

NATIONAL CONFERENCE OF STATE LEGISLATURES

Federal Funding Trends

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Discussion Topics

- America at a crossroad in transportation Funding
- What are the needs?
- The current state of funding:
 - The Congress of the U.S. is stalemated on moving forward
 - The financial backbone of the surface transportation programs is broken
 - The House of Representatives majority has changed
 - Firewalls and Funding Guarantees are in Pearl
- What is the Federal government's role going to be in the future of Surface Transportation financing?
- What are some of the options to fund needs?

The Current Climate:
Discussing the Issues

The Current Funding Climate

The current state of play:

- The creation of new Surface Transportation law a key source of capital funding is stuck in limbo
- **The Highway Trust Fund has gone broke**
- There is no support for increasing user fees
- There are many competing goals at the national level
- The House of Representatives is about to pass a Budget Resolution that cuts apportionments

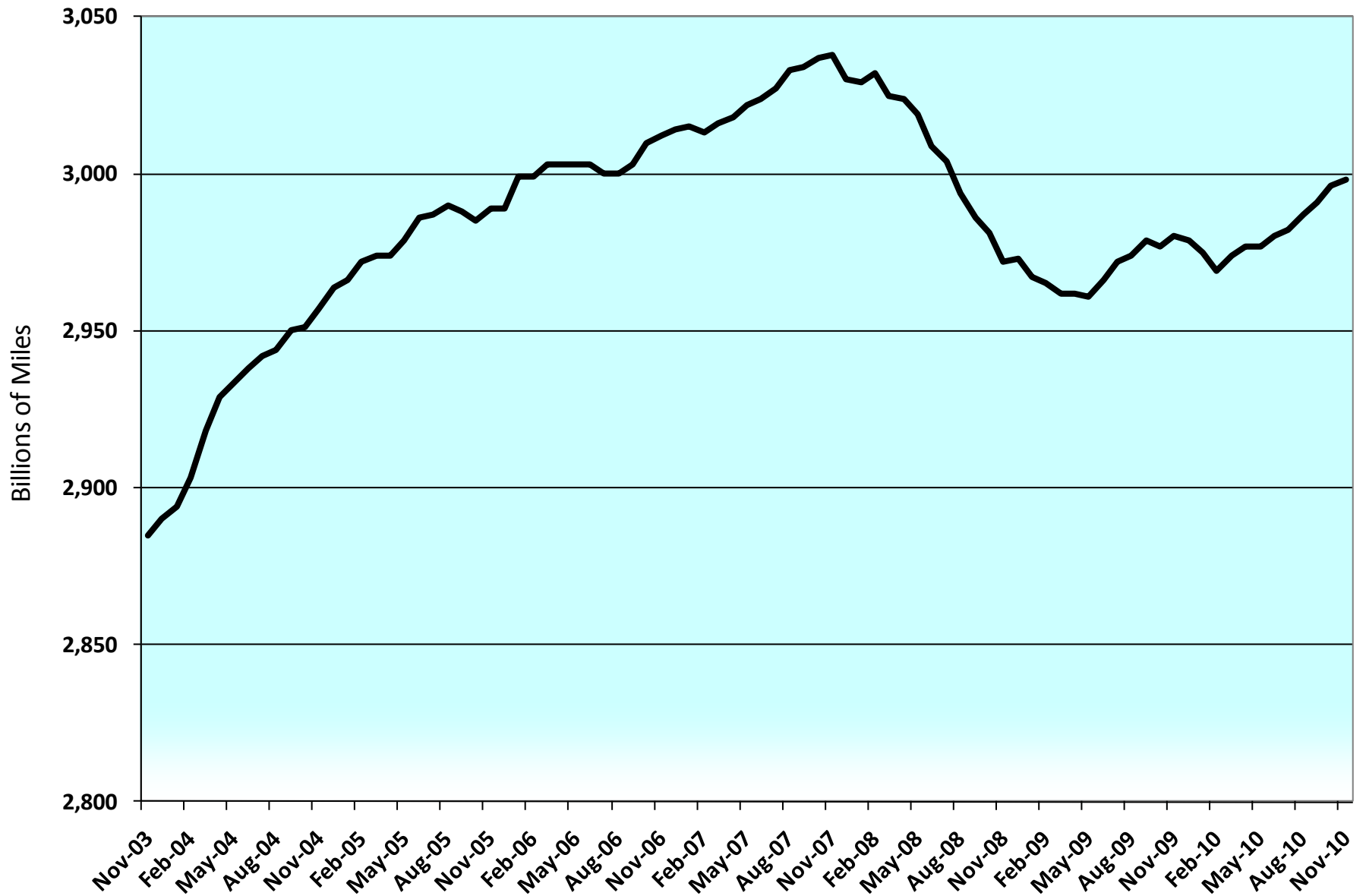
The View From Congress

- Facing difficult choices
 - Transportation and Infrastructure Committee of the House of Representatives has developed a bill
 - However, in light of leadership changes, the bill will likely be revamped
 - The Senate counterpart (EPW) has not yet acted
 - Funding is in critical condition
 - Budget cuts are the order of the day
 - The road ahead is at best unclear

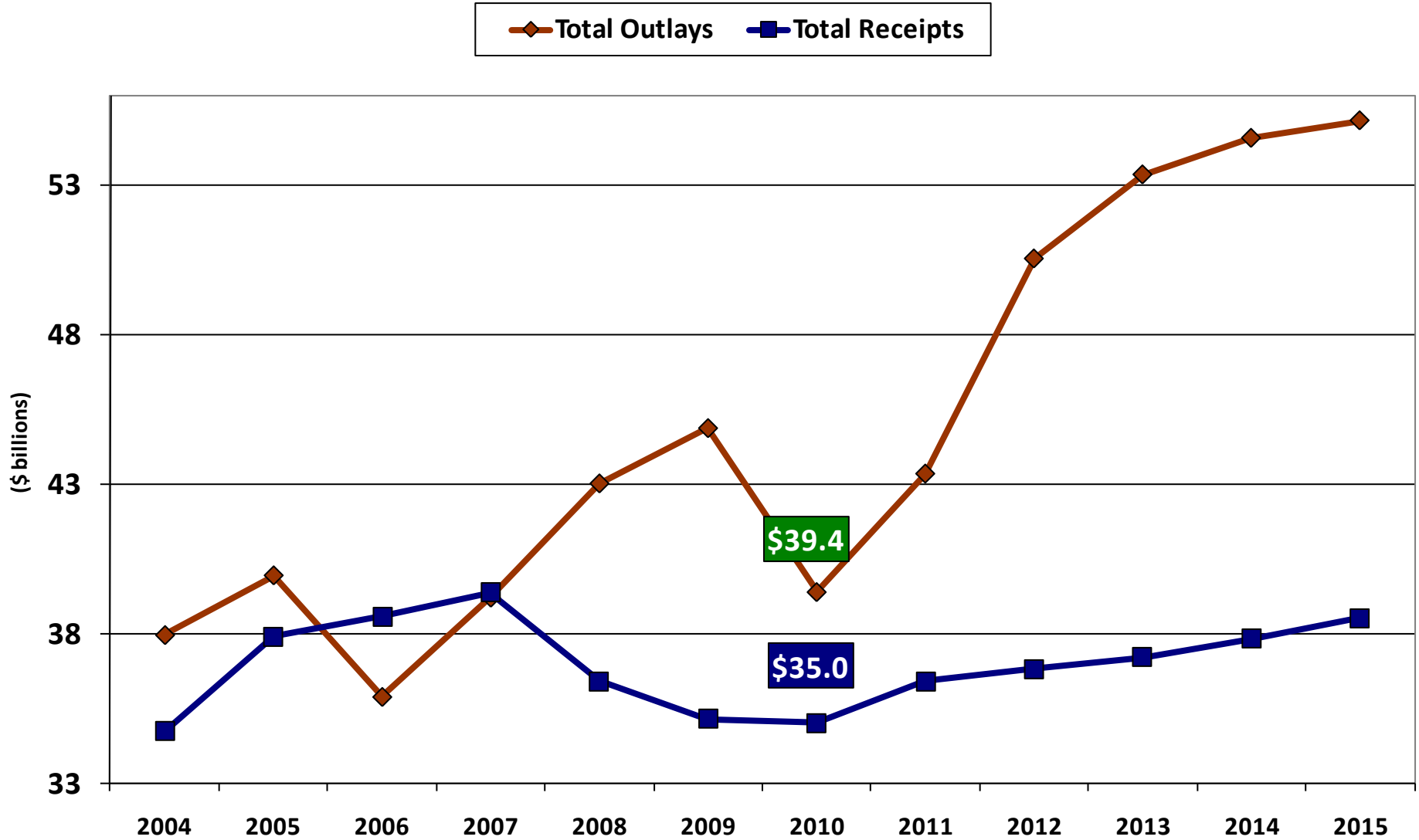
**The Financial Backbone
is All But Broken...**

Vehicle Miles Traveled - Nov 2003 to Nov 2010

(Moving 12 Month Total)



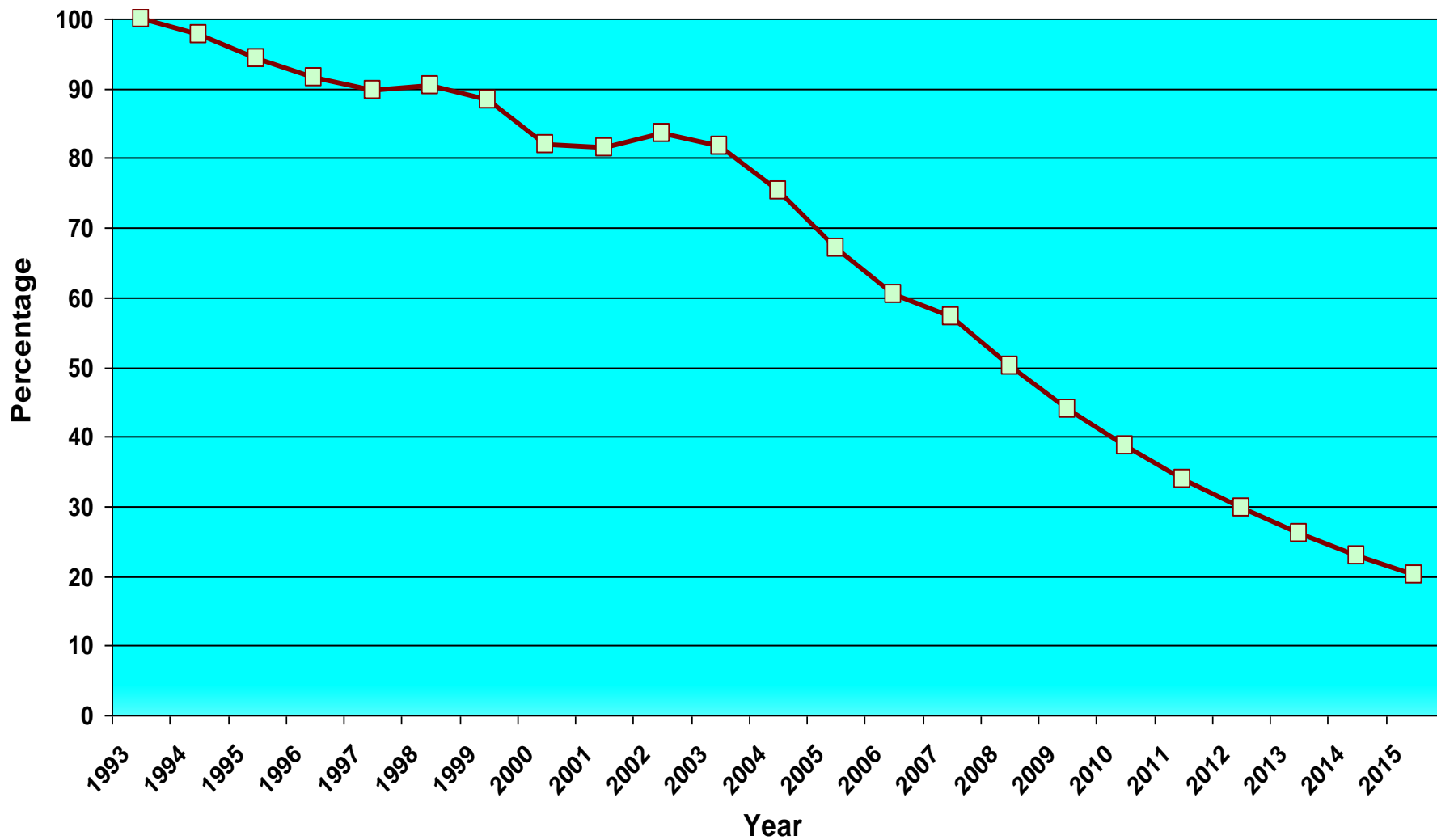
Highway Trust Fund: Receipts and Outlays Discrepancy



Note: Excludes \$8.017 billion transfer from General Fund to Highway Account of HTF in September 2008; \$7 billion transfer from General Fund to Highway Account of HTF in August 2009; \$19.5 billion transfer from General Fund to Highway and Mass Transit Accounts of HTF in March 2010.

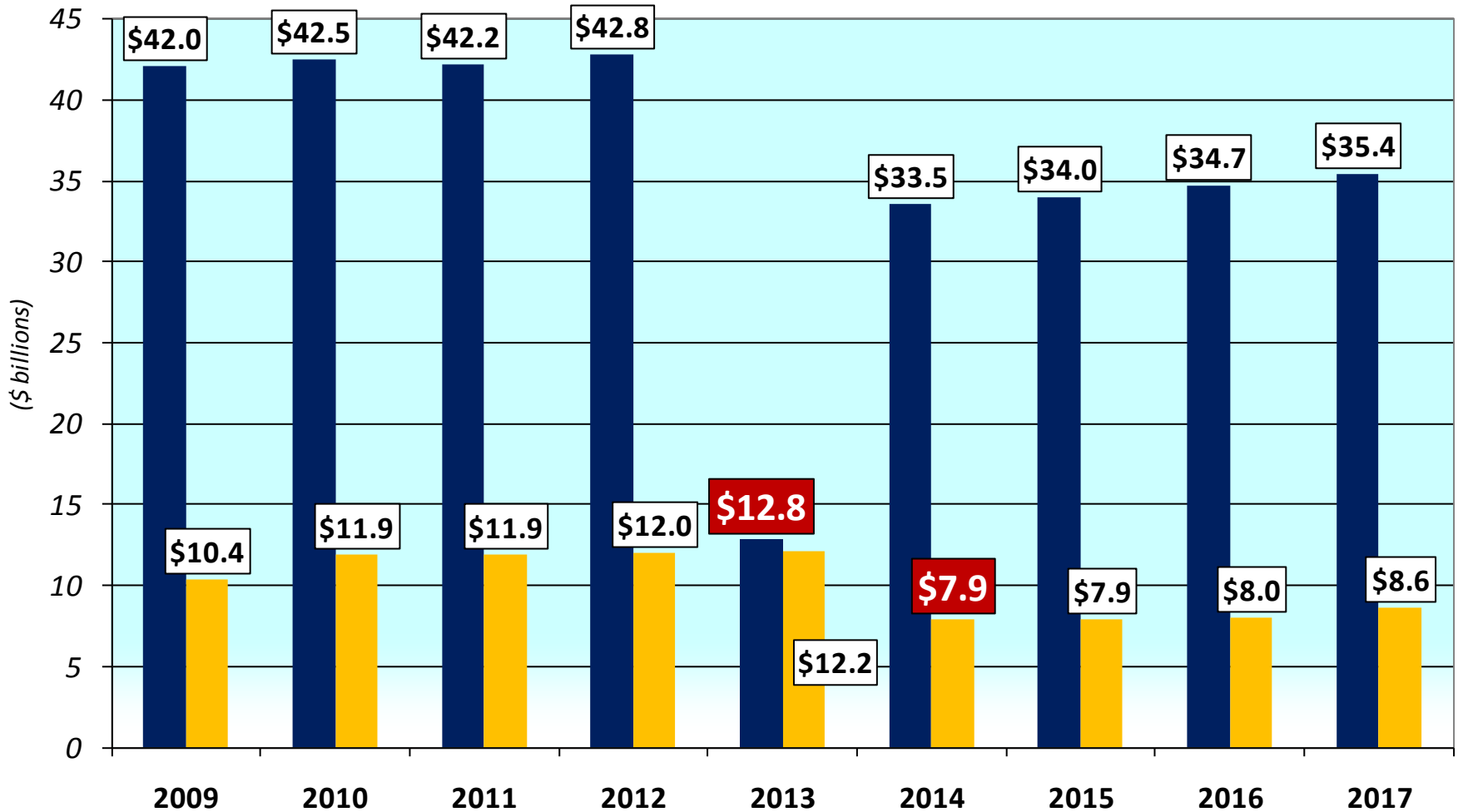
Decline in Purchasing Power of Motor Fuel Taxes

(Based on Inflation since 1993)



Estimation of Federal Highway and Transit Obligations Through 2017 Based on Current Trust Fund Revenues

■ Highway Obligations ■ Transit Obligations



Future Needs and Funding Options

Needs

- Nationally, meeting only about 1/3 of roughly \$200 billion required each year to maintain and improve the system
- At federal level, also meeting only about 1/3 of needs – **we face a \$400 billion federal funding gap over next 6 years** under current policies and revenues

EXHIBIT ES-1: AVERAGE ANNUAL CAPITAL NEEDS AND GAP ESTIMATES, ALL LEVELS OF GOVERNMENT, 2008–35 (in 2008 dollars)

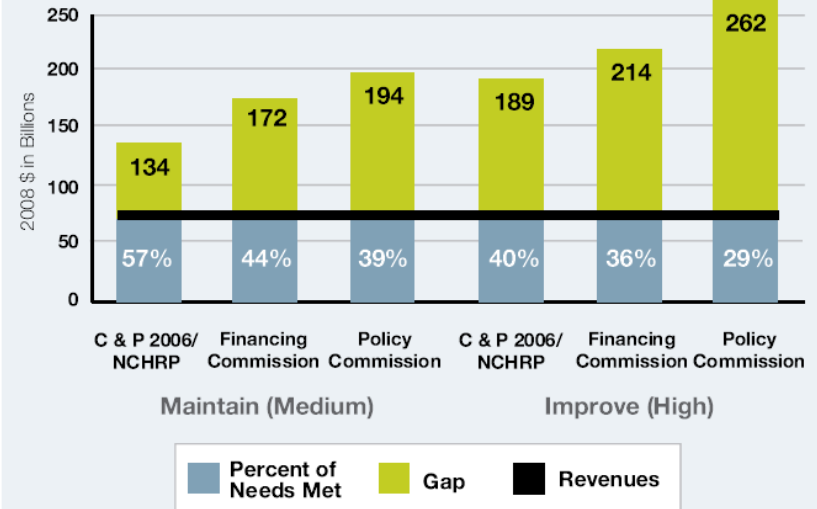
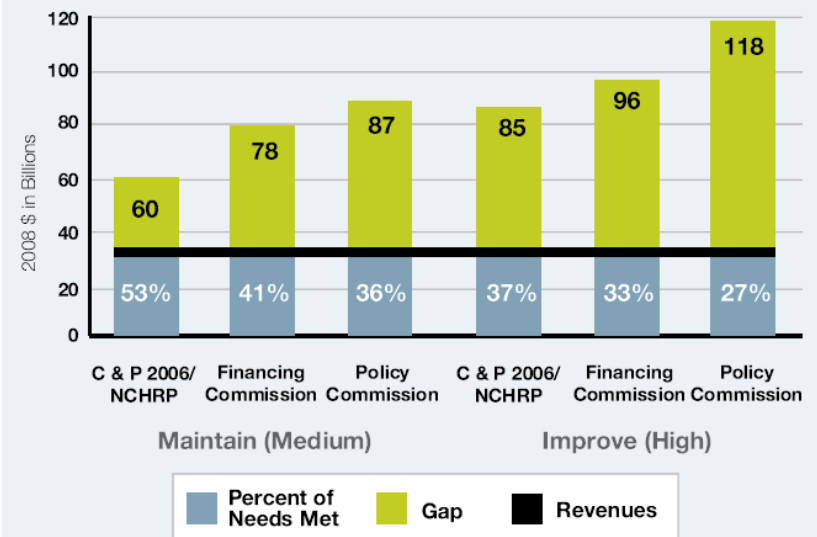


EXHIBIT ES-2: AVERAGE ANNUAL CAPITAL NEEDS AND GAP ESTIMATES, FEDERAL GOVERNMENT, 2008–35 (in 2008 dollars)



Some Possible Revenue Sources

- Categories
 - Direct revenue-user fees and general tax revenue
 - Includes a variety of transportation related fees
 - Bonding and credit programs
 - Includes tolls and special taxes
 - Public\Private partnerships

Surface Transportation Funding Options Matrix

(all revenue estimates in \$ millions)

Funding Mechanisms	Mechanism Yield		Illustrative Rate	Revenues 2011	Average Revenues 2011-2016	Total Revenues 2011-2016
	(2011)					
Annual Drivers License Surcharge	\$1.00 Surcharge =	\$ 222	\$5.00	\$ 1,110	\$ 1,165	\$ 6,993
Annual Highway Miles Traveled Fee (All Light Duty Vehicle	1¢/VMT =	\$ 6,538	2.0¢	\$ 13,075	\$ 13,474	\$ 80,843
Annual Highway Miles Traveled Fee (All Trucks)*	1¢/VMT =	\$ 977	3.0¢	\$ 2,931	\$ 3,020	\$ 18,120
Annual Registration Fee (Light Duty Vehicles)	\$1.00 Fee =	\$ 261	\$10.00	\$ 2,613	\$ 2,741	\$ 16,448
Annual Registration Fee (Trucks)	\$1.00 Fee =	\$ 4.4	\$15.00	\$ 66	\$ 66	\$ 399
Container Tax	\$1 per TCU=	\$ 605	\$15.00	\$ 9,076	\$ 10,658	\$ 63,946
Dedicated Income Tax - Personal	.1% of current taxes =	\$ 1,130	1.0%	\$ 11,301	\$ 11,881	\$ 71,285
Dedicated Income Tax - Business	.1% of current taxes =	\$ 383	1.0%	\$ 3,832	\$ 4,029	\$ 24,172
Diesel Tax Increase	1¢/gal =	\$ 386	15.0¢	\$ 5,794	\$ 6,052	\$ 36,309
Diesel Tax Indexing	n/a	n/a	n/a	\$ 94	\$ 467	\$ 2,802
Gas Tax Increase	1¢/gal =	\$ 1,379	10.0¢	\$ 13,795	\$ 14,030	\$ 84,183
Gas Tax Indexing	n/a	n/a	n/a	\$ 252	\$ 1,210	\$ 7,257
Harbor Maintenance Tax	0.1% Tax =	\$ 1,236	0.5%	\$ 6,181	\$ 6,581	\$ 39,485
HVUT Increase	10% Increase =	\$ 97	15.0%	\$ 146	\$ 169	\$ 1,017
Imported Oil Tax	\$1.00/Bbls =	\$ 4,217	\$1.00	\$ 4,217	\$ 4,356	\$ 26,138
Sales Tax on Auto-related Parts & Services	1.0% of Sales =	\$ 2,567	1.0%	\$ 2,567	\$ 2,823	\$ 16,938
Sales Tax on Gas	1.0% of Sales =	\$ 2,987	8.4%	\$ 25,091	\$ 30,945	\$ 185,671
Sales Tax on Diesel	1.0% of Sales =	\$ 868	10.6%	\$ 9,198	\$ 11,484	\$ 68,903
Sales Tax on New Light Duty Vehicles	1.0% of Sales =	\$ 2,337	1.0%	\$ 2,337	\$ 2,571	\$ 15,427
Sales Tax on New and Used Light Duty Vehicles	1.0% of Sales =	\$ 3,515	1.0%	\$ 3,515	\$ 3,837	\$ 23,021
Share of US Customs Revenues	1% of Receipts =	\$ 333	1.0%	\$ 333	\$ 381	\$ 2,288
Tire Tax on Light Duty Vehicles	\$1.00 Fee =	\$ 1,960	\$3.00	\$ 5,880	\$ 6,168	\$ 37,009
Ton Freight Charge -- All Modes	1¢/ton =	\$ 164	25.0¢	\$ 4,111	\$ 4,432	\$ 26,592
Ton Freight Charge -- Truck Only	1¢/ton =	\$ 113	25.0¢	\$ 2,835	\$ 3,057	\$ 18,340
Ton-Mile Freight Charge -- All Modes	1¢/ton-mile =	\$43,497	0.5¢	\$ 21,748	\$ 23,446	\$ 140,678
Ton-Mile Freight Charge -- Truck Only	1¢/ton-mile =	\$12,731	0.5¢	\$ 6,365	\$ 6,862	\$ 41,174
Truck/Trailer Sales Tax Increase	1% of Sales =	\$ 219	5.0%	\$ 1,095	\$ 1,529	\$ 9,174
Truck Tire Tax Increase	10% Increase =	\$ 33	10.0%	\$ 33	\$ 48	\$ 286
US Freight Bill -- All Modes	1% of Sales =	\$ 7,612	1.0%	\$ 7,612	\$ 8,206	\$ 49,236
US Freight Bill -- Truck Only	1% of Sales =	\$ 6,608	1.0%	\$ 6,608	\$ 7,124	\$ 42,745
Total Revenues				\$ 173,812	\$ 192,813	\$ 1,156,878

*VMT fee estimates refer to miles traveled on Interstate System.

EXHIBIT 3–8: REVENUE OPTION EVALUATION SUMMARY*

Strong	Moderate	Weak	Not Applicable/ Seriously Flawed**
Federal Options			
<ul style="list-style-type: none"> • Vehicle miles traveled fee • Automobile tire tax • Motor fuel tax • Carbon tax/cap and trade • Customs duties • Truck/trailer sales tax • Vehicle registration fee • Heavy Vehicle Use Tax • Container fee • Tariff on imported oil • Sales tax on motor fuels • Truck tire tax 	<ul style="list-style-type: none"> • Freight waybill tax • Vehicle sales tax • Harbor maintenance tax • General fund transfer 	<ul style="list-style-type: none"> • Freight ton-mile tax • Driver's license surcharge • Bicycle tire tax • Dedicated income tax • Auto-related sales tax • Freight ton-based tax • General sales tax 	<ul style="list-style-type: none"> • Vehicle inspection and traffic citation surcharge • Vehicle personal property tax • Windfall profits tax • Petroleum franchise tax • Minerals severance tax • Federal tax on local transit fares • Federal tax on local parking fees
State and Local Options Benefiting from Federal Action			
<ul style="list-style-type: none"> • Facility level tolling and pricing 	<ul style="list-style-type: none"> • Proceeds of asset sales, leases, and concessions 	<ul style="list-style-type: none"> • Cordon area pricing • Passenger facility charges 	<ul style="list-style-type: none"> • Development and impact fees • Tourism-related taxes • Tobacco, alcohol, and gambling taxes

*For revenue options that are dependent upon utilization of a targeted investment fund as a basic premise for feasibility, such a fund is assumed for evaluation purposes (e.g., for all freight-related funding mechanisms and more specifically those more narrowly targeted to intermodal port and harbor-related investment).

** State and local options in this category may have applicability but there is no relevant federal action or role.

Future Revenue Collection

- The current U.S system relies on fuel taxes
- We have seen a marked decline in revenues
- Two National Commissions have called for short and long-term solutions
- VMT collection systems have come to the forefront of options to consider

Future Revenue Collection

- In the short run, increase fuel taxes to fund a robust set of programs
- In the mid- to long-term, study the feasibility of alternatives, such as Vehicle Miles Traveled Fee
- AASHTO policy adopted in October 2008 calls for:
 - Adopt a long-range approach that moves to a distance based user fee system such as VMT
 - Fund proof of concept test of a VMT-based funding approach at \$50 million per year for 2010 through 2012 with a report to Congress by 2013

What are the considerations?

- Adequate research on new systems
- Bridging the gap between the needs today and new systems
- Overcoming problems such as perceived privacy issues
- Undertake evolution not revolution
- Develop communications to prepare for change

Summary

- We are at a crossroads
- Congress and the Administration face difficult choices
- The State of Delaware will be affected by funding choices
- The nation will either benefit from our actions or be changed in negative ways
- The future is really now

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QUESTIONS ?

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