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Interest groups pushing gas tax overhaul to fix Illinois roads

Monique Garcia | March 4, 2015



The Transportation for Illinois Coalition argues the current setup of the motor fuel tax falls woefully short of properly funding upkeep of roads and bridges. (Jose M. Osorio, Chicago Tribune)

Road builders, unions seek gas tax overhaul to jump-start road construction in Illinois. Transportation advocates worried over Illinois' aging roads, seek rise in gas tax to keep up with inflation.

With money from a major multiyear state construction program drying up and federal funds in limbo, transportation advocates are scrambling to overhaul how the state taxes gasoline in the hopes of finding a steady stream of money to help revitalize Illinois' rapidly aging system of roads and bridges.



Gas taxes and fees (infographics)

It's a tall order in any year, not to mention one of sweeping transition in which new Republican Gov. Bruce Rauner is calling for deep budget cuts against strong pushback from Democrats who control the General Assembly. But interest groups ranging from labor unions to truckers to local chambers of commerce argue Illinois is at a critical juncture, and a gas tax hike is one potential option. They

contend that without action, roads that state officials say are in 85 percent acceptable shape will drop to 61 percent over the next five years.

That means more potholes and time wasted sitting in traffic — everyday annoyances that snowball into lost hours at work and make it difficult for companies to deliver products on time.

"We've sort of reached a crescendo here in the state, we've gotten to the point where the problem is so bad that it's really affecting everybody," said Peter Skosey, executive vice president of the Metropolitan Planning Council, a group focused on development in the Chicago region. "It's become a now-or-never situation."

The problem is multipronged. Just \$274 million remains of a \$1.1 billion extension to a statewide construction program lawmakers approved last year. And federal funding that's decreased in recent years is in question as lawmakers in Washington face a May 31 deadline to reauthorize highway spending.

At the same time, money raised by the state's tax on gas to help pay for roads has remained flat as cars become increasingly fuel-efficient but the cost of construction goes up. And even those dollars are frequently diverted from their intended use to plug budget holes in other areas.

That's led an assembly of dozens of business, labor and transportation groups to push for an overhaul of how Illinois pays for its system of roads, bridges and rail.

The Transportation for Illinois Coalition argues the current setup of the motor fuel tax, which drivers pay on a gallon of gas each time they fill up at the pump, falls woefully short of properly funding upkeep of roads and bridges — not to mention improvements. The group says Illinois needs to pump another \$1.8 billion a year into the state's transportation system to cover day-to-day maintenance as well as pay for a borrowing plan to finance long-term upgrades.

While the coalition has backed away from specifics in an effort to begin fresh negotiations with Rauner, its general outline calls for raising the gas tax to keep up with inflation. It also has pitched a menu of other possibilities, including eliminating tax exemptions for ethanol, increasing drivers' fees, expanding the sales tax to cover services ranging from auto repairs and oil changes, and taxing the sale of food and prescription drugs.

Illinois imposes a base tax rate of 19 cents per gallon for gasoline and 21.5 cents a gallon for diesel, though other fractions of a penny are added on to pay for costs associated with environmental cleanup and underground storage of fuel. That doesn't include the 6.25 percent sales tax the state also collects on each gallon of fuel, federal taxes, or the variety of other levies some counties and cities like Chicago also pile on top.

In all, more than \$1.1 billion in motor fuel taxes went into state coffers last year, as well as an estimated \$774 million in sales taxes on fuel, according to the Illinois Department of Revenue. But just a portion of that money actually ends up being spent on roads and bridges.

That's because all of the cash raised by the sales tax on fuel is funneled into the state's general fund, which is used for day-to-day operations of the state. Meanwhile, hundreds of millions of dollars generated by the fuel tax are regularly used to cover other budget pressures, ranging from health insurance costs for state workers to administrative overhead and debt payments. A 2013 report by Auditor General William Holland found that for eight of the 10 prior years, less than half of the money in the state's main road fund was spent on highway construction or repair.

The situation has led to calls to put into law a guarantee that money raised by the gas tax goes to construction and isn't raided each time the state needs to fill a budget shortfall — a difficult prospect given the state's multibillion-dollar deficit.

Indeed, Rauner has eyed the possibility of using money from the state's road fund, which is fed in part by the gas tax, to offset shortfalls in the budget he inherited. A deal with lawmakers on that front has yet to happen.

Meanwhile, Rauner's own budget plan keeps infrastructure spending relatively flat, except for a small bump he wants to use to whittle down a long list of state facilities that need upgrades. In a briefing with reporters, the governor's top budget aide said Rauner wants to work with lawmakers to put together a construction package by the end of the spring legislative session.

But the governor is not saying yet how he'd like to pay for it, other than a general call to restructure the gas tax to "appropriately invest in infrastructure."

"Again, the details will be worked out on a bipartisan basis with the General Assembly," Rauner said Friday. "I am a strong believer we need to invest more in our infrastructure because it's deteriorating and it hurts our competitiveness."

Working out the details is easier said than done.

While Democrats generally are more open to raising taxes to offset cuts, cutting a deal with the Republican governor will be far from easy as he also pushes for widespread spending reductions throughout state government. Even if there's an agreement on a tax increase to offset the need for cuts, the money generated likely would be used for general spending, not construction. And if getting a vote for one tax package this year will be a challenge, the argument goes, asking lawmakers for two will be near impossible — particularly since Democrats who control the General Assembly usually demand support from their Republican counterparts in an effort to spread the blame.

An alternative funding idea would put in place a fee system in which drivers are charged based on the miles they travel, which advocates argue would move Illinois away from a system of "nickel-and-diming" drivers in favor of billing based on usage.

At the high end, the Illinois proposal would charge drivers of passenger vehicles 4 cents a mile, which supporters say would generate an estimated \$3.72 billion a year. But the cost for drivers is steep — about \$65 a month for the average household.

Mileage would be tracked either with a transponder similar to an I-PASS used to automatically deduct tolls or a more detailed GPS system, while drivers concerned with privacy could elect to pay a flat yearly rate, though that may be a more expensive option based on how much they travel. The gas tax would remain in place to collect revenue from out-of-state drivers, and those who use mileage tracking devices would get monthly rebates for what they paid at the pump.

"If you drive it and use it, you pay for it. If you don't use it, then you don't pay for it," said Marc Poulos, executive director of the Indiana-Illinois-Iowa Foundation for Fair Contracting, which represents the Operating Engineers Local 150 union.

"It's the big fix," Poulos added, acknowledging it'd be a huge shift in policy for Illinois but could eliminate the need for legislators to routinely revisit taxes each time they want to put together a construction plan.

While an agreement is far off, supporters of the competing plans say ideas about how to put in place a more steady stream of funding may be varied, but the goal is the same: to keep the money rolling in regardless of political whims.

"We need a sustainable financial method for infrastructure improvements," said Sen. Martin Sandoval, a Chicago Democrat who chairs the Senate Transportation Committee. "Not continue to come up with these incremental plans that put us in the same position year after year."