



Illinois General Assembly  
Appropriations – Capital Committee  
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Testimony by Dr. Alison Premo Black, Senior Vice President of Policy & Chief Economist

Mr. Chairman and members of the Committee, thank you for the opportunity to testify today. My name is Alison Premo Black. I am the chief economist for the Washington, D.C. based American Road and Transportation Builders Association.

My organization represents more than 8,000 members that design, build and maintain our nation's transportation network. Our state affiliate is the Illinois Road & Transportation Builders Association.

During my nearly two decades with ARTBA, we have authored 100 studies on state and local transportation funding trends, including several reports on Illinois.

There are two primary economic impacts that occur when state or local governments make highway, bridge and transit capital investments.

The first is the immediate increase in jobs and economic output from the construction activity.

Based on data from the U.S. Bureau of Economic Analysis, every dollar of transportation capital investment in Illinois produces at least \$2.61 cents in increased output and business activity across all sectors of the economy—not just construction.<sup>1</sup>

How does this ripple effect work? Transportation contractors purchase inputs—such as materials—from Illinois businesses, in addition to other firms outside of the state, as they complete work on projects. These suppliers then purchase items from other firms, creating an indirect effect.

The employees of the construction firms and supplier industries spend their earnings by purchasing clothing, food and other goods and services, thereby creating induced demand in

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<sup>1</sup> A. Black "Economic Impacts of Long-Term Illinois Transportation Project Shutdown," 2017, available at <https://www.artba.org/wp-content/uploads/2014/03/Economic-Impacts-of-Long-Term-Illinois-Transportation-Project-Shutdown.pdf>

other sectors of the state economy. As jobs are created or sustained, employees receive additional income and spend more, and businesses increase sales.

Subsequently, taxes grow due to larger payroll and sales volumes, providing the state and local municipalities with additional revenues to reinvest.

The second economic impact is the benefit to the users of the system over the long run. Drivers would spend less time stuck in traffic and save on operating costs as mobility and road conditions improve. Businesses will be more productive. Safety improvements help save lives and reduce the number and severity of vehicle crashes.

A conservative estimate finds that this long-run return on transportation investments is between \$4 and \$5 dollars for every \$1 invested and could be even higher for individual projects.<sup>2</sup>

Transportation investment, mobility and a high-quality infrastructure are also important factors when businesses make location and capital investment decisions.

Many areas across the country are making strategic transportation investments to attract new business. Since 2013, 28 states have increased their state motor fuel tax—including your neighbors in Iowa, Kentucky, Tennessee and Indiana.

Our research shows that taking a vote on a gas tax increase has had no significant impact on the re-election of state legislators.<sup>3</sup> We have analyzed election returns for over 2,800 elected officials. Of those state legislators that voted for a gas tax increase and ran for another term, 92 percent won their election. The same percentage of state legislators that voted against the gas tax—92 percent—were also given another term.

Illinois last raised its motor fuel tax in 1990 – nearly 30 years ago.

Since that time, ARTBA estimates that the average cost of highway and bridge construction projects has doubled – meaning a project that would have cost \$100 million in 1990 would require over \$200 million today. The price for some key inputs, like steel and asphalt, have more than tripled in that timeframe.<sup>4</sup>

Our research has also shown that time and time again, voters are willing to support an increase in taxes and user fees if the resulting revenue is invested in transportation improvements. Over

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<sup>2</sup> R. Shapiro and K. Hassett, “Healthy Returns: The Economic Impact of Public Investment in Surface Transportation,” 2005, and U.S. Department of Treasury, “Importance of Infrastructure Investment for Spurring Growth” available at <https://www.treasury.gov/connect/blog/Pages/Importance-of-Infrastructure-Investment-for-Spurring-Growth.aspx>

<sup>3</sup> ARTBA TIAC, “Voters Re-elect State Lawmakers Who Supported Gas Tax Increases, New Analysis Finds,” 2018, available at <https://transportationinvestment.org/wp-content/uploads/2018/11/2018-Lawmaker-Reelection-Report-1.pdf>

<sup>4</sup> ARTBA analysis of industry wages, prices and overhead, data from U.S. Bureau of Labor Statistics.

the last decade, voters have approved 76 percent of nearly 1,700 state and local ballot measures to increase transportation funding.<sup>5</sup>

Finally, I have also conducted a study measuring the impacts of a state gasoline tax increase on the retail price of gasoline, paid at the pump by consumers. Our empirical analysis of 13 states that increased their gas tax rates in 2013 found that about 50 percent of the increase was passed through to the consumer in the retail price of gasoline within a month.<sup>6</sup> After that time, there was no measurable effect.

A more recent example is Indiana, which raised its gas tax by 10 cents on July 1, 2017. According to daily price data, the average retail price of gasoline rose 3 cents per gallon the next week, and then rose another three cents over the following three weeks—for a total increase of six cents. This trend largely followed average U.S. gasoline prices and the price of crude oil – which rose a total of four cents during that same time.

Transportation investment has a significant economic impact that provides benefits across all sectors of the economy. It is an investment that will lay the foundation for future economic growth in Illinois and improve the quality of life for drivers and residents.

Mr. Chairman, and members of the Committee, thank you again for the opportunity to be here.

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<sup>5</sup> ARTBA Transportation Investment Advocacy Center, “Voters Across the National Demonstrate Support For Transportation Investment,” 2018, available at [https://transportationinvestment.org/wp-content/uploads/2018/11/2018-Ballot-Report\\_updates-11.14.18.pdf](https://transportationinvestment.org/wp-content/uploads/2018/11/2018-Ballot-Report_updates-11.14.18.pdf)

<sup>6</sup> A. Black, “How a Gas Tax Increase Affects the Retail Pump Price,” 2015, available at <https://www.artba.org/wp-content/uploads/2015/06/How-a-Gas-Tax-Increase-Affects-the-Retail-Pump-Price-June-2015-ARTBA-Study-FINAL-2.pdf>