What to do About South Carolina’s Roads

A Publication of The South Carolina Policy Council
Many of South Carolina’s roads and bridges are in a deplorable state of disrepair. No one who’s spent much time driving across the state will dispute that. Yet the solution put forward by many State House politicians and some organizations – raise the gas tax and send new revenue to road repair – isn’t the simple solution many assume it is.

The fundamental problem is not that the state doesn’t have enough money for the maintenance and repair of roads. Indeed, transportation officials don’t know how much more money the system needs – or if it needs any more money at all. Projections of funding requirements have not been based on realistic assessments, and in some cases the sources of those projections are highly suspect.

But there is a way forward, and it’s both uncomplicated and achievable. In this report, we explain how South Carolina’s road funding system works, who controls that system, the phony reforms some politicians have put forward, and what can be done to fix our roads and make the system accountable to taxpayers.
Structure

Only 10 percent of South Carolina’s interstate miles are rated as in poor condition, but a full 50 percent of the state’s secondary road miles are in poor condition. That’s why South Carolina has, for example, the second deadliest rural roads in America.

Yet the state’s transportation authorities continue to prioritize new construction projects over maintenance. The State Transportation Infrastructure Bank (STIB) only finances new construction, and the South Carolina Department of Transportation (DOT) budget consistently allocates three times as much funding for construction and engineering as it does for maintenance.

THE 2007 REFORM THAT WASN’T

Powerful lawmakers and special interest groups nonetheless continue to insist that all the state’s road woes are due to insufficient tax revenues. According to this view, South Carolina’s transportation agencies are a model of lean efficiency, particularly as the DOT was already reformed by Act 114 of 2007.

Here’s the truth, though: DOT was not reformed in 2007. The agency is just as much of an unaccountable bungle as it was in 2006.

The “major reforms” enacted by Act 114 were these:

- Allowing the governor to appoint a Secretary to be the nominal head of the agency.
- Requiring the eight-member DOT commission to consider a number of specified priorities when creating the statewide transportation improvement program.
- The creation of a legislative screening committee for DOT appointments.

These reforms sound good, but they are at best surface level reforms. DOT’s structure is still an unaccountable mess controlled largely by a few legislative leaders.

The Secretary of Transportation is a mostly administrative position tasked with monitoring the day to day activities of the DOT.

While the Secretary is legally empowered to approve emergency repairs and routine maintenance, the largest and most significant projects and expenditures – the ones included in the state transportation plan anyway – are all controlled by the DOT commission.

Thus the Secretary of Transportation is the only DOT leader who is accountable to the entire electorate via the governor.
The members of the DOT commission, with the exception of one member appointed by the governor, are elected by the state legislative delegations of South Carolina’s seven federal congressional districts. The commission selection process ensures there is no one individual, or even group of individuals, that citizens can directly hold responsible for the actions of the commission.

The system is still run by a conglomeration of lawmakers and legislative appointees whom the vast majority of South Carolinians cannot hold accountable. The 2007 “reform, then, established no real public accountability.

Even the one modest reform of Act 114, however – allowing the governor to appoint the Secretary of Transportation – is in danger of elimination. Just before the bill passed in 2007, some lawmakers inserted a provision into the bill rescinding the governor’s power to appoint the Transportation Secretary as of July 1, 2015. Lawmakers approved a one-year budget proviso at the end of the 2015 session that imposes a one-year suspension of Act 114’s sunset provision. The Supreme Court has agreed to hear a case challenging the constitutionality of that proviso, but the whole dispute illustrates the total dominance of the legislature over South Carolina’s road funding system.

And what about the 2007 reform’s requirement that the DOT commission consider priorities? The measure was always meaningless: the Commission only has to “consider” these priorities; it may ignore them if that’s what commissioners want to do.
There is no reason to believe that South Carolina’s “reformed” Department of Transportation puts public money to better uses than before. Consider: the DOT has in recent years spent roughly three times as much on capital outlays as it has on maintenance and services. In other words, the agency’s priorities are still dominated by considerations other than need.

**How a Few Unaccountable Lawmakers Run the Entire System**

The state transportation system’s structure of governance encourages wasteful road expansions over needed maintenance, and funnels a disproportionately large share of money to politically important counties. Our road problems, in short, are due to government structure – and as long as that structure goes unaddressed, no increase in funding will come close to remedying the state’s disintegrating infrastructure.

The Department of Transportation is the chief agency tasked with building and maintaining South Carolina’s state road system. Like other important transportation authorities in South Carolina, the agency’s leadership is ultimately accountable to only a handful of lawmakers. While the DOT has a secretary appointed by the governor, the policy of the department is set by the eight-member DOT Commission. That commission has one member appointed by the governor; the seven remaining members are elected by the state legislative delegations of each of South Carolina’s seven federal Congressional districts. This by itself is a gross imbalance of power – nearly all the important decisions are made by legislative appointees and, in effect, legislators. But that’s only the beginning. Prior to any candidate being elected by his respective legislative delegation, he must first be screened and approved by another legislative body known as the Joint Transportation Review Committee (JTRC). The JTRC is a ten-member board composed entirely of legislators and legislative appointees, including

- the chairman of the Senate Finance Committee,
- the chairman of the Senate Judiciary Committee,
- the chairman of the Senate Transportation Committee,
- two members appointed by the Senate President Pro Tempore,
- the chairman of the House Ways and Means Committee,
- the chairman of the House Education and Public Works Committee, and
- three members appointed by the Speaker of the House.

The House Speaker and Senate President Pro Tem, then, directly control half the appointments to the board that has the final say on whether any individual is even eligible to serve on the DOT Commission. And because the current Senate President Pro Tempore (Hugh Leatherman) is also the Senate Finance chairman, he actually controls three members of
the JTRC (including himself). This same senator who controls roughly a third of the JTRC is the former president and current stockholder in Florence Concrete – a company that has received tens of millions of state dollars through the Department of Transportation. The House Speaker, on top of his direct appointments, also indirectly controls two more appointments (the Education and Public Works and Ways and Means Chairman) by virtue of his power to appoint committee members.

Finally, in addition to nominating all DOT Commission candidates, the JTRC must approve the governor’s sole appointment to the JTRC before he or she can be confirmed. In short: the Department of Transportation – the agency chiefly in charge of deciding which roads and bridges get repaired and when – is dominated by politicians who aren’t elected statewide, whose names aren’t familiar to the vast majority of South Carolinians, and who therefore can’t be held accountable in any real way. It’s easy to see how a system like this can promote favoritism and obscure clear lines of accountability for DOT decisions. It has also contributed (along with federal funding formulas) to a DOT budget which year after prioritizes new construction over maintenance.

The State Transportation Infrastructure Bank (STIB) contributes to financing eligible transportation projects (road, bridges, transit projects) chosen by the agency’s board. The STIB funds projects in a variety of ways, including loans and especially bonds. Just as with the DOT, the STIB is ultimately controlled by a few powerful legislative leaders. Membership on the STIB board (which bonds out and loans millions of dollars each year) is determined by the usual suspects.

The STIB board is comprised of seven directors:

• two members appointed by the governor,
• the chairman of the DOT Commission,
• two members appointed by the Senate President Pro Tem, and
• two members appointed by the House Speaker.

Once again, the Speaker and Senate President Pro Tem wield the majority of the power, with direct control over four of the appointments, and a likely say in a fifth member, the DOT Commission chairman, who will usually be a legislative appointee.

And just as with the JTRC, Senate President Pro Tem Hugh Leatherman’s power over the STIB board is further enlarged by the fact that he appoints himself to the board. The governance structure of the STIB, like that of the DOT, encourages expansion over maintenance and funnels dollars to politically favored counties. Indeed, these effects are even starker with the STIB than they are with the DOT – the STIB only finances road expansions and never maintenance. It
has, moreover, historically provided financing to only a few of the state’s 46 counties: as of January 2013, 35 counties had received no funding from the STIB since its creation. The STIB actually deprives the state of potential funds for maintenance of existing roads in three ways.

• First, all of the money the STIB leverages through bonding in order to finance road expansions could be used for maintenance. Even before bonding, this would create hundreds of millions of new dollars for maintenance every year.

• Second, once an expansionary project financed by the STIB is completed, the limited state dollars that are currently dedicated to maintenance must be stretched further in order to pay for maintenance of these new roads.

• Third, the STIB bonding creates billions of dollars of new debt that must be paid off with future tax dollars. STIB bonds are the largest category of South Carolina’s bond debt with total liabilities at over $2 billion dollars in Fiscal Year 2014. By contrast, South Carolina faced only a $1.3 billion liability for all outstanding general obligations bonds the same year. Absent STIB bonding, a good portion of funds the state spends on debt service payments, and/or additional monies that must be appropriated to the STIB to allow it to make payments on its debt obligations, could be used for needed maintenance of the state’s existing roads.

What to do about South Carolina’s Roads
A portion of gas tax revenues known as “C funds” are distributed to the state’s 46 counties using a three-part formula. County transportation committees (CTCs) are the authorities that determine how these distributed C funds are spent, but state law stipulates that counties spend at least 25 percent of their allocation of C funds on state-owned roads. Contrary to what might be assumed, CTC members are not selected at the county government level, but are appointed by the legislative delegations of each county.

The exact membership of CTCs varies, but in all cases members are chosen by the legislative delegation of the county. CTC members owe their positions to, and are accountable to, a handful of state level legislators. CTCs are also accountable to the legislatively-controlled DOT as their countywide and regional transportation plans must be approved by the DOT.

Even the small amount of road funding supposedly under local control is ultimately controlled by the same state authorities that manage the rest of the state’s transportation resources.

**Funding**

The state’s roads are crumbling, according to the popular refrain, and the Department of Transportation needs more money.

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**A note on tax swaps**

A tax swap involving dedicated revenue is a complicated, inefficient way to re-order a budget’s priorities.

The swap proposed in 2015 by both Gov. Haley and Senate Republicans raises a dedicated revenue tax (most gas tax revenues go to the state DOT) and in exchange lowers a tax (the income tax) that goes to the state’s General Fund. It will therefore necessarily result in a reduction in General Fund money (at least in the short run). When looked at this way, it’s easy to see that lawmakers could achieve the same effect – i.e. more funds for DOT at the expense of other programs – by simply cutting back on existing budget items and directing the savings to DOT. Shifting existing budget resources wouldn’t require any change to state law, and would have the further advantage of not giving politicians the authority to choose tax winners and losers.

The unfortunate truth is that tax swaps allow lawmakers and the governor to delay these spending reductions and the accompanying political backlash. By reducing future revenue instead of shifting existing resources, lawmakers can plead necessity when they have to cut spending on programs in the future. The swap method even makes it possible to avoid making spending cuts altogether, since they can always rescind their promised tax cuts.
That premise is questionable from the outset. DOT has received more money in recent years – a lot more – without producing commensurate results. Since 2012 the Department of Transportation’s total ratified budget (from all three parts of the budget – General Fund, federal funds, Other Funds) has grown by $708 million. That’s about 54 percent when adjusted for inflation. Further, the State Transportation Infrastructure Bank’s (STIB) budget has grown from $50 million in 2014 to $155 million in 2015, and hit a whopping $255 million in the current fiscal year. Meanwhile, from fiscal year 2012 to fiscal year 2015 the DOT’s road maintenance fund averaged 25 percent less funding than it did from fiscal year 2004 to fiscal year 2011.

For their part, DOT officials haven’t just claimed the agency needs more money. They’ve put a price tag on it – a price tag that, on closer inspection, turns out to be highly suspect.

**THE ‘$43 BILLION’ SHORTFALL**

We’ve all heard about DOT’s nearly $43 billion long-term and $1.5 billion annual shortfall. Politicians and commentators have thrown around these numbers with little or no explanation. Hearing these numbers out of context, one might assume this is the additional funding needed to complete necessary road repairs. That is not the case.

The number has been aptly likened to a mechanic giving a customer the full restoration price for a car when the customer is more interested in the price necessary to make the car run smoothly. An examination of the broad breakdown of DOT funding needs between now and 2040 would seem to support the analogy. $21.5 billion of DOT’s stated funding needs are for highway expansions; another $5.2 billion is for mass transit. These are hardly necessary expenses for maintenance and repair. When we subtract these expenses from the stated shortfall, the annualized shortfall drops from roughly $1.5 billion to $550 million.

A closer examination of DOT’s report raises questions about the remaining $550 million, too. The $550 million for maintenance and repair as well as the rest of the shortfall is arrived at using the numbers provided by CDM Smith, a company with a significant history with South Carolina’s infrastructure authorities. Other than producing studies, CDM Smith also provides construction and engineering services for clients. In February of 2015 The Nerve revealed that CDM Smith has received over $13 million in state payments since fiscal year 2012, the large majority of these payments coming from the DOT and the State Transportation Infrastructure Bank (STIB). The group preparing the report claiming the DOT needs additional funding directly benefits from DOT funding.
Meanwhile, statements by public officials do little to clear up uncertain road funding needs. According to recent document released by the governor, an additional $75 million is needed annually to maintain South Carolina roads in their current state. At a recent meeting of the House Ad Hoc Infrastructure Committee, some House members claimed this figure was closer to $300 million. It seems no one really knows how much it will or should cost to perform necessary road repairs.

What we do know is that South Carolina’s road governance structure encourages waste, and many of the projects which add to DOT’s projected funding shortfall are road expansions.

In short: DOT does not provide the public with a clear list of priorities and cost estimates. Instead, both priorities and cost estimates are anybody’s guess. Until that changes, merely pouring more money into the system will not change anything.

### ROAD FUNDING SOURCES

Everyone wishing to engage in the roads debate should be aware of the basic mechanisms by which our state road system is currently maintained. This means a knowledge of current funding sources, the authorities who decide how road funds are spent, and to whom the authorities are accountable.

South Carolina road construction and maintenance is funded primarily through three different pools:

- state gas tax revenues,
- federal funds, and
- debt financing from the State Transportation Infrastructure Bank (STIB).

State gas tax revenues totaled $574 million in fiscal year 2015 (FY15). Out of this amount, $422.5 was available for use by the DOT. The remaining revenue was divided as follows.

- Revenue from 2.66 cents per gallon of the gas tax is dedicated to the County Transportation Fund (C-Funds). In FY15 this came to $69.5 million.
- Another $9.5 million was transferred to the County Transportation Fund as a donor bonus.
- One percent of the revenues from 13 cents of the gas tax is dedicated to the Department of Natural Resources Watercraft Fund. In FY15 this came to $3.4 million.
- Revenue from 0.5 cents per gallon of the gas tax is dedicated to DHEC’s SUPERB fund, a fund that finances “the rehabilitation of a release at a site contaminated with petroleum or petroleum products released from an underground storage tank system.” In FY15 this came to $17.6 million.
• Revenue from 10 percent of 0.25 cents per gallon of the gas tax was dedicated to the Department of Agriculture. In FY15 this came to $900,000.

• The STIB received gas tax funding equivalent to the revenue raised by 1 cent of the gas tax. In FY 2015 this equaled $26.6 million.

• $15 million was dedicated for purposes of financing transfers related to the International Fuel Tax Agreement (a system by which the 48 contiguous states transfer fuel tax revenue from commercial motor vehicles over a certain weight, i.e. semi-trucks).

• Finally, $9 million was deducted by the Department of Revenue (DOR) for refunds, corrections, tare allowances, school buses, and U.S. government use.

State gas tax revenues are the only one of South Carolina’s three road funding sources that are free to be devoted to routine maintenance.

Federal funds are provided to the state DOT on a matching basis. The state DOT must begin federally funded construction projects (typically expansionary projects) using state gas tax revenues, and only then begin to use matching federal funds.

The DOT estimates it will receive around $900 million in federal matching funds in the current fiscal year. The DOT also states that the average state funding match requirement to receive federal funds is 20 percent of a project’s cost. This means we can roughly estimate the DOT will spend around $180 million in the current fiscal year in order to obtain federal funds.

Half of South Carolina roads, including secondary and rural routes, are not eligible to receive federal funds, and federal funds cannot be used for routine road maintenance. The state roads that are ineligible for federal funding also happen to be
the class of South Carolina roads that are in the worst state of repair. Fifty percent of non-federal aid eligible secondary roads are rated as being in poor condition. In contrast, only 10 percent of interstate miles, which are federal aid eligible, are rated as being in poor condition.

In addition to these limitations, projects that receive federal funding must abide by federal laws governing project oversight and prevailing wage rates. Former head of the Federal Highway Administration Robert Farris suggests that these kinds of federal regulations increase project costs by 30 percent. The DOT is giving up somewhere in the realm of $180 million, over which it would otherwise have full spending discretion, in order to receive federal funds. Even if we allow that some of the federal funds received by DOT are used for road repair, the state is undoubtedly parting with some funds that could be used for road maintenance and repair in order to co-finance expansionary road projects with the federal government.

Some federally funded SCDOT projects current underway include:

- $23 million to extend SC 153 from US 123 To S-135 Prince Perry Road
- $24.7 million to extend Platt Spring Road
- $270 million for improvements to the I-85/I-385 interchange

STIB debt financing is the third source of funds. The STIB is funded through Other Funds (fines and fee revenue) in the state budget.

The specific funding sources for STIB include:
- truck registration fees
- a portion of gas tax revenue
- motor vehicle registration fees
- revenues from an electric power tax
- investment earnings

Since the passage of Act 98 in 2013, the STIB has also received a $50 million annual transfer from the DOT. In the current fiscal year the STIB has a budget of $255 million. Prior to the passage of Act 98 the STIB received an average budget of $50 million.

The official state budget numbers for the STIB may be less than trustworthy, however. Audit documents for fiscal year 2014 (FY14) indicate the STIB has received $220 million in revenue despite the state budget listing the STIB’s total budget for that same year at only $50 million. It’s unclear whether recent increases in the STIB’s budget, as given in state budget documents, are due to true funding increases or are due to including revenues that were for some reason left out of state budget documents in previous years. Since the STIB has historically received all of its revenues from several dedicated revenue streams (and none of them from general fund appropriations), the latter possibility seems more probable. But even if the STIB’s recent budgetary
jump from $50 to $250 million merely represents a change in budgetary reporting, that still means its budget has been underreported for years.

Once the STIB receives its funding, it bonds out the dollars it receives to up to ten times their original value in order to finance road projects of the STIB board’s choosing. This bonding process has allowed the STIB to create billions of dollars in debt over time. In fact, STIB bonds are the largest category of South Carolina’s bond debt, with total liabilities at over $2 billion dollars in FY14.

All of this bonding, of course, requires the STIB to make debt payments. The FY14 audit of the STIB reveals the agency spent $90 million on interest and other debt costs. This expenditure is just shy of double the amount ($48.5 million) the STIB spent on transportation project assistance.

In other words, the STIB pays more in interest on its debt than it spends on road projects.

Finally, STIB funds are used only for expansionary projects (never maintenance), and have historically been expended in only a handful of counties.

Some STIB funded projects currently underway include:

- Mark Clark extension in Charleston County (I-526) (still in contract phase)
- Widening Palmplico Highway in Florence
- Sheep Island Parkway in Berkeley County
Other funding sources for roads include funds administered by the Coordinating Council for Economic Development. In 2014 alone the Council handed out $21.8 million in grants for roads. What distinguishes this funding source from the others (apart from its size) is its recipients. Every grant given out by the coordinating council, including grants for roads, is given out for the benefit of one selected business. So while the general public may have problems getting roads fixed, a large enough company can always try and get funding for new roads from our economic development authorities.

Even a cursory analysis of South Carolina’s road funding sources makes it clear where a major part of the problem with our road funding lies. South Carolina relies on a relatively small pool of funding from one dedicated revenue source to finance the majority of its road maintenance. And lest we forget, the roads that must be maintained by the state alone total some 41,459 miles, the fourth largest state road system in the country. To make matters worse, a portion (around $180 million) of the one small pool of funding that is free to be devoted to maintenance – gas tax revenue – is instead spent on expansionary projects in order to receive a federal funding match.

In short: South Carolina is giving up money that could be used for road maintenance and repair in order to finance road expansions. If in the upcoming fiscal year the DOT retained the money it will spend to receive federal matching funds, and received the funding that would otherwise go to STIB, the DOT would have over $700 million it could use entirely for maintenance and repair. As things stand now, the DOT has somewhere under $300 million free to be devoted to state maintenance. Even if the DOT continues to spend some of its funds to receive federal dollars, the state can clearly use the resources it has to do more for road maintenance and repair.

**SKETCHY NUMBERS**

In addition to the alleged $1.4 billion annual shortfall, proponents of a gas tax increase frequently cite a few other figures.

One statement often repeated by tax hike supporters is that the poor condition of South Carolina roads costs the average South Carolina driver in a major metropolitan area somewhere between $1,300 and $1,500 a year. The claim comes from a study by an organization known as TRIP, which happens to be sponsored by many of the same entities pushing a tax increase in South Carolina (distributors and suppliers, businesses involved in highway and transit engineering and construction, etc.).

The TRIP study breaks down the additional costs to South Carolina drivers into three components: increased vehicle operating costs from driving on rough roads, costs from traffic congestion, and per driver costs...
of traffic crashes. None of these cost estimates is based on surveys of actual South Carolina drivers. Instead, the study takes abstract average numbers derived from studies by national and out-of-state groups, and then plugs them into a formula with a few South Carolina data points.

Cost from congestion are directly lifted from another study by TTI. This study estimated these costs through a similar formula, this one involving daily passenger vehicle hours of delay, value of person’s time, vehicle occupancy, and an annual conversion factor. It’s unclear just how realistic any of the factors were. A later edition of the same study explains that the value of a person’s time for 2014 was $17.67 per person hour. It’s hard to know how that figure was derived.

But even if we accept these additional costs at face value, the figures don’t support a tax increase. They simply tell us that our roads need repair – which no one is denying.

The other figure frequently cited by tax increase supporters is the claim that one third of gas tax revenues come from out-of-state drivers. This statistic is derived from a Transportation Infrastructure Task Force report sanctioned and approved by the DOT commission. Of course, the fact that in the event of a tax increase out-of-state drivers will pay more at the pump doesn’t change the fact that local drivers will be forced to pay more as well. Further, the claim is simply asserted, not supported. No evidence is cited.

**Reform**

Any discussion of increased revenue in the absence of transformative structural reform puts the cart before the horse. The fundamental problem with South Carolina’s road funding system isn’t that it lacks revenue. The fundamental problem is that it lacks accountability. The elected officials who run it cannot be held accountable by the vast majority of South Carolinians.

That hasn’t stopped the General Assembly from trying to treat the roads issues as mainly a revenue problem.

The governor’s proposal would have raised the gas tax in exchange for a decrease in the income tax, and transfer the remaining 50 percent of revenues from sales tax on motor vehicles that isn’t already dedicated to the state Highway Fund to that fund. The increase in the gas tax would take place over three years, while the decrease in income tax would take place over ten – meaning that everyone who drives a car would get hit with a tax hike in the short term, while a smaller number would receive a smaller cut in the long run.

Of course, if revenue is the problem, it doesn’t make much sense to swap one tax for another. In any case, the governor’s plan factors in a highly improbably rate of economic growth in order to make the numbers work. For the governor’s plan to be implemented, South Carolina incomes
must grow by 4.3 percent every year starting in 2016. For reference, from 2004 to 2014 South Carolina’s real median household income averaged a yearly growth rate of -0.6 percent.

The legislature, meanwhile, came up with two separate plans. The first, produced by the House Ways and Means committee, would have raised taxes by $360 million immediately, appropriated more money to the unaccountable Infrastructure Bank, and made largely meaningless changes to the funding system’s structure. The second, a Senate proposal, would have raised taxes by $800 million — not only through the gas tax, but also through a host of fees (vehicle registration fees and the like). Before the close of the 2015 session, some Senate Republicans also floated, though never introduced, a compromise plan that included all the tax and fee hikes in the earlier Senate proposal but added a 1 percent cut to income tax brackets to be phased in over five years. Like the governor’s plan, the compromise plan relied on projections of revenue growth of 4 percent annually over the next “several” years. Real economic growth (adjusted for inflation) from 2004 to 2014 averaged around 1 percent, with the highest growth at 3.1 percent from 2010-2011.

None of these plans would accomplish more than cosmetic change to the system that allowed so many of South Carolina’s roads and bridges to fall apart in the first place. None would change the favoritism by which road funding is allocated, or make transportation officials accountable to the public.
Four reforms would accomplish those ends.

1) REQUIRE MAINTENANCE WORK TO BE PRIORitized OVER NEW CONSTRUCTION

The DOT has long given construction projects a great deal of weight when determining their budget requests. In recent years the Department has requested over 4 times as much for construction projects as it has for maintenance expenses. This imbalance is due to a combination of an unaccountable DOT governing board, and perverse incentives provided to state transportation authorities by federal road funding formulas. Federal road funding formulas prohibit federal funds from being used on routine maintenance, and contribute to the DOT neglecting non-federal aid eligible roads in favor of those that are eligible for a federal funding match.

In order to address these misplaced priorities state law should be amended to mandate the prioritization of road maintenance and repairs. The law should require that no more than a designated small percentage of all DOT funds can be spent on new construction until a large majority of the roads controlled by the DOT are rated in good or very good condition by another agency such as the Federal Highway Administration.

2) MAKE THE DOT ACCOUNTABLE TO THE GOVERNOR

The DOT is the chief agency charged with building and maintaining South Carolina’s state-owned roads. It’s also – technically – a cabinet agency, and as such should be fully under the control of the state’s chief executive. But while the DOT is administered by a secretary appointed by the governor, its policy is set by an unaccountable eight-member Commission.

Under current law, seven of eight members of the DOT Commission are elected by the state legislative delegations of each of South Carolina’s seven congressional districts. The one remaining commissioner is appointed by the governor. Prior to a candidate being eligible for election to the DOT Commission, he or she must first be screened by the JTRC, an entity that is made up entirely of legislators or legislative appointees, the majority of which are controlled by the House Speaker and Senate President Pro Tem.

In short, it’s nearly impossible for citizens to hold anyone accountable for the policy decisions of the DOT, because all but one of its commissioners owes their position to a group of legislators. Even if a citizen were to take a complaint about DOT policy to their legislator, that legislator can plausibly deny responsibility – he was only one vote of many approving the commissioner.

The less accountable an agency is, the more likely it is to make decisions that suit the personal preferences of management (lawmakers) over the preferences of citizens and taxpayers. In DOT’s case, this means prioritization of expansionary projects in politically important districts that should be shelved, and a corresponding neglect of maintenance throughout the vast majority of counties.

The solution here is simple. The DOT Commission should be eliminated and
DOT policy should be set by the DOT secretary, under the auspices of the governor. This would establish clear lines of accountability, and would end the political favoritism that has plagued South Carolina’s transportation infrastructure for generations.

3) ABOLISH THE INFRASTRUCTURE BANK

The STIB provides financing for expansionary transportation projects (roads, bridges, and transit projects) throughout the state. The STIB finances these projects by creating new debt in the form of bonds.

The STIB has historically financed projects in only a handful of the state’s 46 counties, and it has never contributed financing to maintenance or repair. Recently, legislation has increased the STIB’s recurring annual appropriation. All indications are that the STIB will use this money exclusively for new expansionary projects.

As with the DOT, STIB policy is set by an unaccountable board. The STIB Board is made up of seven members, the majority of whom are controlled by the House Speaker and the Senate President Pro Tempore.

The STIB should be eliminated. It isn’t an effective tool for solving South Carolina’s infrastructure problems because it doesn’t contribute in any way to road maintenance, South Carolina’s most critical infrastructure need. All money that is sent to the STIB could be better spent on road maintenance and repair. In fact, the STIB actually wastes even more transportation dollars than what it is directly appropriated since, once expansionary road projects it finances are completed, the state must devote more resources to maintaining these new roads. And of course the STIB constantly generates new debt, for which the taxpayer is ultimately responsible.

Abolishing the STIB will both free up more transportation dollars for maintenance and repair and reduce the burden of state debt borne by the taxpayer.

4) FULL TRANSPARENCY IN DOT SPENDING AND CONSTRUCTION CONTRACTS

Taxpayers have a right to know just how the gas tax revenues they send to Columbia are being spent. This means the process for all state contracts for road construction, maintenance, or repair should be open to public inspection. The DOT should also make publicly available detailed descriptions of its expenditures, including all the road projects in which it is currently engaged. Transparency will allow citizens a better view of just how the DOT is prioritizing maintenance needs versus new construction. And transparency in the contract process can help to prevent the awarding of contracts on any criteria other than cost and effectiveness.