THE COMMITTEE OF 100

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We need an 'all of the above' infrastructure funding policy

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In recent weeks, several News Journal articles, editorials, and guest opinions have all underlined the need for Delaware to increase its investment in transportation (and other) infrastructure. Where people differ is on how to pay for it. There are basically three ways to increase the funding available for capital projects: raise revenue, increase borrowing, or, in the case of transportation, shift operating expenses out of the Transportation Trust Fund back to the General Fund. We need to consider doing all three. Only with a moderate, diversified strategy can we tackle the problem of our neglected infrastructure without disrupting other important budget priorities.

Last winter a coalition of business groups and labor, including the Committee of 100, approached the Administration and several legislators to urge a significant additional commitment to capital spending. We put forth the case that the spending would create jobs and provide a needed psychological boost to the Delaware economy in the short term, while leveraging infrastructure investments for future economic development.

We expressed support for a menu of transportation fee increases, expanded borrowing while interest rates are at historic lows, and the gradual transfer of DelDOT operating costs from the Transportation Trust Fund (TTF) back to the General Fund, as recommended in 2011 by the non-partisan TTF Task Force.

None of these solutions are painless. Raising fees is never easy politically, but the motor fuel tax, for one, has not been increased in 18 years. Two of our closest competitors, Maryland and Virginia, have just begun multi-billion dollar transportation construction programs funded largely with increased revenues. They have recognized the importance of funding critical infrastructure investments to keep their economies moving forward.

In addition to revenues, there are two avenues for increased borrowing that should be explored. First, within the TTF, the pay-as-you-go percentage has been increased from 50% to 100%, meaning there is no borrowing. The Task Force recommended reducing the debt load in the TTF, but perhaps adopting an intermediate pay-go percentage of 75% or 80% should be considered to allow some borrowing while interest rates are low.

The second debt option is to look at the so-called “5% Percent Rule”, which limits overall state capital borrowing to 5% of annual revenues. One interesting alternative has been proposed by Representative Dennis E. Williams, who correctly points out that debt service is lower when interest rates are low and so a limitation based on a strict percentage test may not be the best way to calculate what is fiscally responsible. These options could produce significant additional funding for both transportation and non-transportation projects and should be considered so long as the state’s excellent credit rating is not jeopardized.

Finally, another Task Force recommendation we support is to transfer DelDOT operating expenses from the TTF back to the General Fund over time. The concept behind the TTF when it was created was that it be used solely for capital projects. We should return to what was originally intended. The complication is the fact that the General Fund is under strain as well, with the Delaware Economic and Financial Advisory Council (DEFAC) forecasting only modest revenue growth for this and next fiscal year.

So there is no single easy answer. But our list of infrastructure needs will only grow. We are already seeing the impact of deferring these investments in the recent article about growing safety concerns on our highways. Whether in transportation for roads and bridges or the Port of Wilmington; or in energy for natural gas pipelines and conservation initiatives; or in the environment for flood management structures; or in the information economy for world class data transmission capability; or in education for modern schools and higher education facilities, and universal access to technology; or in creating tomorrow’s jobs with incubator lab space for start-up companies and centers of excellence in sustainable chemistry and the bio-sciences. These are the tools we need now to be economically competitive. These aren’t “want-to’s”, but”must-do’s.”

Delaware rightfully prides itself on its bi-partisan political culture and its ability to get things done. We need the Administration and the leadership of both parties in the General Assembly to aggressively work with the business community and labor on this issue and find a way to make it happen. Jobs, our economic vitality, and our economic future depend on it.

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