



The Road Map to the Future

BY KATIE SCHANZ AND JULIE SCOTT

Travel through South Carolina, and it will be hard to find anyone who would disagree that the state's infrastructure needs a great deal of work. From lane expansion to bridge replacement to surface improvements to creating build ready industrial sites, South Carolina's needs are at a critical juncture. Other states are facing the same difficulties. In fact, the nation's infrastructure as a whole needs significant improvement.

The American Society of Civil Engineers (ASCE) grades the nation's infrastructure according to capacity, condition, funding, future needs, operation and maintenance, public safety, resilience and innovation. The U.S. received an overall D+ ranking this year, and ASCE estimates that \$3.6 trillion will be needed nationally for infrastructure improvements by 2020. The ranking includes a look at roads and bridges, but also other infrastructure needs as well, which are vitally important to economic development.

In South Carolina, there are more than 800 structurally deficient bridges and more than 400 that are load restricted. Forty percent of major roadways are rated in poor or mediocre condition and are taking a toll on vehicles and pocketbooks. Driving on roads in need of repair costs South Carolina motorists \$811 million a year in extra vehicle repairs and operating costs. That translates to \$255 per motorist. And, based on the annual hours of delay and average hourly rates of individuals and commercial operators, more than \$394 million is lost to congestion every year.

As a whole, the nation's infrastructure is woefully underfunded relative to demands placed on it, and South Carolina is no different. Inadequate infrastructure negatively impacts economic development. With each passing day that South Carolina waits to address a sustainable and recurring funding source for infrastructure, overall costs over the long run increase.

Compound this national crisis with the fact that South Carolina does not receive its fair share of funding back from the federal government. Considered a "donor state," South Carolina only receives about 92 cents for every infrastructure related dollar it sends to Washington. The South Carolina Department of Transportation's (SCDOT) annual budget is \$1.4 billion a year, including state and federal allocations. South Carolina Transportation Secretary Robert St. Onge recently said with this type of budget, he is tasked with maintaining the "decline of the transportation system." The agency's limited funds primarily go to maintenance with few overall improvements along the way. According to SCDOT, there will be a \$29 billion shortfall for the state's roads and bridges over the next 20 years with the current funding pattern.

Scott Fant, vice president of business development for Sloan Construction Company, sees the deterioration of the state's infrastructure on a daily basis. "The longer we postpone repairing our roads and bridges, the more it will cost the state in the end," he said. "At this point, there are a great deal of roads that will have to be reconstructed, which costs roughly three times as much as overlaying them. Roads are just like houses. You have to keep them up or they totally fall in. We have to maintain them, and we are not currently doing that due to the lack of funding of the SCDOT."

Business owners are deeply impacted.

"Like thousands of other businesses, Cox Industries utilizes the state's infrastructure on a daily basis, carrying products to and from the port and using our state's interstates and secondary road system," said Mikee Johnson, president and CEO. "Time is money. It is imperative that we have a reliable and safe infrastructure system so that commerce can easily flow throughout the state."

WHAT OTHER STATES ARE DOING

As soon as I hit the South Carolina border, the lanes shifted from three to two, the quality of the roads deteriorated and traffic backed up." It's a sentiment expressed by just about everyone who has traveled out of state and returned to an interstate system that is just plain beat up.

Other states are making strides towards addressing infrastructure concerns, including Virginia and Wyoming. In 2013, Virginia passed a comprehensive infrastructure package that will invest \$4 billion in infrastructure projects over the next five years and then \$900 million annually thereafter. The package contains various funding mechanisms, including eliminating the motor fuel user fee but replacing it with a wholesale tax on gas. The statewide sales tax was raised by three-tenths of a percent, bringing it to 5.3 percent. In addition, Virginia's General Fund dollars will be transferred to transportation, and a fee for hybrid, alternative fuel and electric motor vehicles was introduced.

North Carolina and Georgia both indexed state motor fuel user fees to inflation, which means the fees will steadily rise over time to meet funding needs for infrastructure. North Carolina is also looking at how to fund future infrastructure improvements in the state with various funding mechanisms.

Wyoming raised its state motor fuel user fee by 10 cents effective this past July to fund infrastructure, making South Carolina's motor fuel user fee the third lowest in the United States. Compound this with the fact that South Carolina's motor fuel user fee revenues fund the nation's fourth largest road network.

Historically, across the nation, the majority of infrastructure funding came from the motor fuel user fee, but with declining revenues from fewer miles driven and more fuel efficient vehicles, many states believe the time has arrived to examine all road funding mechanisms. South Carolina's last motor fuel user fee increase was in 1987, and the state did not index it, so it



has remained stationary at around 16 cents per gallon for more than 25 years.

"Thinking that we can maintain our roads and bridges on 1987 funding is like kidding yourself that you could do home repairs for what you could in 1987," said Mark S. Ashmore, president of Ashmore Brothers, Inc. "We need our leadership in the state to be willing to provide a funding source that is perpetual by escalating as time moves forward. Our infrastructure has deteriorated past normal repairs to the stage of total reconstruction in many areas. Our interstates capacities are overloaded. We can't keep turning a blind eye to this major economic engine catalyst."

SOUTH CAROLINA'S STEP FORWARD

After the business community and its allies urged the General Assembly to dedicate funding to the state's roads and bridges, in 2013, the state took a step forward. Both the House and Senate included infrastructure funding in their respective budgets. In the end, the final package invested nearly \$600 million in roads and bridges, including moving half of the sales tax on automobiles to the Highway Fund on a recurring basis, \$50 million for bridge repairs and \$50 million in



recurring funds allocated to the State Infrastructure Bank (SIB) to be bonded for \$500 million.

"The General Assembly designated the State Infrastructure Bank (SIB) as the funding conduit to address several high-priority transportation projects. The responsibility of the SIB is to partner with SCDOT to review and determine the projects to be funded by the SIB, generate exceptional revenue derived by the selling of bonds to provide funding of \$500 million or more for major transportation projects and create an efficient process of getting these dollars into respective projects," said Max Metcalf, vice chairman of the State Infrastructure Bank. "Over the years, we have successfully provided funding solutions to over \$5 billion in projects in 20 counties and cities, as well as



Governor Nikki Haley signs the 2013 infrastructure package at the South Carolina Chamber of Commerce.

statewide median cable barriers and statewide bridge replacement programs. By all measures, we have been the most successful State Infrastructure Bank in the country."

The 2013 infrastructure package represented a step forward for the Palmetto State, and the business community applauded the effort. The measure was the first significant infrastructure funding increase since 1987. Governor Nikki Haley signed the legislation at the South Carolina Chamber of Commerce joined by



business leaders from across the state. She was also joined by Transportation Secretary St. Onge.

In 2013, the General Assembly also allocated \$16 million to the South Carolina Department of Commerce Closing Fund, which aids site ready specific initiatives for economic development announcements.

OPEN FOR BUSINESS

Sound infrastructure means more than just improving roads and bridges. It also means being truly open for business. With economic development and jobs the No. 1 concern of citizens, it is important for infrastructure talks to also include site readiness. As other states address their road and bridge needs, the General Assembly needs to look at infrastructure as a whole. To create a competitive edge, South Carolina must be ready to address roads, bridges, water, sewer, etc. If handled proactively, the state could be site ready when companies decide to locate or expand in South Carolina.

"Over the past ten years, South Carolina has been successful in recruiting many companies that have invested billions of dollars and created thousands of jobs. These companies include BMW, Boeing, Bridgestone, Continental, Michelin, ZF, Amazon, QVC, adidas, Walgreen's, Home Depot, Monster.com and Starbucks, just to name a few," said Deepal Eliatamby, president of Alliance Consulting Engineers. "In doing so, the inventory of some of the South Carolina's best industrial sites, industrial parks and megasites has been depleted. In an effort to continue to be competitive, the state must develop infrastructure to position itself to recruit potential industries."

To learn more about the state's infrastructure and the *Road Map to the Future*, visit www.scchamber.net.

ROAD MAP TO THE FUTURE

There is no doubt that finding a sustainable, recurring funding solution for the state's roads and bridges must occur sooner rather than later. This includes specifically prioritizing interstate improvements as well as secondary road maintenance. Every funding mechanism must be on the table.

In early 2013, the South Carolina Chamber of Commerce and 14 allied organizations released the *Road Map to the Future*, a detailed package outlining three critical areas of infrastructure in need of a revenue stream for continued economic development success in South Carolina. The *Road Map* calls for widening South Carolina interstates, fixing load restricted and deficient bridges and resurfacing existing roadways.

The interstate priority projects included in the *Road Map* are according to SCDOT's statutorily-prescribed priority rankings as mandated by Act 114. The lone exception is the state's single most critical commercial and economic development artery – Interstate 26. It deserves special and immediate improvement to serve tourism, the port, manufacturing, just-in-time shipping and everyday travel requirements.

Additionally, the state must replace load restricted and structurally deficient bridges in every county. The bridges included in the *Road Map* are based on priority rankings, and attention would improve the safety and efficiency of the overall transportation system.

South Carolina also needs dedicated funding for resurfacing. Numerous routes are well beyond acceptable service intervals and are in dire need of repair now before they become even more costly to fix or rebuild.

There are a number of funding mechanisms the General Assembly can choose from. Some options include: additional dedication of General Fund revenue, Capital Reserve funds, redirecting additional vehicle related revenues, and of course, increasing the state's motor fuel user fee.

One thing is clear: South Carolina cannot afford to fall behind on economic development, and infrastructure is a huge part of being successful – today and over the long term.

Business leaders are in agreement.

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