

Stakes high for business in Alabama infrastructure plan



North Chalkville Road in Trussville is one of many roads that could benefit from increased infrastructure funds in Birmingham.
Bob Farley/F8FPhoto



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Over the past two decades, Interstate 459 has continued to emerge as a key development corridor in

Birmingham.

The southern beltway has attracted billions of dollars in new development, with a healthy mix of commercial and residential construction.

But it also has attracted considerable traffic to nearby streets like Morgan Road. For decades, residents have been eagerly awaiting the long-discussed widening plan for the road.

It's one of many similar stories that can be found in Jefferson County and around the state, as Alabama's purchasing power for road and infrastructure projects has waned over the past 27 years.

That could soon change, however, as Alabama lawmakers are considering a proposal by Gov. [Kay Ivey](#) to raise the state's gas tax for the first time since 1992.

The 10-cent gas tax increase plan, dubbed Rebuild Alabama, has the backing of a long list of heavy hitters from Birmingham's corporate world, and local proponents say the plan would have tangible benefits for the

metro area in terms of commercial investments and economic development. The Birmingham Business Alliance and the Business Council of Alabama are among the many groups supporting an infrastructure bill. But with Ivey calling a special session to put the sole focus of lawmakers on Rebuild Alabama, it is now lawmakers, who have resisted past efforts to increase the gas tax, who will ultimately approve the plan – despite its wide approval in the business community and elsewhere.

Local leaders say the stakes are high for metro Birmingham.

"Whatever the legislature can do with the gas tax, I can assure you we can put it to good use," said Jefferson County manager [Tony Petelos](#).

Petelos said as the population in Jefferson County continues to grow, roads are becoming increasingly congested, and aging infrastructure – much of which hasn't been addressed in years – continues to deteriorate. And that's not good for the local economy.

The state of infrastructure

According to a recent study by national transportation research group TRIP, \$432 billion in goods are shipped to and from sites in Alabama, annually, mostly by trucks that heavily rely on the state's network of roads and bridges. The study also states that companies are increasingly looking at the quality of a region's transportation system when deciding where to relocate or expand, and regions with congested or poorly maintained roads may see businesses relocate to areas with a smoother, more efficient and more modern transportation system.

"Cities are the economic engines of our state. That's where the majority of people – over 60 percent – live, work and play," said Alabama League of Municipalities Deputy Director Greg Cochran. "Having this money going into our cities really helps them create an environment that's attractive to large industry to want to invest their resources into, and that creates the jobs and the wealth within for the citizenry to bring about a healthy city and a healthy state.

"I think that's one of the reasons you look across our state with our unemployment numbers being down, our job rates being up and the income being up is all because of the health of our cities right now. And we think the time is right to use this opportunity of good economic times to reinvest in the infrastructure that we've really sort of ignored any major investment in over two generations now."

The 10-cent increase would raise more than \$300 million to be split among the state, counties and cities, with 66 percent going to the state, 25 percent to the counties and 8 percent to the cities. A separate portion of the revenues would go to pay a bond to be issued to finance improvements – widening and deepening – to the ship channel in Mobile Bay, providing access to the facilities of the Alabama State Docks.

In addition to the 10-cent tax, the initial Rebuild Alabama bill included a \$250 annual fee for electric vehicles and a \$125 annual fee for hybrid-electrics – but as of press time, lawmakers were discussing significant changes to those fees.

The bill would also include a provision that would allow the tax to be adjusted based on a national construction cost index – but not by more than 1 cent every other year.

According to the TRIP study, the buying power of the state's current 18 cents-per-gallon fuel tax, which generates 80 percent of transportation funding and was last raised by 5 cents in 1992, has been more than cut in half by inflation and increased fuel economy.

The vast majority of Alabama's current transportation budget is devoted to preserving the existing system, leaving only \$150 million available annually for new projects.

The study found 21 percent of major locally and state-maintained roads in the Birmingham area are in poor condition with another 20 percent in mediocre condition, and 4 percent of locally and state-maintained bridges are structurally deficient.

While construction is underway on the I-20/59 bridge project, one of Birmingham's most heavily traveled thoroughfares, there are plenty of other ongoing projects that need to be done in the city and the county to help attract more economic development and improve traffic flow and safety.

That includes a number of projects on Interstate 65 south of the city, which is one of the state's most crowded corridors.

Birmingham benefits

The city of Birmingham has a multitude of ongoing projects on the books that could benefit from the influx of funds that could accompany increased gas tax revenue.

According to its capital budget and capital improvement program for 2019 to 2023, some economic development projects include improvements to the I-459 and U.S. 280 interchange, improvements to 40th Street and projects that involve Cahaba Road from Colonnade Parkway and Sterilite Drive and Meadowcraft Road.

The city also has a revised budget of more than \$61.64 million for street improvements and \$8.03 million for citywide street resurfacing.

Some of the street improvements include the 21st Street bridge replacement, 19th Street from Ensley Avenue to Pike Road, 24th Street North resurfacing, the Pratt Highway bridge and more. The revised budget for bridge repair is \$1.93 million.

It is uncertain how the city would deploy any new revenue from a gas tax increase, but there are plenty of projects that could benefit, among the city's 1,600 centerline miles of roads, 100 bridges and 721 signalized intersections it maintains.

"The mayor is encouraged by the discussions surrounding infrastructure needs and looks forward to continuing conversations with the administration and legislative leadership in Montgomery," city spokesman Rick Journey said.

County priorities

Petelos said Jefferson County maintains over 2,000 miles of roadways and is responsible for the upkeep of 315 bridges and more than 300 signalized intersections.

He said the county has signed agreements with various cities within the county to maintain certain through roads.

But the county operates on an annual roads budget of only \$45 million to \$50 million, and that's got the county behind on infrastructure projects and maintenance, Petelos said. Ideally, the budget would range between \$75 million and \$80 million, he said.

"We're way behind on projects in the county, and we've got many, many bridges that need replaced. We're trying to catch up," he said. "The public is demanding roads be improved ... and this (gas tax) will be very, very helpful."

Petelos served as a state legislator in the early '90s and voted for the last gas tax increase.

He said when the county lost the occupational tax, it lost about \$75 million a year. After the economy tanked in the 2000s, the county was left with more than 30 miles of undeveloped roads in subdivisions, as well. In addition, Petelos said a lot of updates are needed in the county to help with capacity issues and traffic flow, like widening lanes or adding turn lanes or acceleration lanes.

"We've got a project like Morgan Road that's been on the books for 20 years – to widen Morgan Road from I-459 in Bessemer at Exit 6 all the way to South Shades Crest Road. We've got the Galleria Boulevard ... our plan is to extend Highway 150 to Old Montgomery Highway going into Riverchase. We've had that on the books a long time. We have North Chalkville Road in Trussville that's in bad shape that needs to be repaired."

Petelos said the county is putting together a long-range plan for all the roads under the county's supervision to determine their condition and what needs to be done, and he hopes the county can put new revenue from a gas tax increase toward the improvement of those roads.

Alternative ideas

The TRIP study found roads and bridges that are deteriorated, congested or lack some desirable safety features cost the average Birmingham area driver \$1,846 per year – a total of \$5.3 billion statewide – due to higher vehicle operating costs, traffic crashes and congestion-related delays.

But some are concerned about the potential impact on the consumer and the economy if the tax increase isn't accompanied by decreases in other areas.

Advocates for the bill are promoting that the expected increase based on trends and usage right now would be an annual \$55 per person per year, said Phil Williams, director of policy strategy at the Alabama Policy Institute.

But he said he thinks that will fluctuate greatly depending on a person's job.

"If you're just commuting down the road to your office and back every day and then church on Sundays, maybe you won't see as big of an impact, but if your livelihood depends upon your motorized vehicle, it's going to hurt," Williams said.

That's why the Alabama Policy Institute is advocating for two things: for current gas tax money that feeds the Alabama road and bridge fund to be spent on infrastructure alone and for a decrease in another taxed area if the gas tax is ultimately increased.

"We firmly support the idea of increased funding for infrastructure in Alabama. We're not opposed to the idea of putting additional resources into the improvement of Alabama's infrastructure – both the ports and roads and bridges," he said. "That being said, we are a conservative organization that believes there are some principles that ought to be applied to that debate."

Williams said the legislature takes \$63 million out of the road and bridge fund every year to fund the court system and ALEA and gives away \$7 million a year in rebates to organizations that pay at the pump and then get a check back based on their usage.

"So, they're literally telling people we don't have enough money for roads and bridges, but they're literally spending road and bridge money on non-roads and bridges. \$70 million could be fixed with the stroke of a pen by the legislature," he said.

The API is also advocating for a tax offset in the event the gas tax is increased, and it thinks the best tax to reduce or get rid of altogether is the "regressive" grocery tax.

Alabama is one of only 12 states that taxes groceries and is one of seven of those 12 that taxes at the highest possible level.

Tennessee decreased its grocery tax in 2017 before raising gas taxes, South Carolina offset income tax, and New Jersey did away with the estate tax.

"One of most regressive taxes in the nation is the grocery tax because the poorest among us has to eat," Williams said. "And we're going to stick them with both a gas tax and keep the grocery tax on them?"

While advocates of the gas tax increase say it will help boost the economy, Williams said it

could send the wrong signal without taking these measures.

"The majority of states experiencing growth are those applying conservative principles," he said. "What I don't want to see us do is posture ourselves as a conservative state that suddenly forgot how to be conservative."

But, given broader industry trends, some wonder if a per-gallon tax is the answer at all. Sam Addy, senior research economist at the Center for Business and Economic Research at the University of Alabama, has a completely different approach that includes car tags.

"First, the fuel tax is ineffective and inefficient since vehicles are getting more fuel efficient and relying on alternative sources of energy. Second, we will need to double the gas tax to raise the needed revenue," he said. "Finally, a vehicle miles traveled fee is the most appropriate instrument and can be done with the annual tag renewal."