FEDERAL FUNDING OF SURFACE TRANSPORTATION

The Federal Highway Trust Fund

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Agenda

• Federal-Aid Highway Program
• Highway Trust Fund
• FAST Act
• State Revenue Initiatives
• Transportation Financing Options
• The BATIC Institute
WHAT IS AASHTO?

- A nonprofit association founded in 1914
- Members include:
  - Highway and transportation departments of the 50 states, the District of Columbia, and Puerto Rico
  - 46 Associate Members from Federal, State, and Local agencies and other countries
- Covers all five transportation modes: Air, Highways, Rail, Transit, and Water
Federal-Aid Highway Program
FEDERAL-AID HIGHWAY PROGRAM Overview

- Administered by the Federal Highway Administration (FHWA)
- Comprised of several programs mostly focused on highway construction.
  - National Highway Performance Program
  - Surface Transportation Block Grant Program
  - Highway Safety Improvement Program
  - Railway-Highway Grade Crossings Program
  - CMAQ Program
  - Metropolitan Planning Program
  - National Highway Freight Program
  - Surface Transportation Block Grant Program Set-Aside
  - Other Programs
- Funded through the Highway Trust Fund
FEDERAL-AID HIGHWAY PROGRAM

Characteristics

- “Federally assisted, state implemented” program philosophy
- Funds are apportioned to states, states provide matching funds
- Federal funds must be spent on certain eligible projects
- Focuses on capital investments, not operations or maintenance
The Highway Trust Fund
Highway Trust Fund Overview

• Funding mechanism for Federal-Aid Highway Program
• Highway Trust Fund was established in 1956 under the “user pay” principle
• Two Main Accounts: Highway and Mass Transit
• Revenues
  o Excise taxes on highway motor fuel (87% HTF)
  o Additional revenues, e.g., taxes on truck sales, truck tires
## GAS TAX HEADWIND: SIGNIFICANT LOSS OF PURCHASING POWER

Sample of Nominal Prices Relative to Federal Gas Tax, 1993 and 2010

<table>
<thead>
<tr>
<th>ITEM</th>
<th>UNIT/DESCRIPTION</th>
<th>1993</th>
<th>2010</th>
<th>PERCENT CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>College Tuition</td>
<td>Average Tuition and Required Fees</td>
<td>$3,517</td>
<td>$9,136</td>
<td>160%</td>
</tr>
<tr>
<td>Gas</td>
<td>Per Gallon</td>
<td>$1.12</td>
<td>$2.73</td>
<td>144%</td>
</tr>
<tr>
<td>Movie Ticket</td>
<td>Average Ticket Price</td>
<td>$4.14</td>
<td>$7.89</td>
<td>91%</td>
</tr>
<tr>
<td>House</td>
<td>Median Price</td>
<td>$126,500</td>
<td>$221,800</td>
<td>75%</td>
</tr>
<tr>
<td>Bread</td>
<td>Per Pound</td>
<td>$1.08</td>
<td>$1.76</td>
<td>62%</td>
</tr>
<tr>
<td>Income</td>
<td>Median Household</td>
<td>$31,272</td>
<td>$49,167</td>
<td>57%</td>
</tr>
<tr>
<td>Stamp</td>
<td>One First-class Stamp</td>
<td>$0.29</td>
<td>$0.44</td>
<td>52%</td>
</tr>
<tr>
<td>Beef</td>
<td>Per Pound of Ground Beef</td>
<td>$1.57</td>
<td>$2.28</td>
<td>46%</td>
</tr>
<tr>
<td>Car</td>
<td>Average New Car</td>
<td>$19,200</td>
<td>$26,850</td>
<td>40%</td>
</tr>
<tr>
<td>Federal Gas Tax</td>
<td>Per Gallon</td>
<td>$0.184</td>
<td>$0.184</td>
<td>0%</td>
</tr>
</tbody>
</table>

Question: How much does the typical driver pay in gas tax in a year?

Mid-America Transportation Center
The FAST Act
Fixing America’s Surface Transportation (FAST) Act

- Provides funding certainty for five years
  - Contract authority for highway, highway safety, and transit programs between FY2016 to 2020.
  - $305 billion in total funding; $281 billion guaranteed from the Highway Trust Fund
  - Model increase in Federal funding levels, slightly higher than inflation
  - About 93% of highway dollars are apportioned to States
COMPARISON OF ESTIMATED ANNUAL HIGHWAY AND TRANSIT OBLIGATIONS
In billions of dollars

1. FAST Act
2. MAP-21 Current Services (Inflation-adjusted Baseline)
3. Cliff Scenario (Supportable Oblig w/ No Net New Revenue)
FAST Act Revenue

- $70 billion of General Funds transferred to HTF under FAST.
- After 2020, average annual shortfall in HTF will reach about $20 billion.
- “Pay-fors” for $70 billion of GF transfers include:
  - Increased civil penalties allowable for NHTSA: $0.423 billion
  - Passport revocation for delinquent taxpayers: $0.395 billion
  - Allowing the Internal Revenue Service to hire private tax collectors: $2.408 billion
  - Indexing Customs user fees for inflation: $5.188 billion
  - Transfer from the capital surplus account of the Federal Reserve: $53.334 billion
  - Dividend reductions for the Federal Reserve’s member banks: $6.904 billion
  - Sale of 66 million barrels of crude oil from the Strategic Petroleum Reserve: $6.2 billion
  - Royalty overpayment correction under the Office of Natural Resources Revenue: $0.32 billion
REVENUE AND FINANCING

• Includes automatic mechanism to increase contract authority if new law provides more HTF revenues.
• Proportionally rescinds $7.6 billion of unobligated contract authority on July 1, 2020; exempts HSIP, Rail-Highway Crossing, Metro Planning, and suballocated STBGP.
• TIFIA is funded at $275 to $300 million per year; NHPP, STBGP, and National Freight Program funds could “buy down” TIFIA subsidy. TIFIA can support Transit-oriented Developments and capitalize Rural Project Funds at State Infrastructure Banks.
• $95 million for five years for demonstration of user-fee based alternative revenue mechanisms to sustain HTF over the long term.
• Interstate System Reconstruction and Rehabilitation Pilot Program slots come with a 3-year limit; current slot-holding states have 1 year.
State Revenue Initiatives
State Revenue Sources For Transportation

- Fuel taxes
- Sales taxes on fuel, or other taxes on distributors or suppliers
- Motor vehicle or rental car sales taxes
- Vehicle registration, license or title fees
- Vehicle or truck weight fees
- Tolls
- General funds
- Interest income
- Other

Source: National Conference of State Legislatures

AASHTO’s Matrix of Illustrative Surface Transportation Revenue Options:
RECENT STATE TRANSPORTATION REVENUE DISCUSSIONS (SUCCESSFUL STATES IN UNDERLINE)

- **Raising fuel taxes**: Alabama, California, Delaware, Georgia, Idaho, Illinois, Indiana, Iowa, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Hampshire, Rhode Island, South Carolina, South Dakota, Tennessee, Vermont, Washington, Wisconsin, Wyoming
  
- **Directing gas tax proceeds to direct transportation uses**: California, Indiana, North Carolina, Tennessee
  
- **Reducing gas tax, but increasing other taxes for a net increase for transportation**: Pennsylvania, South Carolina, Utah, Virginia
RECENT STATE TRANSPORTATION REVENUE DISCUSSIONS
(SUCCESSFUL STATES IN UNDERLINE)

- **General purpose funds toward transportation**: Arkansas, Colorado, Connecticut, Georgia, Idaho, Iowa, Louisiana, Michigan, Minnesota, North Carolina, Pennsylvania, South Carolina, Texas, Virginia, Washington

- **Sales taxes on fuel, or other variable taxes/fees**: California, Delaware, District of Columbia, Georgia, Idaho, Illinois, Indiana, Iowa, Maryland, Massachusetts, Michigan, Minnesota, North Carolina, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Texas, Utah, Virginia, West Virginia, Wisconsin

- **Vehicle registration fees**: California, Idaho, Illinois, Louisiana, Michigan, North Carolina, Pennsylvania, Virginia, West Virginia, Wisconsin
STATE TRANSPORTATION REVENUE DISCUSSIONS
(SUCCESSFUL STATES IN UNDERLINE)

- **Vehicle Miles Traveled (VMT) Fee**: Oregon
- **Framework to study a VMT fee**: Arizona, California, Florida, Nevada, **Washington**, West Virginia, Wisconsin
- **Special fees or taxes for electric or alternative fuel vehicles**: Arizona, California, Georgia, Idaho, Kentucky, Michigan, South Dakota, Virginia, Washington
STATE FUNDING HIGHLIGHTS

• **Arkansas** - $1.8B over 10 years (Increased state sales tax dedicated to highway improvements)

• **Connecticut** – $160M this fiscal year, $260M in 2016-17, $362M in 2017-18 (½ cent of state sales tax to transportation)

• **Idaho** - $95M/year (Increased gas tax and vehicle registration fees, allocates future budget surplus to road maintenance)

• **Michigan** - $750M-$1.15B/year (Increased gas/diesel tax and vehicle registration fees, shifts general fund dollars to transportation)
STATE FUNDING HIGHLIGHTS

• **North Carolina** - $705M over next 2 years (Increased motor vehicle license and registration fees, ending transfer of highway funds to general fund for Highway Patrol)

• **South Dakota** – $85M/year (Increased gas tax, motor vehicle excise tax and license plate fees, among other provisions)

• **Washington** - $16B over 16 years (Increased gas tax)
SOME COMMON THEMES BEHIND STATE SUCCESS STORIES

• Needs are reasonable and benefits are relatable to the public
• Users’ share of investment cost is clearer
• Strong political leadership is provided from the executive branch
• Formation of a broad coalition of supporters beyond self-interested groups
Transportation Financing
FUNDING Versus FINANCING

• **Funding:** Revenue sources generated at the Federal, state and local levels used for transportation investment needs.

• **Financing:** Tools to leverage transportation funding and revenue sources
  - Allows project sponsors to raise high up-front costs needed to build projects
  - Expedites implementation of needed transportation improvements
Transportation Finance Options

• Bond Financing
• Federal Credit
  o TIFIA Program
  o RRIF Program
• Public Private Partnerships
• Other Finance Tools
The BATIC Institute
The BATIC Institute

Mission

- To promote *public sector capacity building* in the analysis, understanding, and use of transportation finance techniques through a program of training, education, and outreach to all State Departments of Transportation and their local partner agencies

Goals

To increase the capacity of policy makers and project sponsors to:

- Understand project finance tools available to all types of projects
- Create a sound environment for partnership among project delivery stakeholders
- Assess projects for potential delivery via public-private partnership (P3), and, if suitable, empower their delivery of projects under this approach
BATIC Institute

• Online Services
  ▪ Customized website
  ▪ Webinars
  ▪ eLearning Modules

• In-person Services
  ▪ Peer exchanges
  ▪ Listening sessions
  ▪ Training and workshops

Visit our website at:
http://www.financingtransportation.org/
Upcoming Tasks

• Innovations in Practice Denver Series
  • Denver Union Station (March 2016)
  • Eagle P3 (April 2016)

• Station Redevelopment Peer Exchange (June 2016)

• Debt Management Peer Exchange (June 2016)

• P3 Peer Exchange (Summer 2016)
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