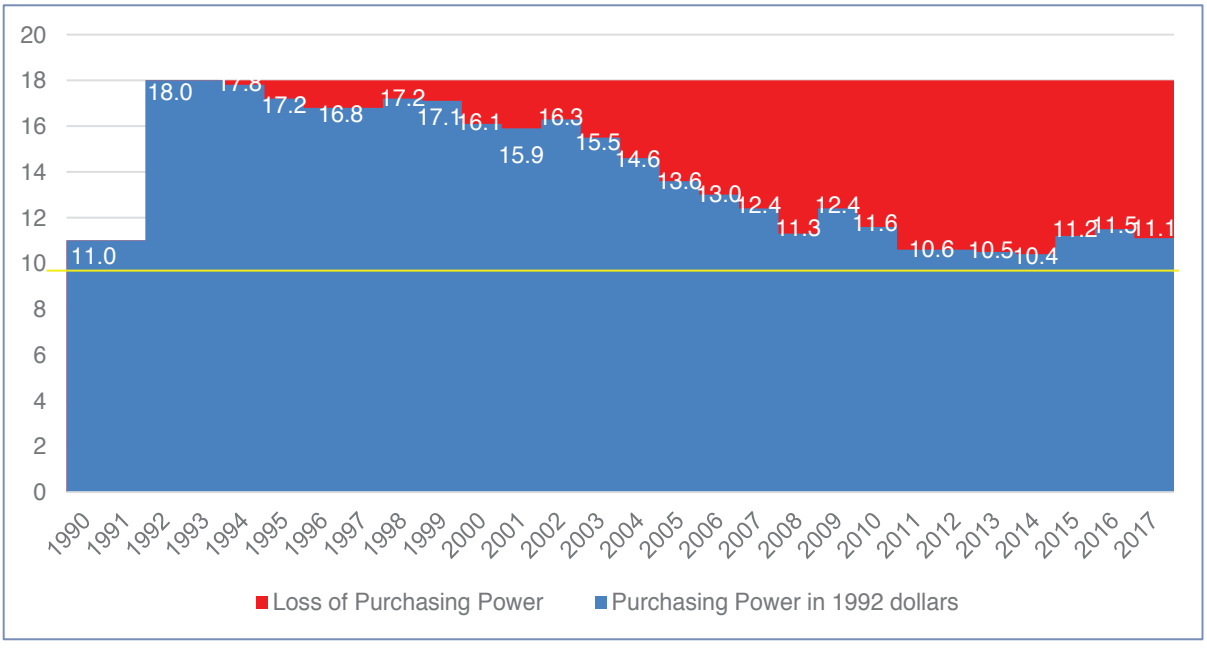
Vehicle Fuel Efficiency

Vehicles today have reached levels of efficiency that some thought were not possible in such a short amount of time. Advancements in technology have grown vehicle ownership and operation at an exponential rate. **Since 1990, vehicle fuel efficiency has risen by 24.7 percent** according to the U.S. EPA. In 1994, an average driver who traveled 12,000 miles paid $185 in gas tax. Taking into consideration fuel-efficiency, in 2016, a driver who traveled 12,000 miles paid $135 in gas tax. That is a $50 difference in road user fees being paid by drivers just due to increased fuel-efficiency. The total effect increased fuel-efficiency has on Alabama's transportation funding is **estimated to be $130 million a year.**

Inflation and the Rising Costs of Construction

While the cost to drive on Alabama's roads and bridges has remained the same since 1992, the cost of maintaining and constructing them has risen quite significantly. **Construction costs have risen nearly 75 percent over the last 15 years and have nearly doubled since 1992.** This has placed a significant strain on Alabama's scarce transportation dollars and has caused ALDOT, county and city governments to struggle to maintain and repave existing roads, let alone tackle more costly expansion projects.

According to the American Road and Transportation Builders Association (ARTBA), construction for a typical urban local road costs $2.1 million per lane mile, and a rural local road costs $1.3 million per lane mile. Urban interstates cost $5.3 million per lane mile on average, and rural interstates cost $3.2 million per lane mile. There are many additional associated costs that go into maintaining or constructing roads and bridges, especially when it comes to U.S highways and interstates. Outside of materials and overhead costs, there are many more additional costs such as federal taxes, railroad diversion costs, and environmental impact costs that can drive up the overall cost to construct a new roadway.



Source: Alabama Transportation Institute

The graph above illustrates how Alabama's gas tax revenues have been negatively affected by inflation and increased construction costs since 1992.

As you can see, the purchasing power of the 18-cent per gallon gas tax has diminished by nearly 40 percent. This trend will only worsen if something isn't done to increase Alabama's transportation investment to keep pace with inflation.

THE NEED TO INVEST

Alliance for Alabama's Infrastructure

Road and Bridge Needs in Alabama

Due to Alabama's fuel tax not being updated over the past 26 years, Alabama's road and bridge needs at the state, county and city level have risen to levels too great to comprehend. And each year we don't implement a plan that increases road and bridge funding to address many of these projects only causes the price tag to grow.

The more we delay, the more we pay.

How much revenue does one penny increase in the fuel tax raise?

Estimated amount of revenue raised for every 1-cent per gallon increase in the fuel tax	$30-32 million

What is Alabama's transportation funding deficit?

Alabama has vast road and bridge needs that can only be addressed by investing additional revenue into Alabama transportation system. Below are estimated funding shortages that display many of the road and bridge needs across our state.

In a study performed by the Alabama Transportation Institute on our state's transportation infrastructure, preliminary results indicate Alabama will need to invest an additional $640 million a year in its transportation system to remain competitive with other Southeastern states.

Minimum amount needed annually to be competitive with other Southeastern states	$640 million (Equivalent to a 20-cent increase in the fuel tax)

Other Transportation Funding Needs in Alabama

Annual shortfall Alabama counties face to fund basic local road and bridge maintenance	$190 million
Additional annual amount needed in bridge funding to address critical bridge needs	$130 million
Additional annual amount needed to fund future transportation debt service	$114 million

Policy Considerations

Investing in our state's roads and bridges is something that hasn't been accomplished in more than a quarter of a century. Because this is such a rare and unique opportunity, it's imperative that we get it right by implementing a responsible plan that fixes the entire problem. This can be achieved by ensuring the following policy principles are incorporated in any plan going forward.

Accountability and Transparency

Anytime additional revenue is raised, it's prudent for government to implement higher levels of accountability and transparency in the spending of those new revenues. This could include measures that reform the current system of managing, operating, and investing in Alabama's roads. These measures could include:

- Dedicating 100 percent of any new revenue to road and bridge construction and maintenance and protecting this revenue from diversions to other state programs or agencies.
- Implementing a modernized online dashboard that provides taxpayers with up-to-date information on past, current and future road and bridge projects.

Broad-Based and Adequate

Because we are investing in Alabama's largest assets, which all Alabamians use daily, any new funding plan must be broad-based and equitable. This will allow everyone who uses our roadways and bridges to equally pay for their usage and collectively invest in our state's infrastructure.

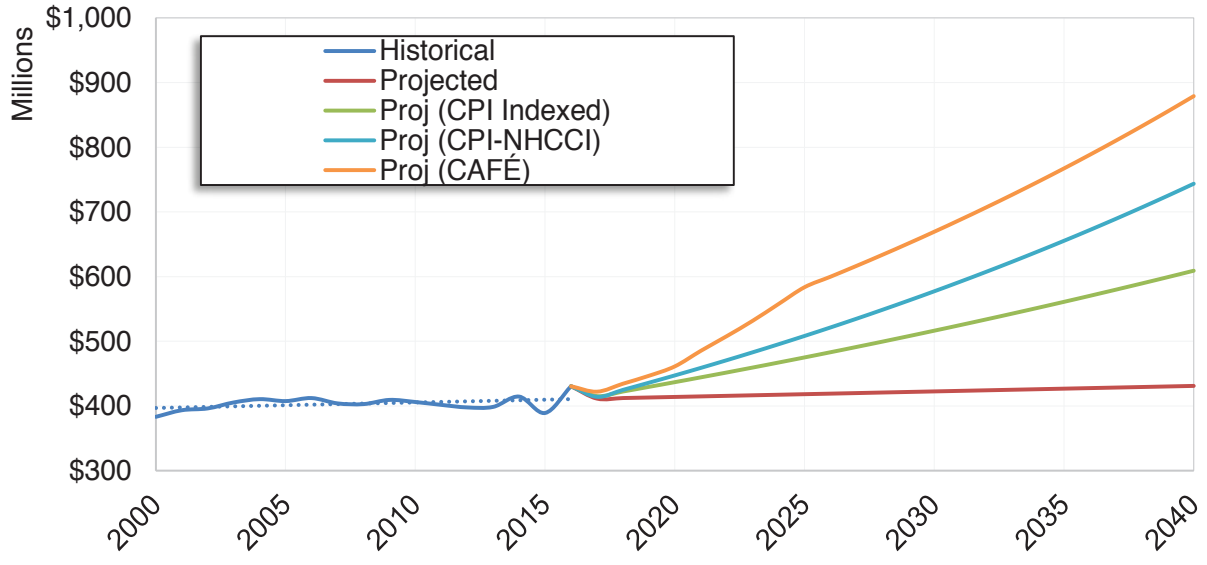
Any future plan should also provide adequate funding to meet Alabama's transportation needs in both urban areas and rural areas. Polling data shows that Alabamians are willing to invest additional dollars, but only if a plan is implemented that fixes the entire problem, not just part of it.

Stable Revenues and Indexing

Stop-gap measures have been implemented in the past and contribute to many of the reasons Alabama is in the funding predicament it's in today. Stable and sustainable funding is critical to ensuring we have future revenue to maintain and preserve any new roads and bridges we construct.

Indexing Alabama's fuel tax would provide stable and long-term revenues which would allow Alabama to invest in future generations. By linking Alabama's fuel tax to an economic factor, the cost of using Alabama's roads will keep pace with the rest of the economy and will allow our transportation system to keep up with demand and the rising costs of inflation.

Through research performed by a recent Task Force assembled to study the infrastructure needs in Alabama, several forms of indexing were modeled and tested for Alabama's fuel tax. The graph below shows the projected revenue growth for three of the various models if they were implemented in Alabama: The Consumer Price Index (CPI), a hybrid of CPI and the National Highway Construction Costs Index (NHCCI), and the Corporate Average Fuel Economy standards (CAFE).



The Alliance for Alabama's Infrastructure (AAI) is a grassroots advocacy coalition focused on fixing Alabama's infrastructure crisis by identifying financially-responsible investments, reforms and long-term solutions for Alabama's transportation infrastructure. AAI is housed in and operated by the Business Council of Alabama and consists of a diverse group of businesses, professional associations, and community leaders from around the state who believe that it is time for Alabama to address its growing infrastructure problem.