

The Cost of Deferred Maintenance

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Deferred maintenance is a growing threat to the sustainability of state infrastructure, David Draine reported to the Forum. Postponing repairs increases long-term costs, accelerates deterioration, and places greater financial burdens on future state budgets. Proactive maintenance and careful management of infrastructure liabilities can reduce these risks. Deferred maintenance increases long-term infrastructure costs and places additional demands on state budgets. Measuring and managing these liabilities helps states prioritize investments, control costs, and strengthen infrastructure resilience against extreme weather and other emerging risks.

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States face substantial maintenance backlogs in roads, bridges, public transit, water systems, and government buildings. Rising construction costs and inadequate funding have widened the gap between infrastructure needs and available resources.

Transportation infrastructure is particularly affected. Most states report insufficient funding for road and bridge maintenance. Public transit repair backlogs increased from \$78 billion in 2008 to \$140.2 billion in 2022, reflecting deteriorating vehicles, stations, and other facilities.

Water infrastructure requires an estimated \$1.2 trillion in investment over the next 20 years. Aging systems, extreme weather, and growing cybersecurity threats are increasing costs and creating additional risks to public health and essential services.

Many states lack comprehensive information about the condition of their public buildings, making it difficult to establish maintenance priorities. States such as Idaho and Oklahoma are developing dedicated funding

mechanisms, while improved asset inventories and condition assessments can support more effective planning.

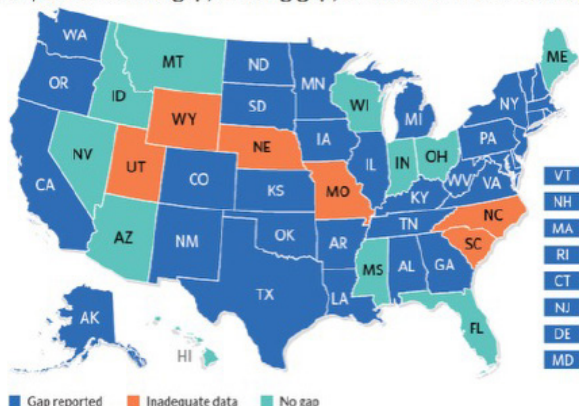
Transportation revenues have failed to keep pace with expenses. Although fuel tax receipts increased 50% between 2003 and 2023, construction costs nearly tripled. States are exploring mileage-based fees, electric vehicle charges, and tolls to supplement traditional funding sources.

Conclusion

Policymakers need timely, reliable data on infrastructure conditions,
continued

Most States Expect a Shortfall for Roads and Bridges

States reporting a 10-year condition gap, funding gap, or both for TAMP roads and bridges.



Note: The base year for 10-year projections varies by state.
Source: Pew analysis of states' 2022 and 2023 Transportation Asset Management Plans.

maintenance backlogs, projected repair and replacement costs, and funding gaps. They also need to understand how spending priorities support long-term asset management goals and whether available resources are sufficient to maintain infrastructure in good repair.

Mr. Draine concluded that preventive maintenance, reliable funding, and systematic asset management are essential to long-term infrastructure sustainability. Addressing deterioration early can reduce public expenditures, protect essential services, and prevent increasingly costly infrastructure failures.

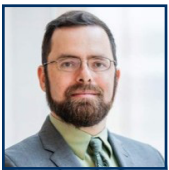
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DISCUSSION



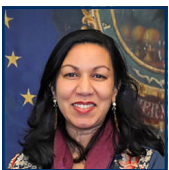
Senator Nicholas Scutari (Senate President, New Jersey): Public buildings often are not owned by the state; instead, the state leases them. We maintain these buildings for all these years, and 30 years later, the owners

have a shiny, nice asset that's been well maintained and we have nothing. Senators need more information about what is owned versus leased. Do we lease? Do we purchase? Do we build? This is being thought through on the long-term life cycle. Our state is getting out of this leasing game and building more.



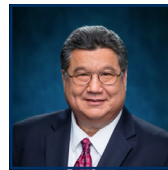
Mr. Draine: Decisions about whether to lease, purchase, or build facilities should consider long-term life-cycle costs. As states shift from leasing to owning facilities, it is important to estimate future maintenance expenses

and identify funding sources upfront. These costs can represent a substantial portion of the original construction cost over a building's lifetime.



Senator Kesha Ram Hinsdale (Senate Majority Leader, Vermont): The state's primary concern is quantifying deferred maintenance in school buildings. The state stopped funding school construction about 20 years

ago, and the maintenance backlog has continued to grow. Do states with school building authorities, such as Massachusetts, have better systems for tracking building conditions, collecting data, and ensuring transparency?



Senator Ronald Kouchi (President of the Senate, Hawaii): Our experience with school building authorities is that they do not work. Hawaii is the only state that manages the entire K–12 public education system statewide. The

state created a new school facilities office and dedicated staff to improve construction management, but after one year, only \$10 million of the \$300 million in available funding had been committed.

We had greater success expanding pre-K classrooms through a publicly accessible dashboard. By tracking progress publicly and holding stakeholders accountable, the state built more pre-K classrooms. The facilities office has since been returned to the Department of Education. It is apparent that leadership, transparency, and accountability are more effective than restructuring the organization.

Senator Kesha Ram Hinsdale (Senate Majority Leader, Vermont): Toll roads are also a question in our state. Vermont is one of the few states in its region without toll roads, partly because it wants to encourage people to drive through the state. I question whether avoiding tolls has become a financial burden that outweighs the benefits.

Mr. Draine:

Data show significant variation in how states fund their roads. Some rely heavily on fuel taxes, while others depend more on tolls. There is no single best approach; states use different combinations of funding sources to

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meet their transportation needs. The key is determining how to use the available funding tools most effectively rather than assuming that any one source is essential.

Citing Montana's experience, Mr. Draine noted that the state's 2019 Transportation Asset Management Plan (TAMP) identified bridge conditions that fell short of state goals. In response, the state increased bridge funding and refocused Department of Transportation efforts on improving bridge conditions, successfully closing the gap.

The speaker asked for comments from the Senators on their experiences raising gas taxes and compensating for revenues lost to electric vehicles (EV).



Senator Amy Sinclair (President of the Senate, Iowa): Raising our gas tax was a brutal exercise as the issue became politicized, despite the requirement for bipartisan support. Regarding EV taxation, the state has implemented

an additional vehicle registration fee and taxes related to charging stations. In Iowa, where EV use is limited, particularly in rural areas, the additional registration fee and charging-related fees are the primary approaches.



Senator Rod Bray (Senate President Pro Tempore, Indiana): Gasoline prices are highly visible to the public, making fuel taxes politically sensitive. Indiana's governor suspended the gas tax in April and May in response to rising fuel prices.

Although this provided temporary relief to drivers, it created a \$1.2 billion shortfall that the legislature must address in the next session.

As the state considers how to fund roads amid rising costs, tolling is one option, although it is unpopular in Indiana. We could consider redirecting the more than \$1 billion the state has been contributing annually to public employee pensions toward road funding, now that the pension system is expected to be fully funded within the next 12 months.



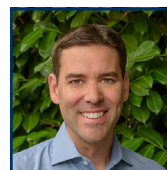
Senator Robert Stivers (President of the Senate, Kentucky): After attending the Senate Presidents' Forum in Germany (2004), and a session focused on electric vehicles, Kentucky began developing additional EV registration

fees based on average annual vehicle mileage. By addressing the issue early, before EV ownership became widespread, the state hoped to avoid political resistance.

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We are exploring another source of revenue by identifying and monetizing surplus public property. Road construction projects often leave unused parcels, such as land near highway interchanges. The state is assessing these properties and estimates that surplus transportation land could be worth several hundred million dollars. It is also reviewing other state-owned properties that are no longer needed. In addition, the state is encouraging school districts to evaluate surplus property and either sell it to another government entity at an appraised value or offer it for sale through competitive bidding. Although selling surplus property will not provide a sustainable long-term funding solution, it could help address temporary budget shortfalls.

Senator Kesha Ram Hinsdale (Senate Majority Leader, Vermont): Last year, I introduced a \$2 billion infrastructure bill using tax increment financing (TIF) to support housing and neighborhood development. Traditionally, the state's TIF program funded projects such as downtown revitalization and public works. The new approach allows municipalities to partner with private developers and direct municipal and education funding toward specific housing and public works projects.



Senator Rob Wagner (President of the Senate, Oregon): Oregon has spent the past 18 months struggling to develop a sustainable transportation funding plan. Historically, large transportation packages involved political bargaining

over new projects and funding for legislators' districts. Recent efforts focused instead on addressing deferred maintenance for roads and bridges, supporting public transit, and increasing revenue.

Environmental groups proposed a 400% increase in the payroll tax to fund statewide transit. Lawmakers pursued a more modest transit tax increase and higher gas taxes and fees, but the package failed to secure the required supermajority. During a special session called by the governor, legislators approved a smaller gas tax and fee increase. However, opponents gathered 250,000

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signatures in six weeks to refer the measure to voters, who rejected it with only 19% support. Now, lawmakers are working across party lines to develop a more modest funding package to sustain the Department of Transportation and maintain roads and bridges.

Water infrastructure presents another challenge, particularly in rural communities with significant unmet needs. State capital funding often requires balancing competing requests from smaller communities across Oregon. The state is in a difficult position: Infrastructure investment can save money over the long term, but elected officials face short election cycles and immediate political pressures. The central challenge is finding the political support to fund essential infrastructure before deferred maintenance becomes even more costly. Transportation funding will be the biggest issue in the 2027 session.



John Cullerton (Moderator): Are there other ways to fund transportation? Tolling has changed significantly. In the past, drivers had to stop and pay at tollbooths, causing traffic backups.

Today, electronic tolling allows vehicles to pass through without stopping, making toll payments less noticeable and potentially more acceptable to drivers.

Mr. Draine: States vary considerably in how they fund roads, and we see a lot of band-aid approaches. Some rely heavily on fuel taxes, while others depend more on tolling or other revenue sources. The data suggest there is no single best approach. Rather, states have a range of funding tools available and must determine which combination best meets their transportation needs.

Mr. Draine queried the Forum: States get substantial funding from the federal government. These funds could shrink, so how will states fill the gap?

Senator Ronald Kouchi (President of the Senate, Hawaii): Accessing federal transportation funding often requires states to provide matching funds. In 2016, the state's transportation director persuaded the Senate to propose a gas tax increase, arguing that low fuel prices made it an opportune time. However, the bill never received a hearing in the House.

Since then, fuel tax revenue has been sufficient only to help maintain existing highway infrastructure and draw down available federal funds, leaving little money for new construction. Although lawmakers recognize the need to repair roads, the House has never advanced a gas tax increase.

The state has relied partly on federal disaster funding to repair roads and bridges damaged by storm surges and severe flooding. However, despite these repairs, the state has not built a new road in a decade.



Senator Rick Kloos (Senate Majority Whip, Kansas): For years, highway funds had been transferred to the state budget, which created infrastructure challenges. To address this, Kansas implemented the IKE transportation

program, committing approximately \$1 billion annually over 10 years in road and bridge construction and preservation. By protecting these funds, Kansas has improved its roads and remains on track to meet its infrastructure goals.

The state is also reviewing its real estate portfolio, which includes 17 state-owned agency buildings and 63 leased facilities, to identify opportunities for greater efficiency, including a plan to demolish deteriorating university buildings that cost millions to maintain, allowing institutions to avoid continued spending on facilities that are no longer worth preserving.

Water scarcity is another priority. A 16-member committee is developing solutions to declining water supplies, particularly in western Kansas, where the Ogallala Aquifer is severely depleted.