“Another Look At Federal Highway Funding”

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Topics

- State contributions to and funding received from the Highway Trust Fund (GAO report)

- Understanding the donor/donee issue and why different methods can appear to produce different results

- The future of federal highway funding
State Contributions and Funding

GAO’s September 2011 Report

United States Government Accountability Office

GAO
Report to Congressional Requesters

September 2011

HIGHWAY TRUST FUND

All States Received More Funding Than They Contributed in Highway Taxes from 2005 to 2009
All States Received More Funding Than They Contributed in Highway Taxes From 2005 to 2009
## Contributions and Return of Selected States from 2005 to 2009

<table>
<thead>
<tr>
<th>State</th>
<th>Contributions (dollars in millions)</th>
<th>Funding Received (dollars in millions)</th>
<th>Return per dollar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Texas</td>
<td>$14,946</td>
<td>$15,450</td>
<td>$1.03</td>
</tr>
<tr>
<td>Virginia</td>
<td>$4,678</td>
<td>$5,181</td>
<td>$1.11</td>
</tr>
<tr>
<td>Kansas</td>
<td>$1,658</td>
<td>$2,044</td>
<td>$1.23</td>
</tr>
<tr>
<td>New Mexico</td>
<td>$1,472</td>
<td>$1,901</td>
<td>$1.29</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>$6,232</td>
<td>$8,620</td>
<td>$1.38</td>
</tr>
<tr>
<td>Vermont</td>
<td>$354</td>
<td>$1,043</td>
<td>$2.95</td>
</tr>
</tbody>
</table>
Because Oil Companies Directly Pay the Taxes Before Sales Take Place, States’ Contributions are Estimates

- Treasury collects federal fuel taxes from importers and producers in a handful of states.

- Federal Highway Administration (FHWA) collects motor fuel use and state tax data from states’ departments of revenue.

- FHWA analyzes and *adjusts* states’ data to:
  - achieve uniformity across the wide variety of state tracking and reporting methods.
  - account for and exclude non-highway fuel use (e.g. agricultural, marine, and off-road recreational uses).
Two Year Time Lag from when Treasury Collects Fuel Taxes and Highway Funds are Apportioned to States

|---------|---------|---------|---------|---------|---------|---------|
| **FY 2005 apportionment**
| ![Image](image1.png) | ![Image](image2.png) | ![Image](image3.png) | ![Image](image4.png) | ![Image](image5.png) | ![Image](image6.png) | ![Image](image7.png) |
| **FY 2006 apportionment**
| ![Image](image1.png) | ![Image](image2.png) | ![Image](image3.png) | ![Image](image4.png) | ![Image](image5.png) | ![Image](image6.png) | ![Image](image7.png) |
| **FY 2007 apportionment**
| ![Image](image1.png) | ![Image](image2.png) | ![Image](image3.png) | ![Image](image4.png) | ![Image](image5.png) | ![Image](image6.png) | ![Image](image7.png) |
| **FY 2008 apportionment**
| ![Image](image1.png) | ![Image](image2.png) | ![Image](image3.png) | ![Image](image4.png) | ![Image](image5.png) | ![Image](image6.png) | ![Image](image7.png) |
| **FY 2009 apportionment**
| ![Image](image1.png) | ![Image](image2.png) | ![Image](image3.png) | ![Image](image4.png) | ![Image](image5.png) | ![Image](image6.png) | ![Image](image7.png) |

- US Department of the Treasury collects fuel taxes
- FHWA estimates state contributions using state fuel use data and Treasury tax data
- FHWA apportions funds to states based on estimates, on the first day of the fiscal year

Source: GAO.
How Highway Funding was Distributed to the States from 2005 to 2009

- 83.3% Apportioned Programs
- 7.4% High Priority Projects
- 9.3% All Other Programs
# How the Same State Can Appear to be Both a Donor and a Donee State

## Texas highway funding: FY 2005-2009

<table>
<thead>
<tr>
<th></th>
<th>Contributed, FY 2003-2007 (dollars in billions)</th>
<th>Received, FY 2005-2009 (dollars in billions)</th>
<th>Donor or Donee?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Texas</td>
<td>$14.3</td>
<td>$14.9</td>
<td>Dollars in/dollars out: Donee</td>
</tr>
<tr>
<td>All states</td>
<td>$160.2</td>
<td>$182.7</td>
<td></td>
</tr>
<tr>
<td>Texas share</td>
<td>8.93%</td>
<td>8.16%</td>
<td>Share in/share out: Donor (8.16% / 8.93% = 91.3% relative share)</td>
</tr>
</tbody>
</table>

The relative share calculation is sometimes mistakenly referred to as “cents on the dollar”.

This table reflects the information available to FHWA when it apportioned funds to the states from 2005 to 2009. The amounts states contributed are time-lagged data, and the amounts states received are a subset of funds states receive from the Highway Account, and include apportioned programs and high priority projects.
How The Same State Can Appear to be Both a Donor and a Donee State

States’ Relative Share: 2005-2009

Sources: GAO analysis of FHWA data; Map Resources (map).
How The Same State Can Appear to be Both a Donor and a Donee State

States’ Relative Share: 2005-2009 Using Same Year Contributions

Three “donor” states become “donee” states, while one “donee” state becomes a “donor” state.
Can We Continue To Rely On Rate-Of-Return Approach To Distribute Highway Funds?

- The infusion of significant amounts of general revenues into the Highway Trust Fund breaks the link between highway taxes and highway funding

- Significant amount of highway funding is no longer provided by highway users
- General revenue transfers were 35 percent of FHWA’s budget for 2009 and 2010

- The viability and sustainability of existing funding mechanisms is in serious question
Projected Highway Trust Fund Highway Account Balances: FY 2009 - 2021

Source: Congressional Budget Office
New Approaches to Funding The Nation’s Transportation System are Needed

- GAO principles can help guide future federal highway funding
  - Well-defined goals focused on the national interest
  - Federal role clearly defined
  - Performance and accountability for results

- A more targeted federal role focused around evident national interests
  - Where national interests are less evident, functions could potentially be assumed by the states or other levels of government
• Highway Trust Fund: All States Received More Funding Than They Contributed in Highway Taxes, GAO-11-918 (Sep 8, 2011)

• Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue, GAO-11-318SP (Mar 1, 2011)

• High Risk Series: An Update, GAO-11-278 (Feb 2011)

• Highway Trust Fund: Improved Solvency Mechanisms and Communication Needed to Help Avoid Shortfalls in the Highway Account, GAO-09-316 (Feb. 6, 2009)

• Surface Transportation: Restructured Federal Approach Needed for More Focused, Performance-Based, and Sustainable Programs, GAO-08-400 (Mar. 6, 2008)
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