

# *Transportation Funding Overview: Challenges and Opportunities*

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## Session Objectives

- To examine current trends impacting the Highway Trust Fund
- To outline AASHTO's policy recommendations for the next surface transportation authorization
- To look at potential resources for investment
- To answer questions about these topics

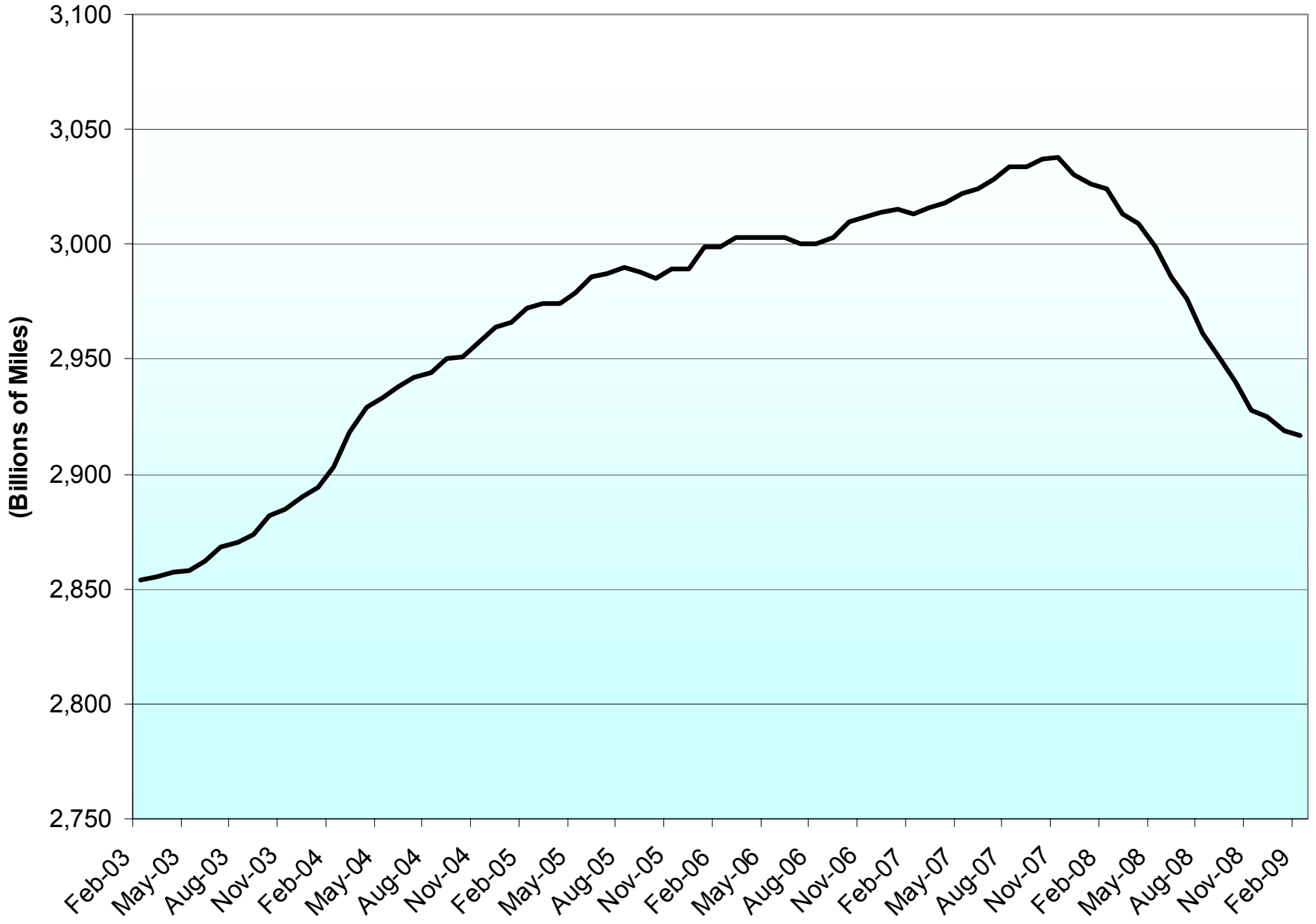
# Current Trends and Challenges



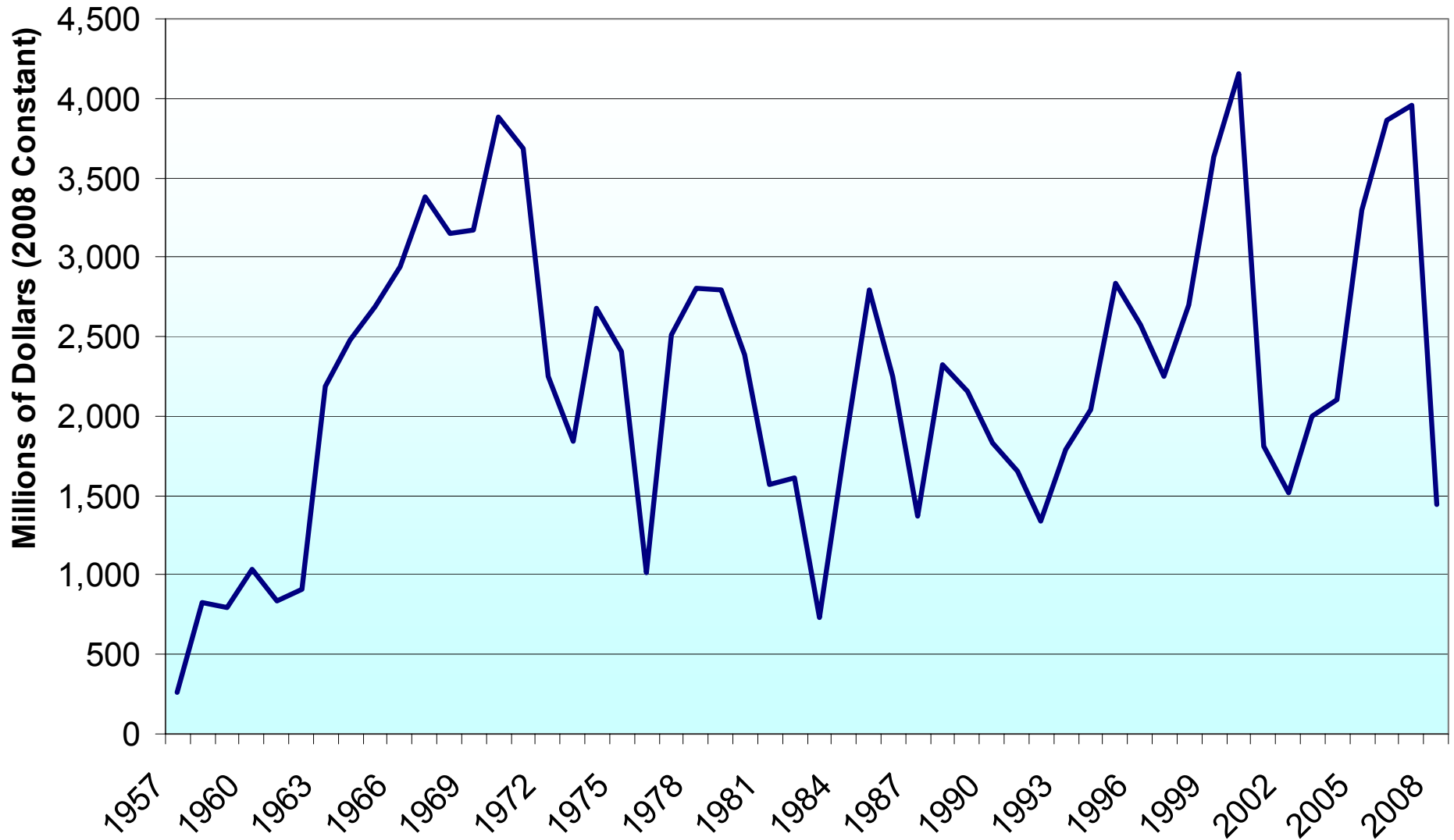
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# Vehicle Miles Traveled - February 2003 to February 2009

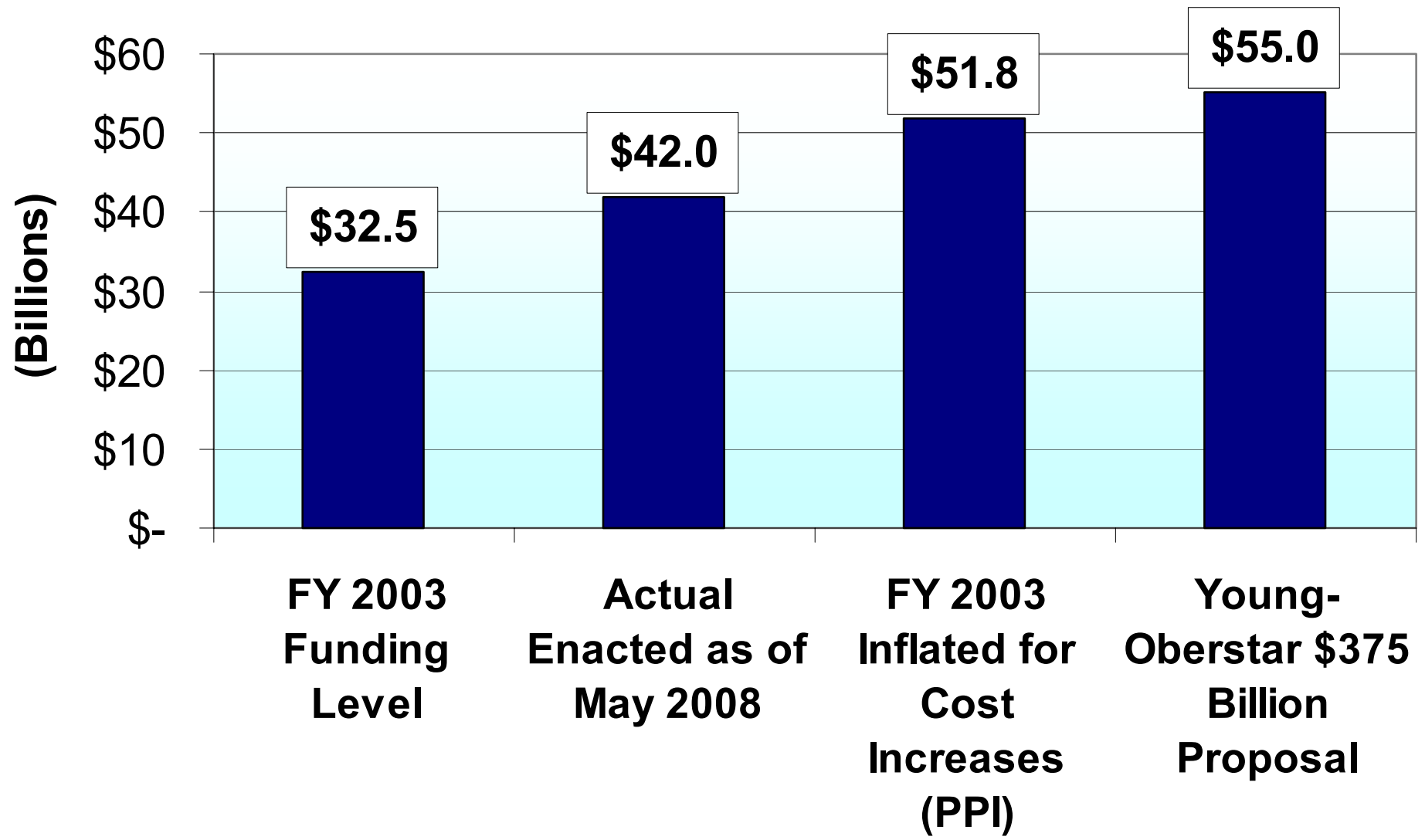
(Moving 12 Month Total)



# Truck, Buses, and Trailer Retail Tax Receipts (1957-2008)



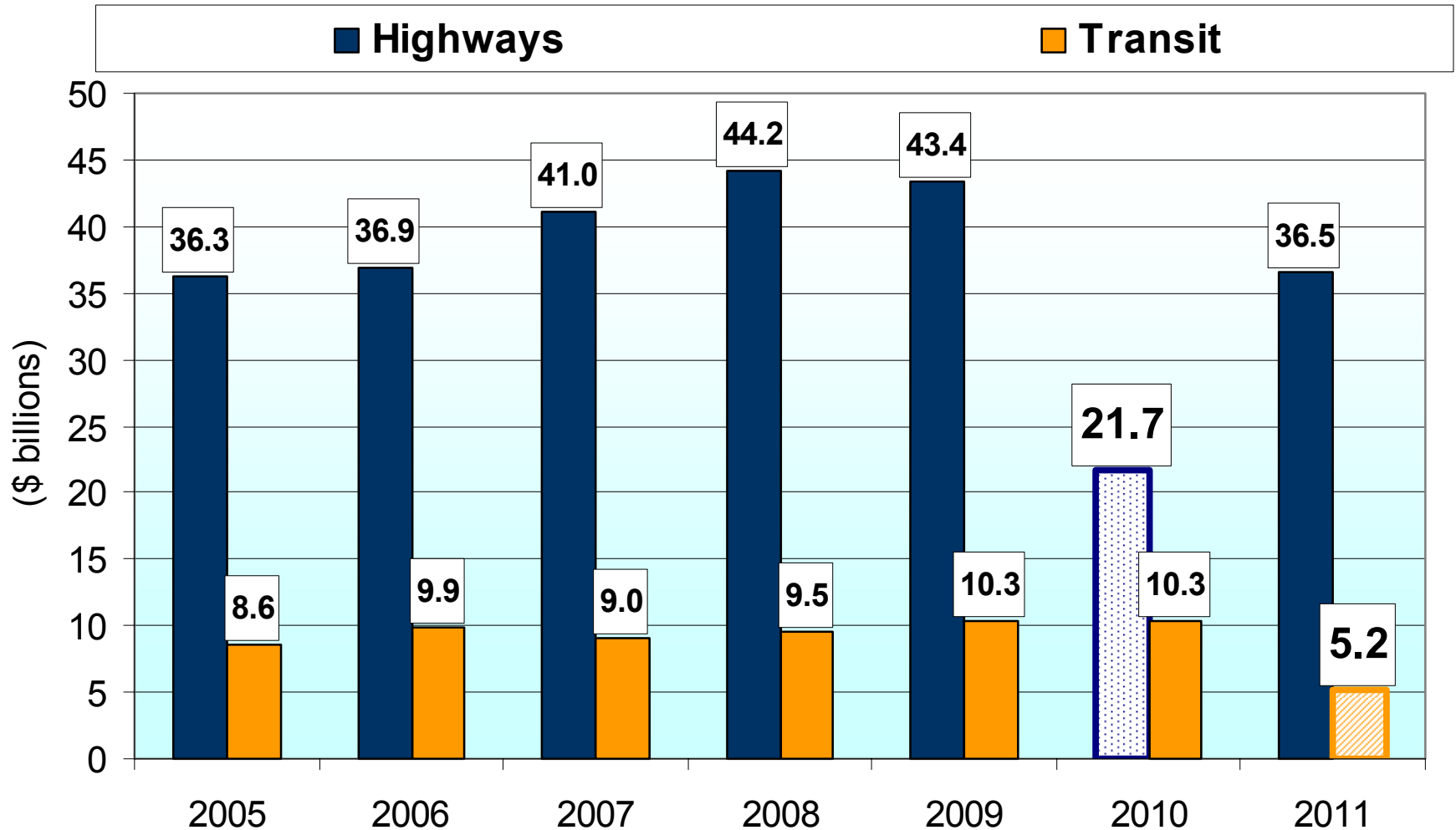
# Purchasing Power Loss of the Highway Program



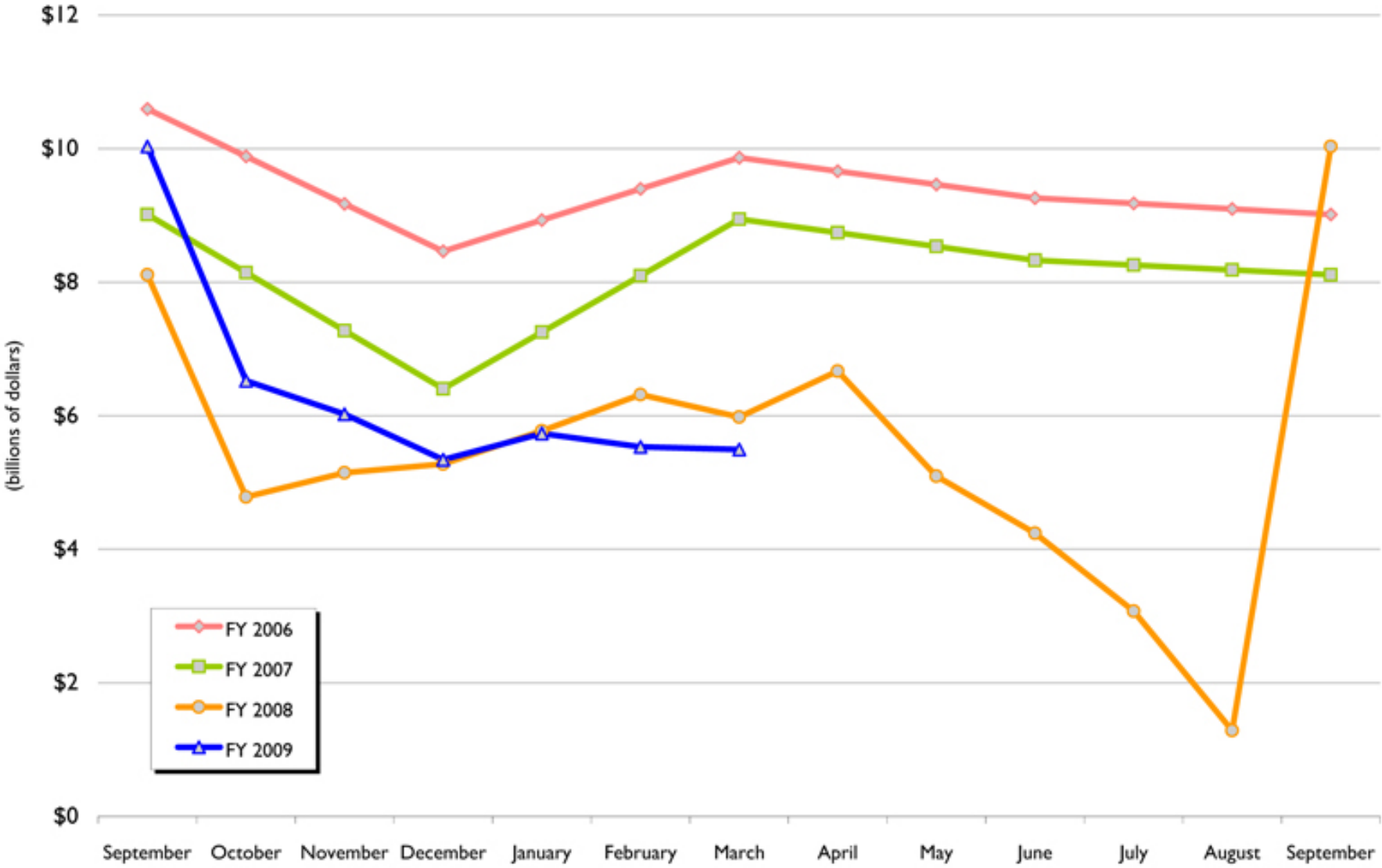
Source: Transportation Weekly



# Reduced Highway and Transit Program Levels Beyond 2010



# Highway Account Balance



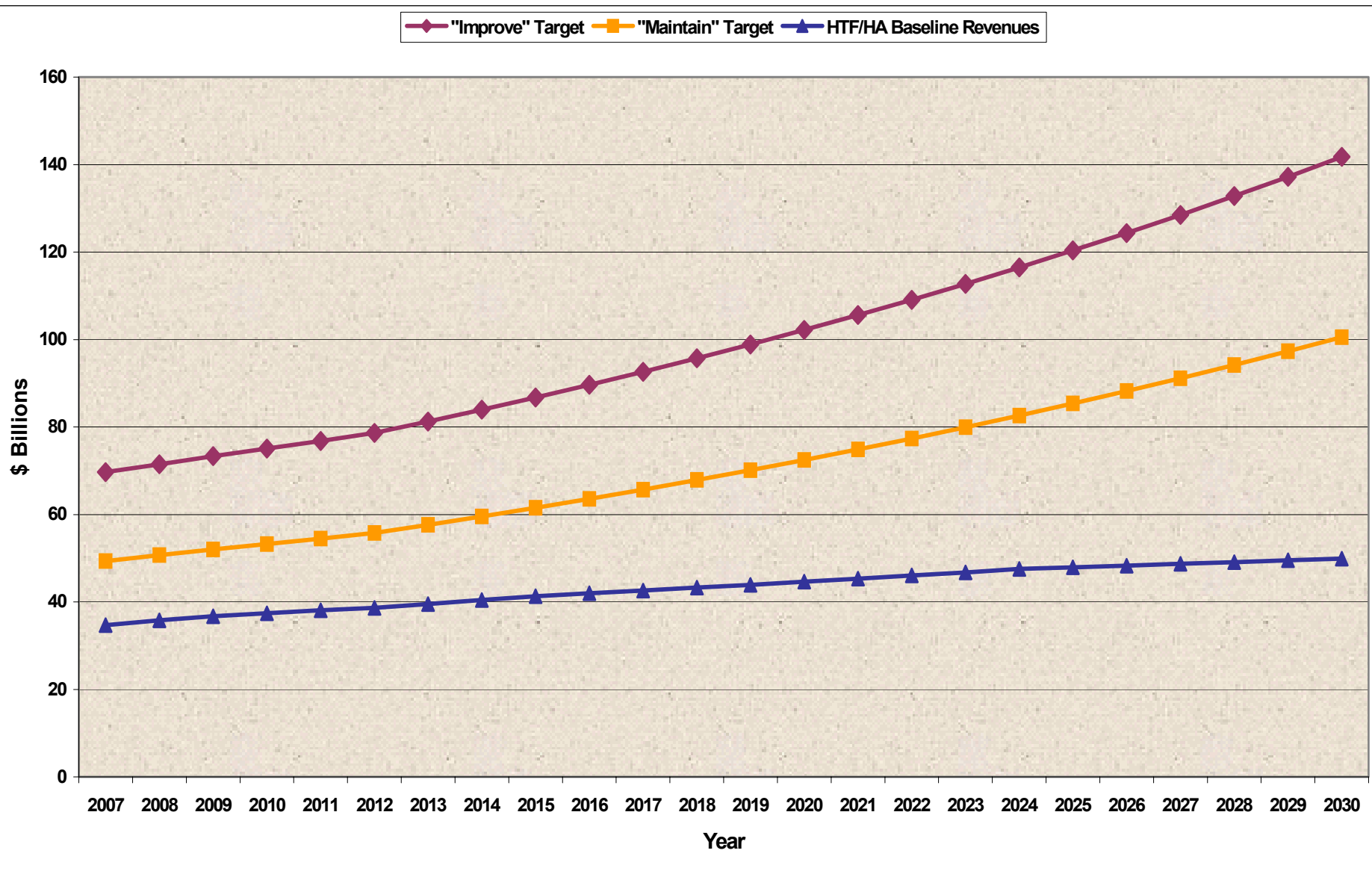
Ending balance for FY 2008 includes \$8.017 billion transferred from the General Fund in September 2008 pursuant to Public Law 110-318.

Source: Federal Highway Administration



# "Federal Share" of Highway Investment (assumed to be 45% of total needs)

## Current Law HTF/HA Revenues extended through 2030



Note: Annual Revenue / VMT growth assumed to slow from 2.2% in 2007 to 0.7% by 2030.

Note: Nominal Federal gasoline tax rate assumed to remain at 18.4 cents through 2030.

# A Restructured Program



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## Program Purpose and Structure

- The National Surface Transportation Policy and Revenue Study Commission recommended that the federal program be consolidated and reformed to address **“objectives of genuine national interest”**
- AASHTO supports the Commission’s push for program and process reform to address the national needs

## Legislative Recommendations

- **Between 2010 and 2015, in order to invest in a robust surface transportation program to meet significant national needs, Congress should fund a \$545 billion multimodal program comprised of:**
  - **Highway program funded at \$375 billion**  
(2015 level = \$75 billion)
  - **Transit program funded at \$93 billion**  
(2015 level = \$18.5 billion)
  - **Freight program funded at \$42 billion**  
(2015 level = \$9 billion)
  - **Intercity passenger rail program funded at \$35 billion**  
(2015 level = \$7.0 billion)



## Legislative Recommendations

- **Maintain the current federal and state shares** for highway and transit capital programs
- We need to **restore purchasing power** by making sure the impact of inflation on commodities and construction costs must be addressed in setting investment levels
- **Eliminate or drastically limit earmarking** in federal transportation programs
- Develop policies that **support maximum flexibility** to allow for use of both conventional and innovative funding and financing tools

## Legislative Recommendations

- Strong **accountability measures** must accompany substantially increased funding to ensure resources are spent as efficiently and effectively as possible
- Adopt a long-range approach to funding the surface transportation system that gradually moves away from dependence on the current motor fuels tax to a **distance-based direct user fee** such as a fee on vehicle miles traveled
- Assure that any **climate change** legislation that creates a new revenue source, either through a carbon tax or cap-and-trade, provides substantial funding for transportation

## Expanding Existing Federal Financing Tools

- Removing or increasing the national volume cap on the amount of **Private Activity Bonds** that can be issued for transportation projects
- Enhancing and recapitalizing **State Infrastructure Banks**
- Reforming the Transportation Infrastructure Finance and Innovation Act (TIFIA) program to broaden the availability and enhance the attractiveness of **TIFIA credit assistance**
- Expanding the Railroad Rehabilitation & Improvement Financing (**RRIF**) Program
- Removing federal limitations on the ability of state and local governments to raise **toll revenues** and to apply such revenue to multimodal transportation



# Proposed Program Funding Levels to Restore Purchasing Power

Potential Program Name	2010	2011	2012	2013	2014	2015	TOTAL
Preservation and Renewal	\$28.00	\$30.80	\$33.60	\$36.40	\$39.20	\$42.00	\$210.00
Highway Freight (Based on Existing Revenues)	\$2.40	\$2.64	\$2.88	\$3.12	\$3.36	\$3.60	\$18.00
Highway Safety Improvement Program	\$2.60	\$2.86	\$3.12	\$3.38	\$3.64	\$3.90	\$19.50
Operations	\$2.40	\$2.64	\$2.88	\$3.12	\$3.36	\$3.60	\$18.00
Transportation System Improvement/Congestion Reduction	\$11.10	\$12.21	\$13.32	\$14.43	\$15.54	\$16.65	\$83.25
Environment Program	\$3.50	\$3.85	\$4.20	\$4.55	\$4.90	\$5.25	\$26.25
<b>TOTAL - Highways</b>	<b>\$50.00</b>	<b>\$55.00</b>	<b>\$60.00</b>	<b>\$65.00</b>	<b>\$70.00</b>	<b>\$75.00</b>	<b>\$375.00</b>
<b>TOTAL - Transit</b>	<b>\$12.5</b>	<b>\$13.7</b>	<b>\$14.9</b>	<b>\$16.1</b>	<b>\$17.3</b>	<b>\$18.5</b>	<b>\$93.00</b>
<b>TOTAL - Freight (Based on New Revenues Outside of Highway Trust Fund)</b>	<b>\$5.0</b>	<b>\$5.8</b>	<b>\$6.6</b>	<b>\$7.4</b>	<b>\$8.2</b>	<b>\$9.0</b>	<b>\$42.00</b>
<b>TOTAL - Intercity Passenger Rail</b>	<b>\$5.0</b>	<b>\$5.3</b>	<b>\$5.6</b>	<b>\$5.9</b>	<b>\$6.2</b>	<b>\$7.0</b>	<b>\$35.00</b>
<b>GRAND TOTAL</b>	<b>\$72.50</b>	<b>\$79.80</b>	<b>\$87.10</b>	<b>\$94.40</b>	<b>\$101.70</b>	<b>\$109.50</b>	<b>\$545.00</b>

# Surface Transportation Funding Options Matrix (all revenue estimates in \$millions)

Funding Mechanisms	Mechanism Yield (2010)	Illustrative Rate	Annual Revenues 2010	Average Annual Revenues 2010-2015	Total Revenues 2010-2015
Annual Highway Miles Traveled Fee (Cars Only)	1¢/VMT = \$ 17,298	1.0¢	\$ 17,298	\$ 17,616	\$ 105,696
Annual Highway Miles Traveled Fee (All light duty vehicles)	1¢/VMT = \$ 27,610	1.0¢	\$ 27,610	\$ 28,682	\$ 172,094
Annual Highway User Vehicle Fee	\$1.00 Fee = \$ 263	\$1.00	\$ 263	\$ 275	\$ 1,652
Carbon Tax or Cap And Trade Auction Proceeds	1¢/gal or equiv = \$ 553	30.0¢	\$ 16,594	\$ 17,250	\$ 103,501
Container Tax	\$1 per TEU = \$ 57	\$20.00	\$ 1,137	\$ 1,336	\$ 8,013
Diesel Tax Increase Plus Indexing	1¢/gal = \$ 411	13.0¢	\$ 5,337	\$ 5,976	\$ 35,856
Existing Highway Trust Fund Sources			\$ 40,566	\$ 42,569	\$ 255,413
Gas Tax Increase Plus Indexing	1¢/gal = \$ 1,380	10.0¢	\$ 13,796	\$ 15,082	\$ 90,489
General Fund Support for Intercity Passenger Rail			\$ 3,000	\$ 3,000	\$ 18,000
General Fund Transfers for Transit			\$ 3,167	\$ 3,167	\$ 19,000
Index Existing Highway Trust Fund Sources Beginning in 2010			\$ 791	\$ 3,032	\$ 18,192
Index Heavy Vehicle Use Tax Retroactively to 1997			\$ 411	\$ 536	\$ 3,217
Interest on Highway Trust Fund Balances			\$ 200	\$ 200	\$ 1,200
Motor Fuel Tax Exemption Reimbursement (Retroactive and Future)			\$ 1,057	\$ 1,099	\$ 6,593
Sales Tax on Motor Fuels	1.0% of Sales = \$ 6,136	2.5%	\$ 15,340	\$ 15,658	\$ 93,949
Share of US Customs Revenues	1% of Receipts = \$ 314	5.0%	\$ 1,570	\$ 1,817	\$ 10,904
Tax Credit Bonds for Highways and Transit			\$ 8,333	\$ 8,333	\$ 50,000
Tax Credit Bonds for Intercity Passenger Rail			\$ 4,167	\$ 4,167	\$ 25,000
Ton Freight Charge -- All Modes	1¢/ton = \$ 162	10.0¢	\$ 1,617	\$ 1,801	\$ 10,804
Ton Freight Charge -- Truck Only	1¢/ton = \$ 111	10.0¢	\$ 1,115	\$ 1,242	\$ 7,452
Ton-Mile Freight Charge -- All Modes	1¢/ton-mile = \$ 42,763	0.1¢	\$ 4,276	\$ 4,763	\$ 28,579
Ton-Mile Freight Charge -- Truck Only	1¢/ton-mile = \$ 12,516	0.1¢	\$ 1,252	\$ 1,394	\$ 8,365
US Freight Bill -- All Modes	1% of Sales = \$ 7,708	1.0%	\$ 7,708	\$ 8,585	\$ 51,513
US Freight Bill -- Truck Only	1% of Sales = \$ 6,497	1.0%	\$ 6,497	\$ 7,237	\$ 43,420
Vehicle Sales Tax on New Passenger Cars/Light-duty Trucks	1% of Sales = \$ 4,853	2.0%	\$ 9,707	\$ 10,812	\$ 64,870
Vehicle Sales Tax on New/Used Passenger Cars/Light-duty Trucks	1% of Sales = \$ 9,012	2.0%	\$ 18,024	\$ 20,077	\$ 120,461
<b>Total Revenues</b>			<b>\$ 210,831</b>	<b>\$ 225,705</b>	<b>\$ 1,354,232</b>

# Thank You

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