

# **Transportation Needs and Funding Alternatives: A Survey**

**Transportation Funding Series  
Special Report No. 1**

## **Executive Summary**

**by**

**James B. London  
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**August 22, 2001**

*The Jim Self Center on the Future*



THE STROM THURMOND INSTITUTE OF GOVERNMENT & PUBLIC AFFAIRS

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Clemson, South Carolina**

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## **Executive Summary**

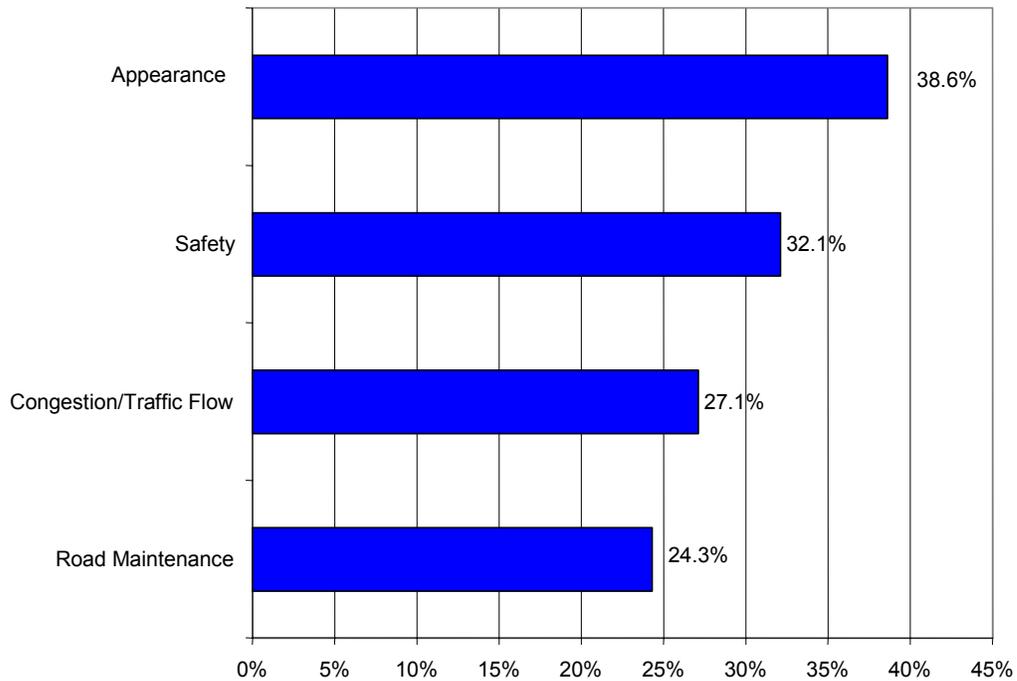
Expanding transportation infrastructure needs and constrained revenue sources are creating a fiscal crisis for state governments across the country. In South Carolina, a 1997 report by researchers at Rutgers University projected state infrastructure requirements at \$57 billion over the next 20 years with 51 percent of that total being for highway construction and maintenance. The South Carolina Multi-Modal Plan being developed at this time is likely to increase still further long-range transportation needs as the state embarks on a more comprehensive approach to meeting transportation requirements.

This report is the first of a series of reports from the Jim Self Center on the Future to address this issue of funding transportation infrastructure needs. The report summarizes survey responses from 1,000 households in South Carolina to identify issues of particular concern and to determine the level of acceptance of alternative funding strategies for transportation infrastructure. A telephone survey was conducted in February 2001 by David Sparks and Associates. The state was divided by geographic region into Coastal, Midlands and Upstate counties and by population into Urban, Next to Urban, and Rural counties to allow comparison between different population segments. Respondents were asked to rate a series of questions on a 1 to 5 scale where '1' represents poor, very unimportant, or decrease funding and '5' represents excellent, very important, or increase funding.

When asked their overall impression of South Carolina roads and highways, the mean response was 2.9, slightly below mid-range. Responses for Coastal residents were significantly less favorable than responses from both Upstate and Midlands regions with Coastal residents indicating a nearly two to one margin of unfavorable to favorable responses. On balance, Rural residents gave higher ratings than the other geographic groupings, but even there differences occurred with Upstate Rural residents responding favorably on 33.9 percent of surveys and Coastal Rural residents responding favorably on only 15.6 percent of surveys.

Respondents were then asked to respond to key transportation issues. Those issues included: safety, road maintenance, and congestion, and appearance. Overall, road maintenance (2.73), congestion/traffic flow (2.77), and safety (2.93) had mean responses at less than mid-range, while appearance had a higher mean response of 3.12. A comparison of favorable responses to these issue areas, i.e. '4' or '5' on a 5 point scale, is shown in Figure S-1.

**Figure S-1: Percentage of Favorable Responses to Transportation Issues**



For safety, responses were almost evenly split with 32.1 percent favorable responses and 33.7 percent unfavorable responses. Unfavorable responses were higher in Coastal and Upstate counties and were directly related to county size with the highest number of unfavorable ratings in Urban counties and the lowest number among Rural counties. Delineating further, favorable ratings ranged from a high of 47.3 percent for Rural Midlands residents to a low of 20.5 percent for Urban Upstate residents. A series of serious accidents along Interstate 85 in the Upstate may have influenced these responses.

Similar patterns are seen for congestion/traffic flow, although the gap between favorable (27.1 percent) and unfavorable responses (38.3 percent) widened. Concern over traffic congestion was significantly higher for Coastal and Upstate residents relative to Midlands residents, and again unfavorable responses were directly related to county size. The greatest perceived problem appears to be in Urban Coastal and Urban Upstate counties where unfavorable ratings were given 52.4 and 50.0 percent of the time, respectively.

With road maintenance the gap widens with 24.3 percent favorable responses and 40.9 percent unfavorable responses. In this case, Midlands residents registered the lowest approval ratings at 20.1 percent, and little variation occurred by county size. The highest favorable responses came in Urban Coastal counties (33.7 percent) with the lowest favorable response from Next to Urban Midlands counties (18.3 percent).

Of the four issue areas identified, only in the case of appearance did favorable responses exceed unfavorable responses at 38.6 to 26.4 percent. Favorable responses were highest for Upstate counties and lowest in Coastal counties. Little variation occurred by county size. The highest approval ratings were for Rural Upstate residents (44.9 percent), while the lowest ratings were for Rural Coastal residents (30.3 percent).

## **Funding Alternatives**

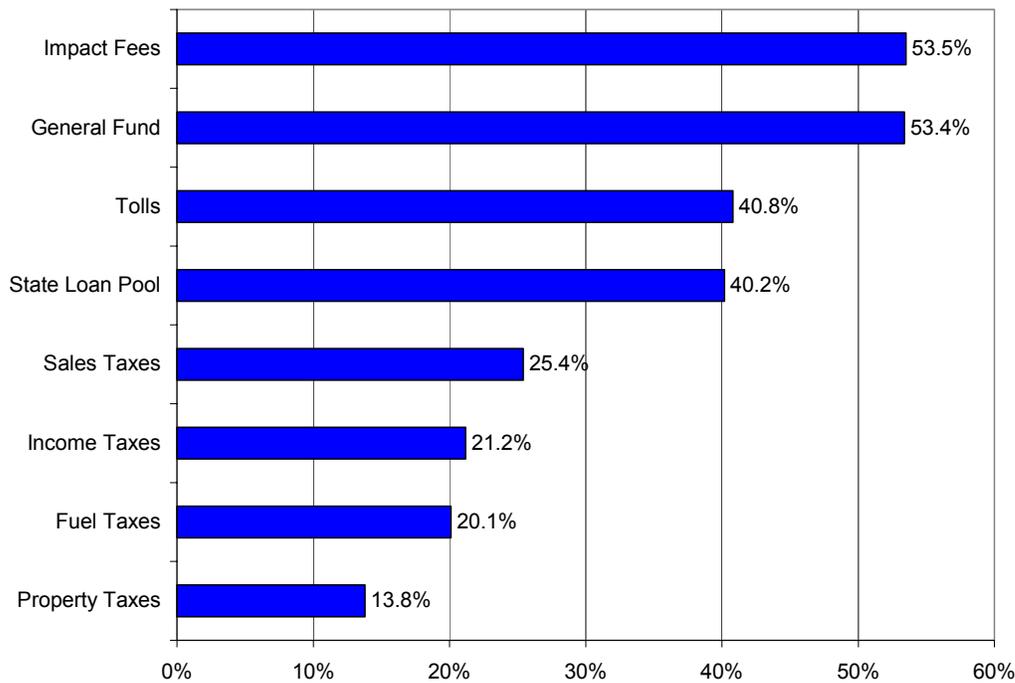
Although taxes and fees are never an attractive alternative, respondents were asked to rate a series of funding alternatives to gauge public acceptance with '1' being a poor alternative and '5' being an excellent funding alternative. Statewide, the highest mean ratings were given for highway impact fees (3.53) and general fund expenditures (3.51). Mid-range responses were for a state loan pool targeted for transportation needs (3.17) and tolls on high volume roads and bridges (2.98). The least favorable responses came for state taxes on new car purchases (2.59), state income taxes (2.34), gasoline/fuel taxes (2.25), and property taxes on automobiles (2.02). It is worth noting that the top four options in terms of respondent preferences are either fees or state revenue expenditures. The four lowest ranking options are taxes of various types.

Impact fees had the highest overall rating with 53.5 percent favorable responses compared to 16.9 percent unfavorable responses (Figure S-2). Impact fees are attractive to existing residents as new development pays for capital costs associated with new development. They are imposed however by local government and are a local rather than a state revenue source.

General fund expenditures were a close second as a funding alternative with 53.4 percent favorable responses and 17.6 percent unfavorable responses. This support for general fund expenditures may be a recognition on the part of respondents that transportation is a statewide issue and needs general fund commitment. It may more likely be that respondents see state appropriations as one step removed from the taxpayer and therefore less invasive than direct taxes. The largest revenue source for the general fund is the state income tax that was rated far lower as a funding alternative with a mean rating of 2.34 versus 3.51 for general fund expenditures.

A state loan pool was the next most popular funding alternative favored by 40.2 percent of respondents compared to 27.3 percent unfavorable responses. Rural residents indicated a higher acceptance rate than either of the other two county groupings. It may be that respondents understand that a state loan pool allows the state to leverage transportation funding to maximize investments in state priority projects. On the other hand as with general fund expenditures, it may be that the state loan pool is one step removed from the taxpayer and therefore more acceptable than a direct tax.

**Figure S-2: Percentage of Favorable Responses for Funding Alternatives**



Survey responses to tolls on roads and bridges were nearly evenly split with 40.8 percent favorable responses and 37.8 percent unfavorable responses. Rural residents were more likely to have a favorable response to tolls perhaps because they require a critical mass to be feasible that is likely to occur in more populated areas. Toll roads have received increased attention with a number of high profile projects including the Cooper River Bridge, Myrtle Beach Connector, Cross Island Expressway on Hilton Head, and Southern Connector in Greenville. Toll roads and bridges do serve as a proxy for road use. Frequent user tolls can adjust for local drivers that use the system on a regular basis.

None of the four direct taxes fared well in the ratings, but the sales tax on new car purchases had the fewest unfavorable responses. Still, an increase in the sales tax had only 25.4 percent favorable responses and 47.6 percent unfavorable responses. The Midlands and Next to Urban counties were least likely to support the sales tax option. Currently the sales tax on new purchases is capped at \$300, a figure that has been in place since 1976. An increase in the sales tax on new car purchases has been opposed by car dealers who argue that it will hurt new car sales and thereby negatively impact the state economy.

As indicated earlier, the income tax fared far worse than general fund expenditures in terms of acceptance despite the fact that 48 percent of general fund revenues are derived from income taxes. Income taxes had a 21.2 percent favorable response and a 57.2 percent unfavorable response. The connection between road use and income tax collections is weak so that they are not an

efficient means of funding highway programs. Yet, income-based revenues may be appropriate for non-highway transportation expenses because they are less regressive than other funding options.

Gasoline and fuel taxes had a still lower level of acceptance with 20.1 percent favorable responses and 61.2 percent unfavorable responses. The strong aversion to fuel taxes may be tied to the frequency with which they are paid. Because tolls are not feasible on most roadways, fuel taxes are the best proxy for highway use. At 16 cents per gallon in state fuel taxes, the average South Carolina driver pays \$8 per month in state fuel taxes for highway construction and maintenance.

Finally, property taxes on automobiles received the lowest rating among the options considered. Only 13.8 percent of respondents rated property taxes favorably as a funding option, while 68.8 percent rated property taxes unfavorably. Property tax relief has been a popular political movement in recent years. In South Carolina, the car tax referendum passed with 84.4 percent of the vote. Yet, property taxes are collected at the local rather than the state level and traditionally have not been earmarked for transportation programs.

### **Who Should Pay?**

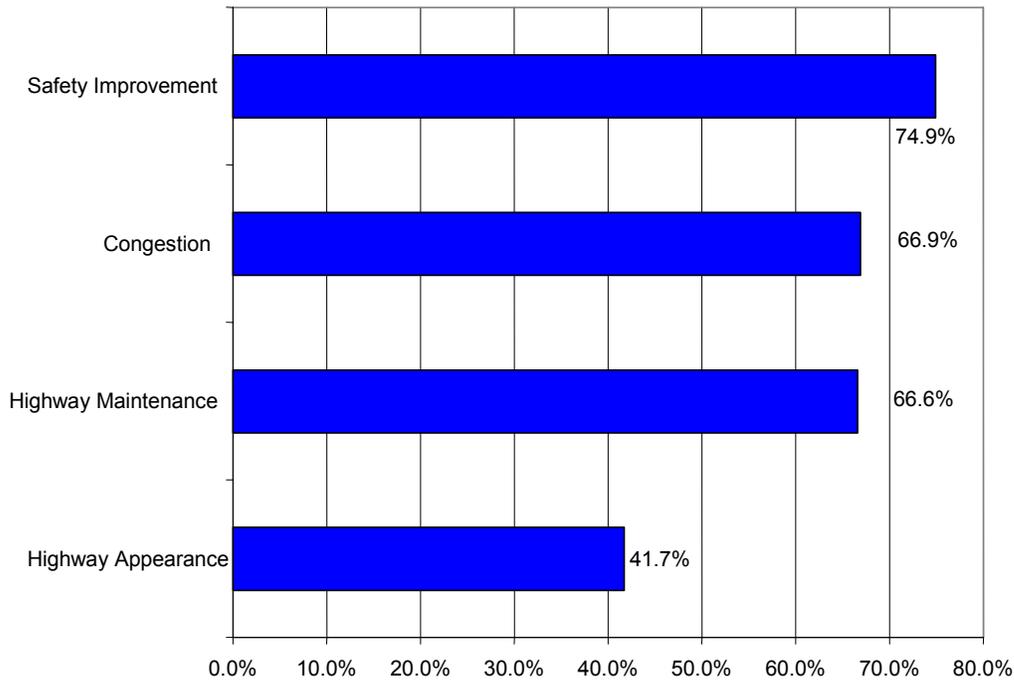
When asked to rate “how important it is to you that funding options for highways comes from fees and taxes related to the use of highways?” 67.1 percent of respondents gave a favorable rating to that proposition. Only 10.7 percent rated relating fees and taxes to highway use as an unfavorable proposition. This response conflicts with the responses made to the menu of individual taxes and fees. Yet, it does suggest that when individuals sit back as neutral third parties that they are more likely to draw connections between highway benefits and corresponding highway use charges.

### **Increased Funding for Selected Issues**

Following on the transportation issues identified earlier, individuals being interviewed were asked their opinions on increased funding for those same issues. All four of the issues had mean responses above the mean response of ‘3.0’. The highest mean response was for increased funding for safety at 4.12. Nearly identical mean responses were given for increased funding for highway maintenance and to reduce congestion at 3.89 and 3.85. Slightly lower responses were given for increased funding to improve highway appearance at 3.26.

Among the individual issue areas, respondents were most inclined to support increased funding for safety improvements. Favorable responses were given on 74.9 percent of the time, while only 7.9 percent of respondents were unfavorably inclined (Figure S-3). Responses were higher from the Upstate and Midlands

**Figure S-3: Percentage of Favorable Responses to Increased Funding for Selected Issues**



than for the Coastal region, and Urban residents indicated the strongest preference when counties were grouped by size. It is interesting to note that safety came in third on in terms of issues of concern but was the highest funding priority undoubtedly influenced by the prospect of serious injury or loss of human life.

With highway maintenance, favorable responses were given 66.6 percent of the time with 6.6 percent unfavorable responses. Little difference occurred by geographic region, but willingness to pay was tied to county size with Rural residents most likely to support increased funding for road maintenance.

For traffic congestion, 66.0 percent of respondents indicated that increased funding should be applied versus 10.7 percent who indicated an unfavorable response to increased funding. Regionally, Coastal residents were significantly more likely to favor increased funding than Midlands residents; Upstate residents split the difference. Although residents of both large and small counties identified a need for increased funding to address congestion, funding preferences were related to county size with Urban residents being the most inclined to support increased spending to address congestion.

When asked about increased funding for highway appearance, the responses were positive although somewhat weaker than for the other three issues identified earlier. Favorable responses were given on 41.7 percent of surveys

compared to 25.8 percent unfavorable responses. Favorable responses in Rural counties were significantly higher (46.0 percent) than were favorable responses in Urban counties (36.8 percent). These figures suggest that although highway appearance is not seen as urgent an issue as safety, road maintenance, and traffic congestion it is of concern and that concern is greatest along rural roadsides.

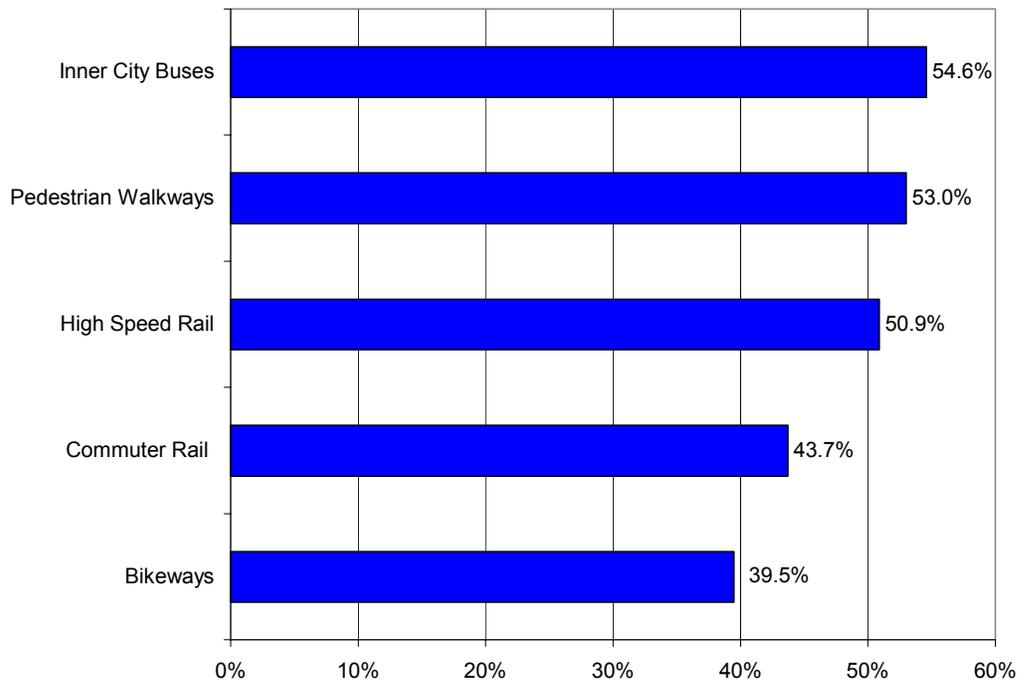
### **Funding of Other Transportation Programs**

Next respondents were asked a series of questions that related to funding for other types of transportation programs. These programs included public transit (metro/inner city buses, commuter rail service, and passenger and high speed inter-city rail service) plus bikeways, pedestrian walkways, and highway beautification. Although somewhat less pressing than the hot button issues of safety, maintenance and congestion, mean responses for all of these issues exceeded '3' with a range of 3.53 for metro/inner city buses to 3.06 for highway beautification.

In general, funding for public transit issues fared well (Figure S-4). Metro/inner city buses received the highest mean response at 3.53. Favorable responses were indicated 54.9 percent of the time with 19.1 unfavorable responses. Mean responses were significantly higher for the Upstate versus Coastal areas and for Urban as opposed to Next to Urban counties. High speed rail also fared well with a mean of 3.41 and favorable/unfavorable responses of 50.9/24.1 percent. Favorable responses were higher in the Upstate and Midlands where the prospect of high speed rail has received greater press coverage and in Urban areas given the limited number of stations that are feasible. Commuter rail received slightly lower ratings with a 43.7/30.2 percent favorable/unfavorable mix. Favorable responses were significantly higher in the Upstate (49.4 percent) than in the Midlands or Coastal regions. Urban counties as might be expected were more inclined to rate the funding of commuter rail service favorably. The lower ratings for commuter transit may be because it is perceived of as less of an immediate issue.

Of the non-transit options, pedestrian walkways had the highest rating with a mean rating of 3.48 and favorable/unfavorable ratings of 53.0/23.4 percent. Bikeways, on the other hand, had a mean response of 3.07 and favorable/unfavorable ratings of 39.5/34.9 percent. The difference here may be due to the higher percentage of the population likely to use walkways as opposed to bikeways. Positive responses in both cases were highest in Urban areas, although for bikeways favorable responses for Next to Urban and Rural counties were not far behind. With highway beautification, the issue is one of concern, but funding priorities are mixed.

#### S-4: Percentage of Favorable Responses to Other Transportation Programs



#### Implications

These findings shed light on the public perception of transportation needs and at least to some degree on funding options. It is clear that the demand for transportation infrastructure to meet basic concerns of safety, maintenance and congestion exists now and is likely to increase due to both growth pressures and higher expectations on the part of the public at large. Yet, at the same time, the public is strongly averse to taxes and to a lesser extent to fees to pay for transportation improvements. This disconnect between needs and funding base is likely to become more serious still as revenues are projected to increase far more gradually than expenditure requirements. It is important that states begin now to reassess transportation funding alternatives. The next two reports in this series will attempt to provide background information for that assessment.