



PAYING OUR WAY: FUNDING HIGHWAYS AND TRANSIT IN THE FUTURE

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NATIONAL SURFACE TRANSPORTATION INFRASTRUCTURE FINANCING COMMISSION

◆ 15 Commissioners

- ❖ Appointed by Congress or Secretary of Transportation

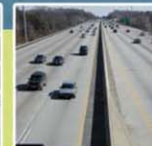
◆ Commission to identify:

- ❖ Funding levels to maintain and improve Highway and Transit systems.
- ❖ Funding levels that do not decline in real terms.
- ❖ Mechanisms or funds to augment current approach.



INITIAL CONCERNS AND OBSERVATIONS

- ◆ System demands outpacing investment.
- ◆ System maintenance cost competing with capacity expansion.
- ◆ Fuel taxes are not sufficient, at current rate.
- ◆ Need more revenue and investment ...
And, collected in ways more directly related to system costs.
- ◆ Need more intelligent investment.



WHO PAYS NOW?

- ◆ Average user pays 3¢ per VMT in Motor Fuel Taxes.
- ◆ A user on a congested highway generates 10¢ to 29¢ per VMT in cost.
- ◆ Gas taxes pay a small share of typical new construction of urban freeway capacity.
- ◆ Heavy vehicles generate more cost than they pay in taxes and fees.



WHAT IS THE FEDERAL FUNDING GAP?

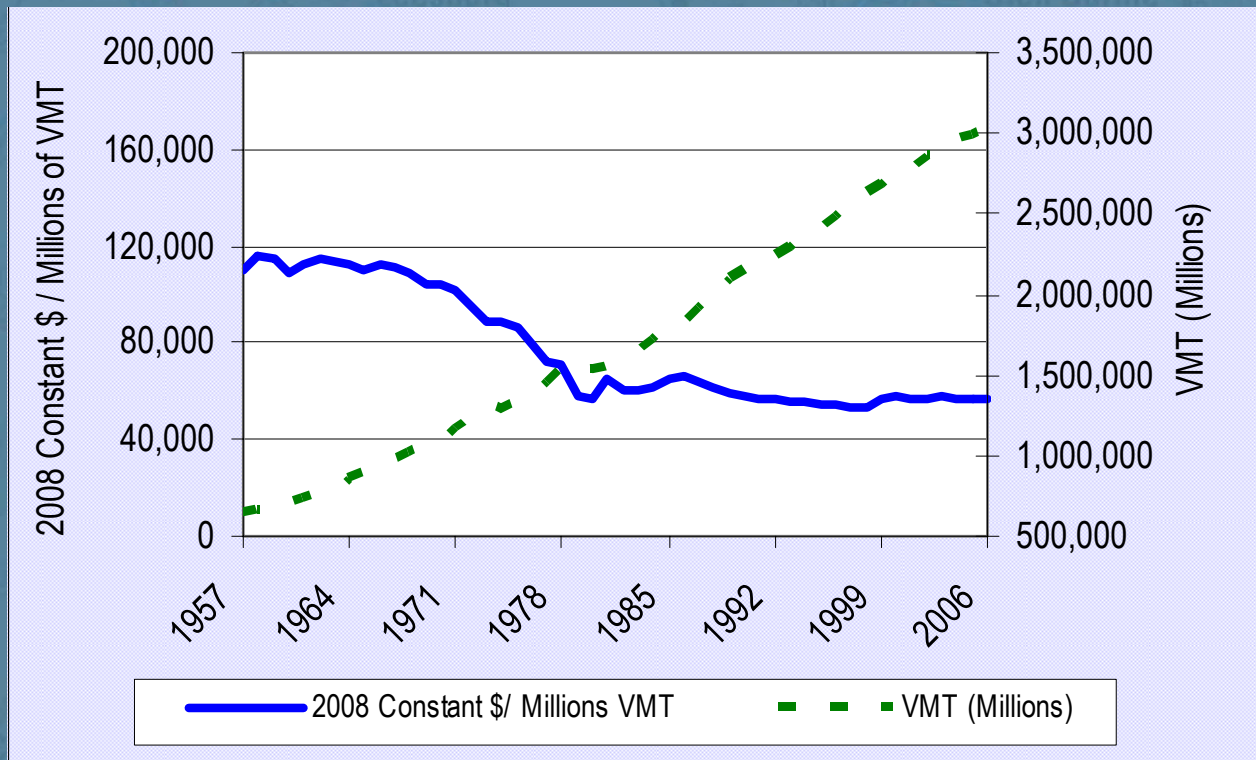
- ◆ HTF at current tax levels receive about \$32B per year over next 25 years, (2008 dollars).
- ◆ To support a reduced ... focused level of investment federal funding needs to increase by over \$25 B per year.
- ◆ To grow and improve the system at the current federal share of total highway and transit needs ... federal funding needs to increase by over \$64B per year.
- ◆ Total system needs an additional \$130B per year.



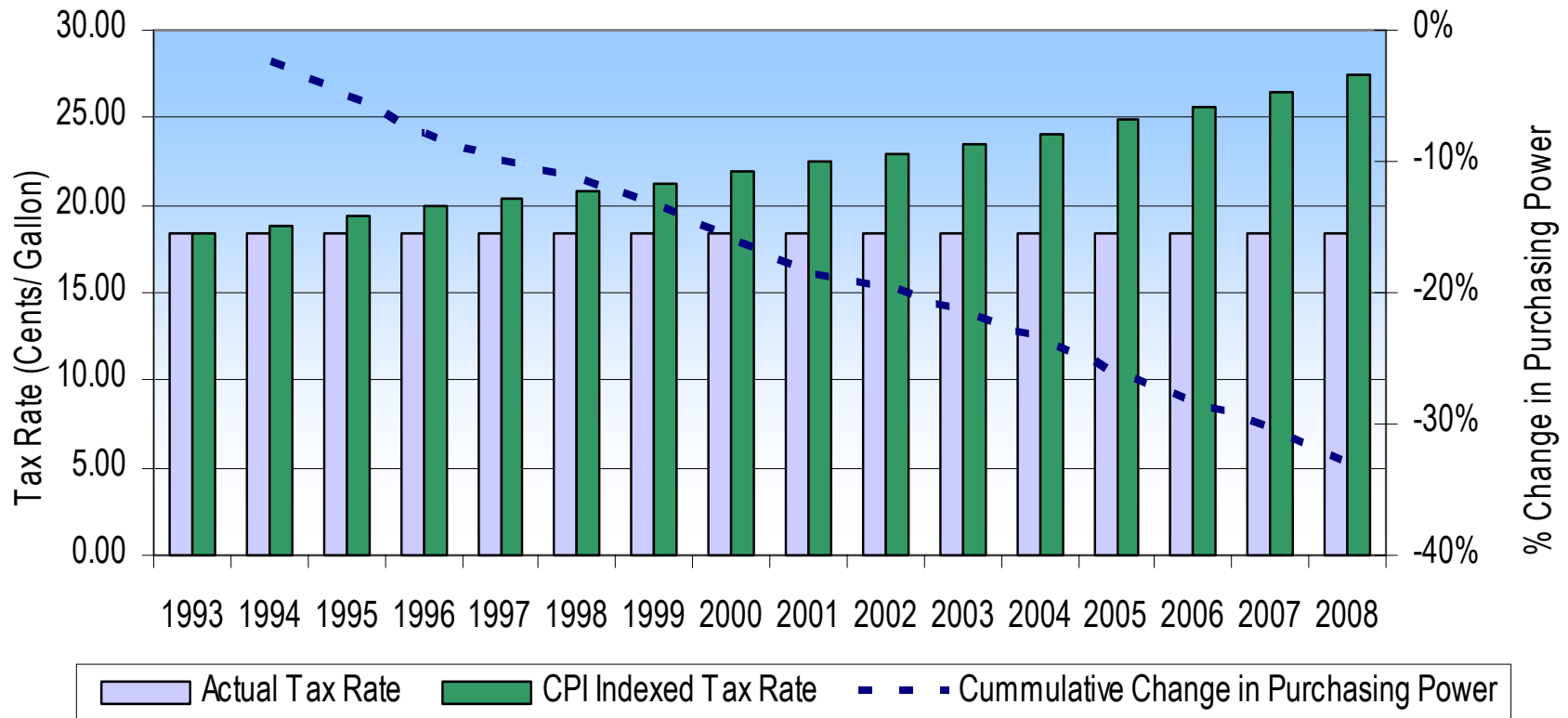
HIGHWAY SPENDING AND USE TRENDS

Growth Since	Constant \$/ Million VMT	VMT
1957	-48%	367%
1982	-7%	49%

VMT ADJUSTED CONSTANT \$ SPENDING



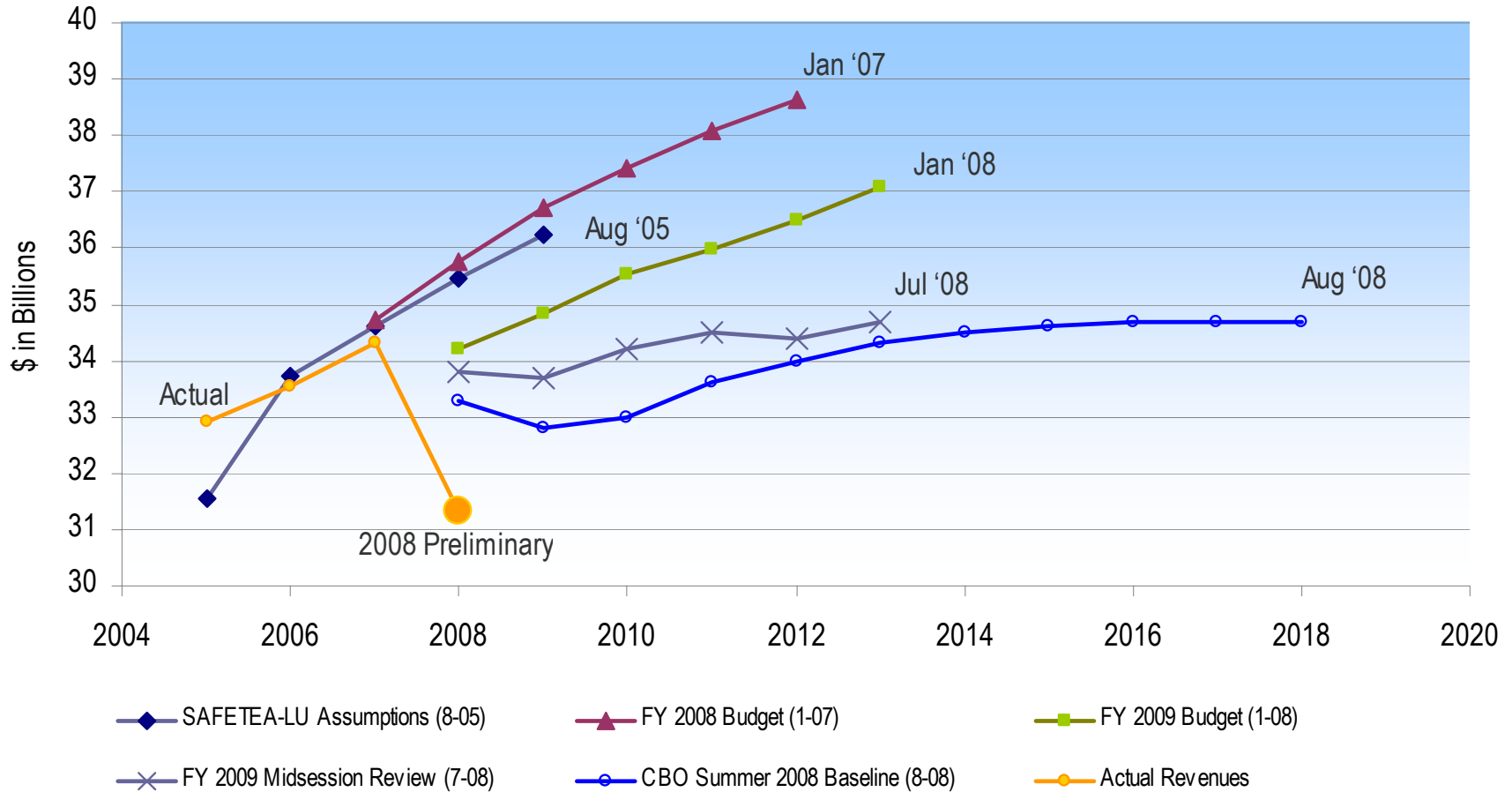
MOTOR FUEL TAX RATE AND LOSS IN PURCHASING POWER



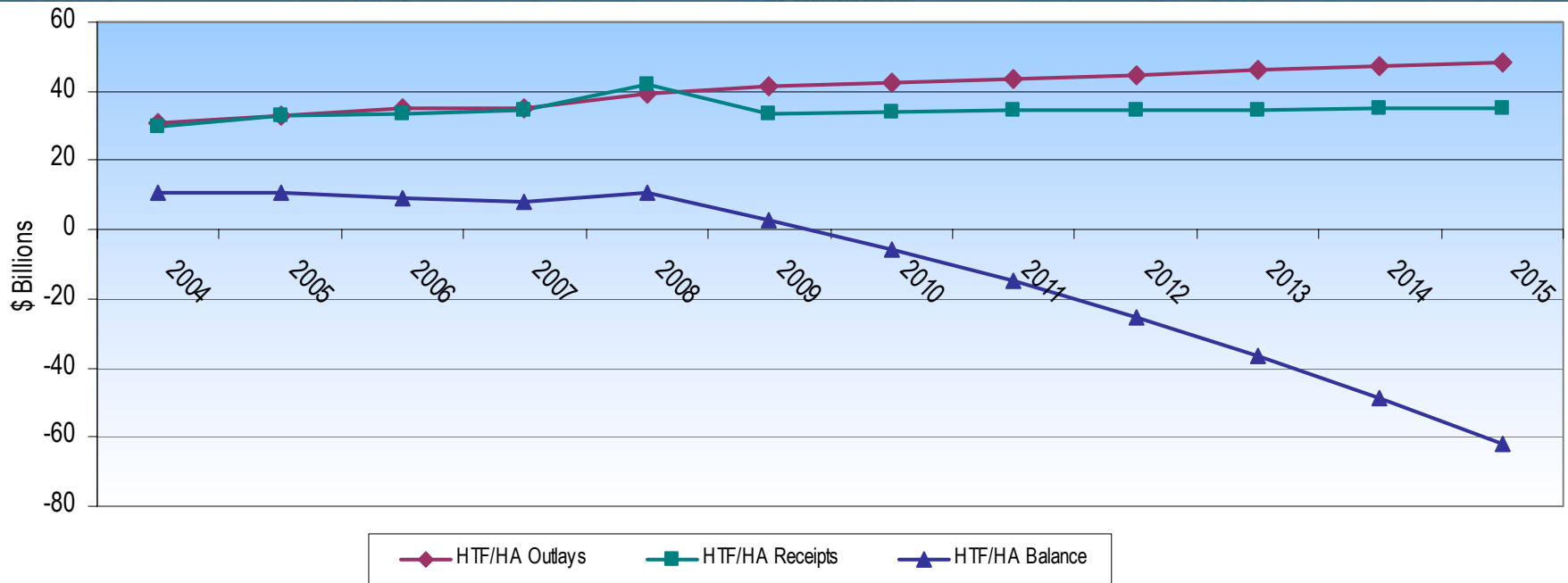
- ◆ Federal motor fuel tax rates have been fixed since 1993.
- ◆ The purchasing power of motor fuels tax receipts has effectively declined by more than 30%.



HTF/ HIGHWAY ACCOUNT REVENUE PROJECTIONS SINCE SAFETEA-LU



FEDERAL HIGHWAY "FUNDING CRISIS"

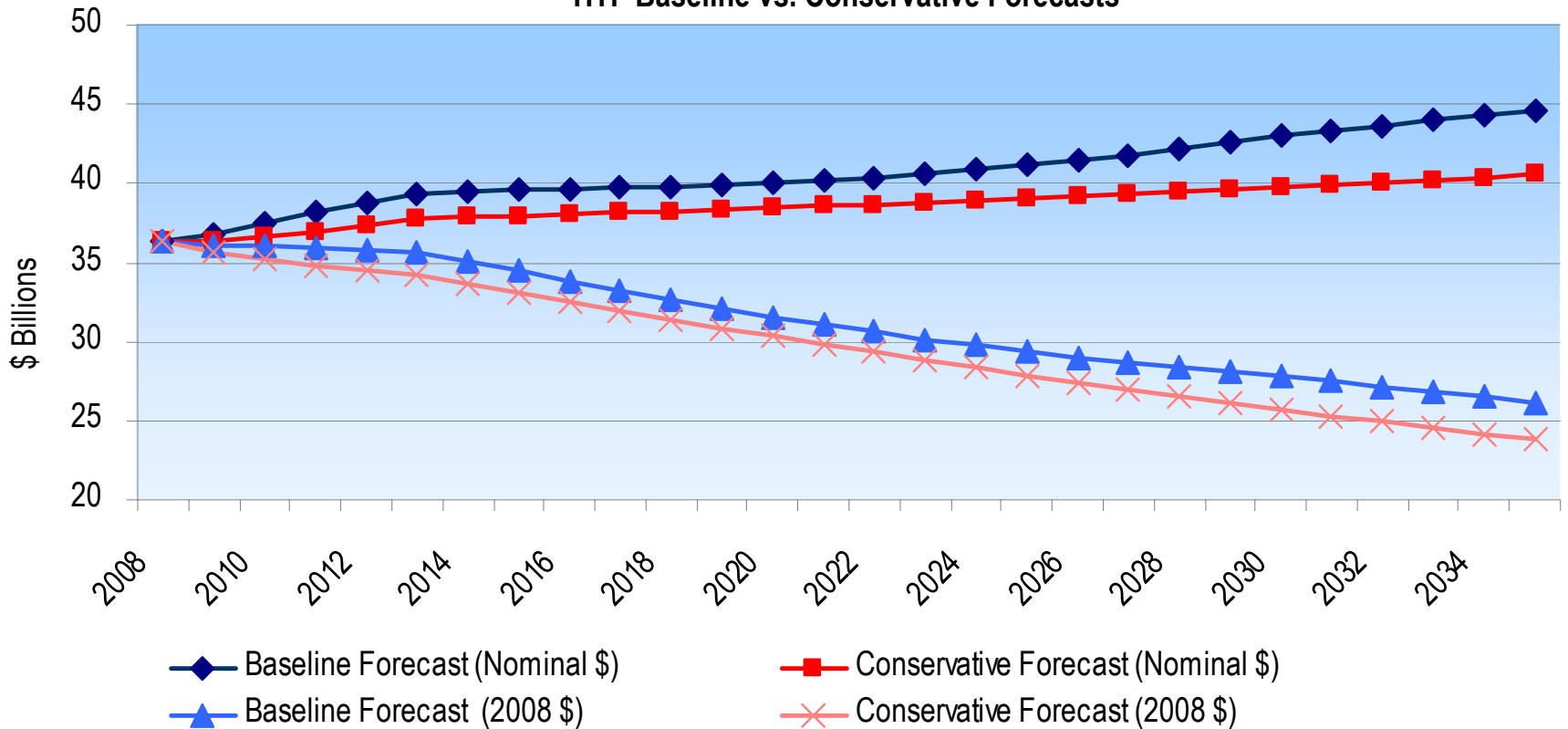


	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
HTF/HA Outlays	30.9	33.1	35.3	35.2	39.3	41.5	42.6	43.7	44.8	46.0	47.1	48.2
HTF/HA Receipts	29.9	32.9	33.6	34.3	41.8	33.7	34.2	34.5	34.4	34.7	34.9	35.1
HTF/HA Balance	10.8	10.6	9.0	8.1	10.7	2.8	-5.6	-14.8	-25.2	-36.6	-48.8	-61.8



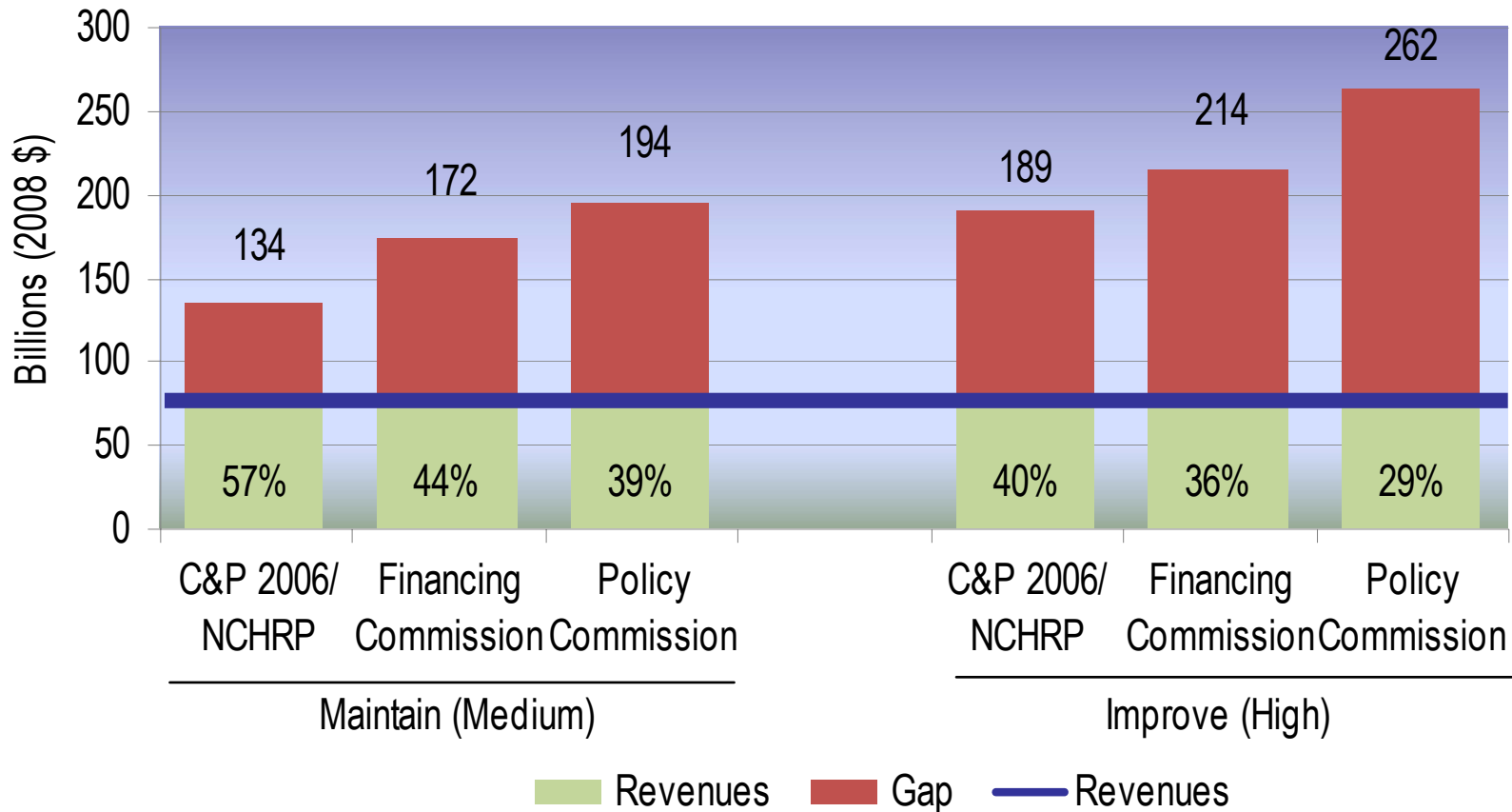
LONG TERM HTF REVENUE PROJECTIONS (2008 – 2035)

HTF Baseline vs. Conservative Forecasts



AVG ANNUAL CAPITAL NEEDS & GAP ESTIMATES

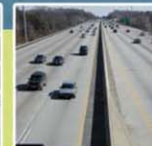
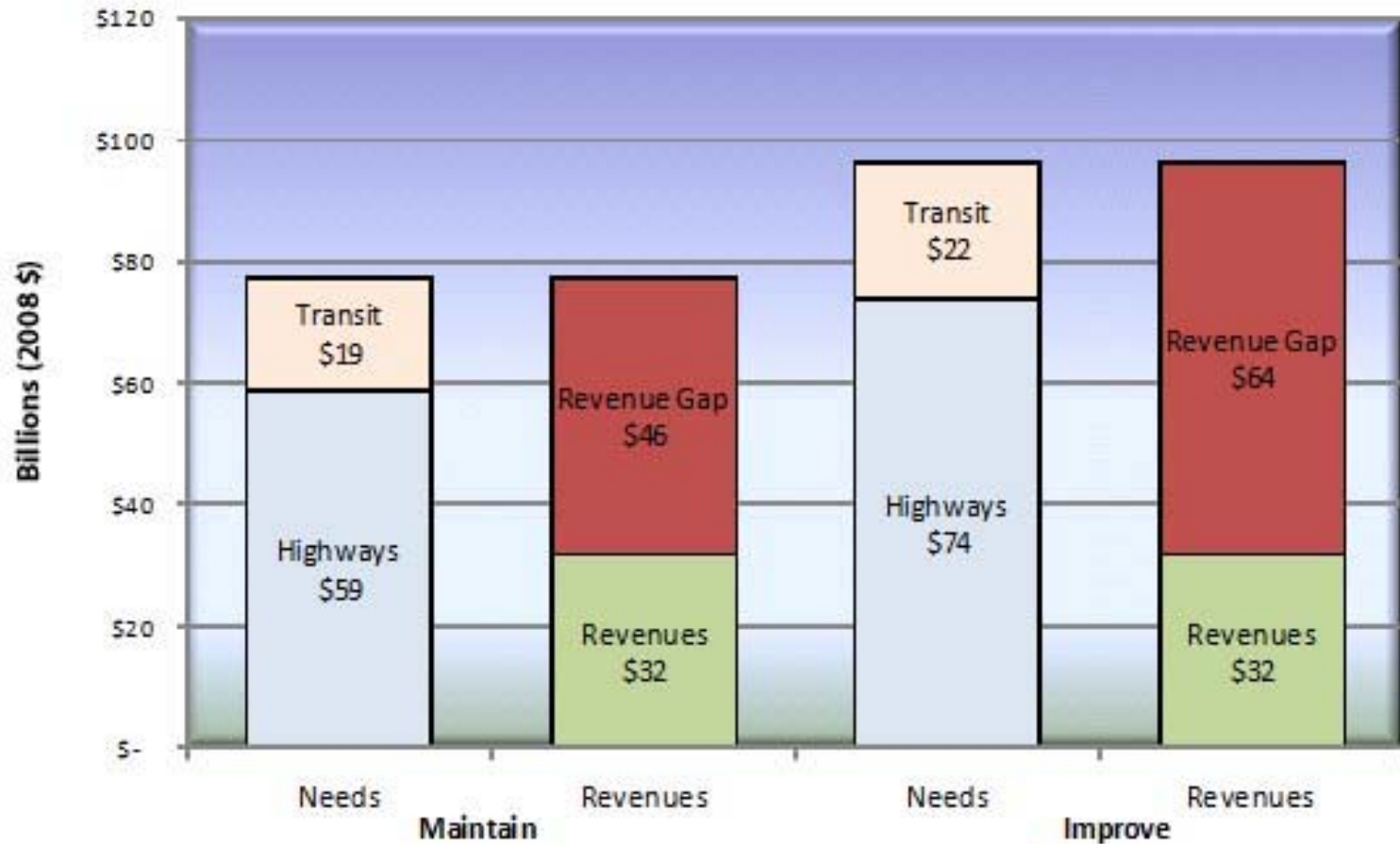
ALL LEVELS OF GOVERNMENT 2008 – 2035



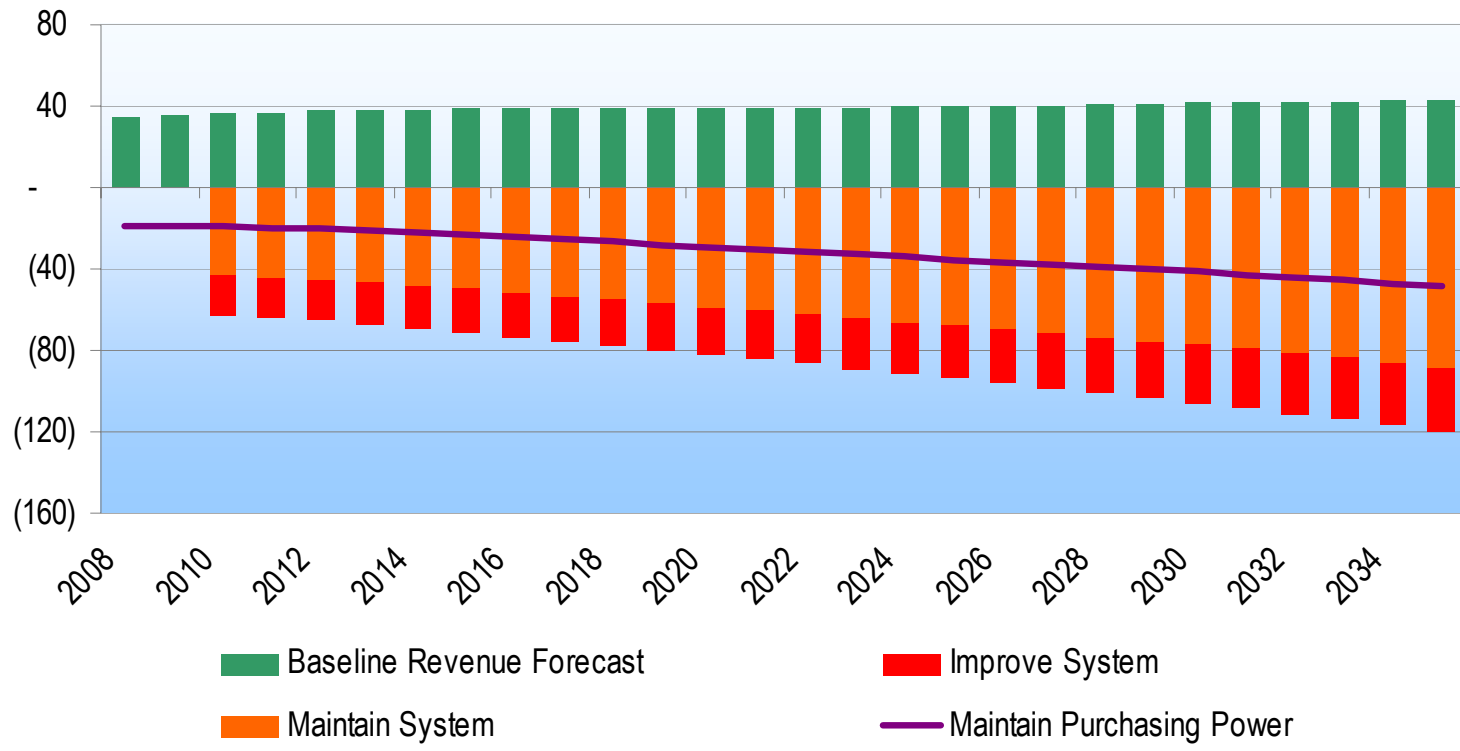
(2008 DOLLARS)



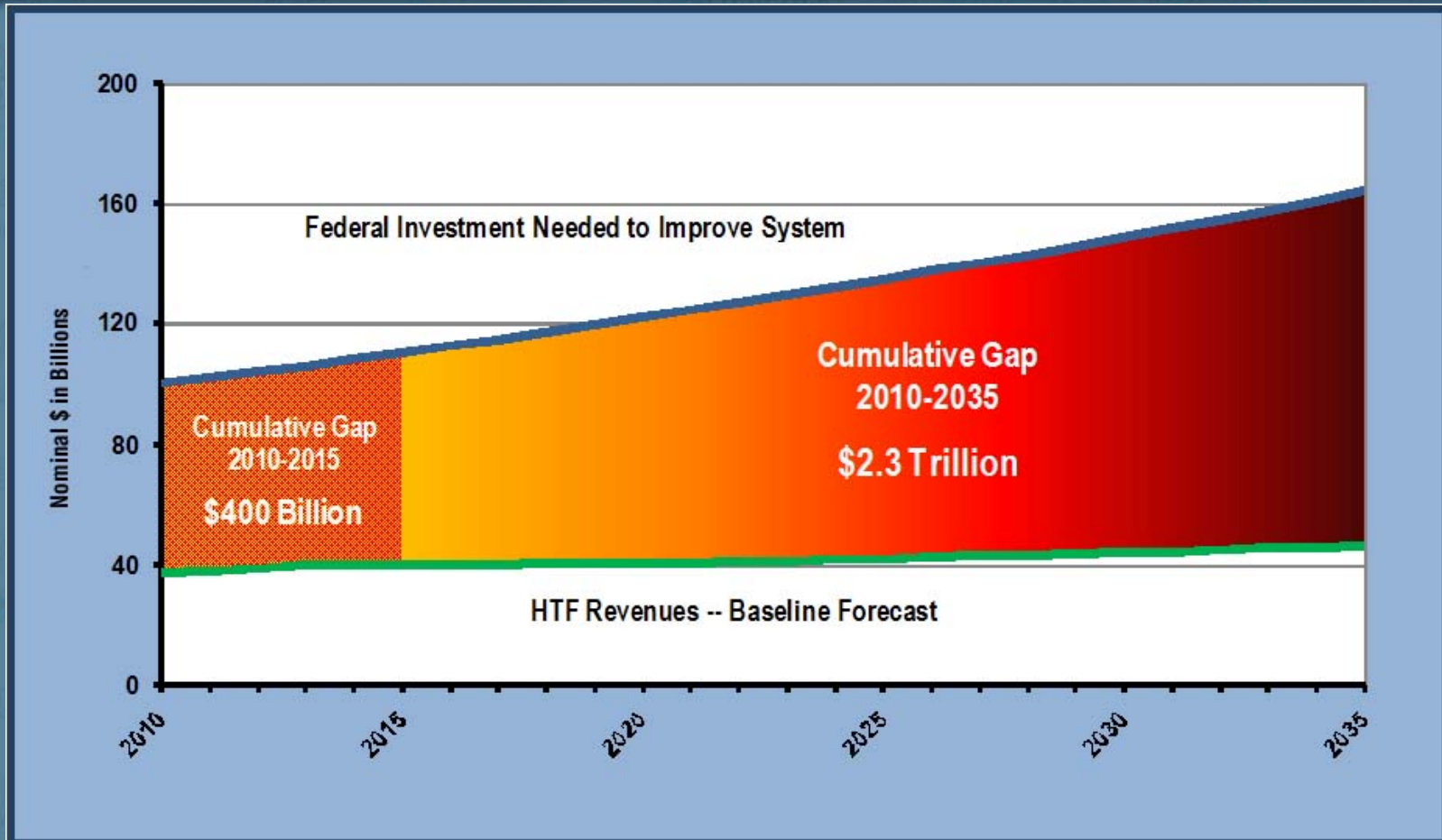
BASE CASE FEDERAL INVESTMENT AND REVENUE GAP



ANNUAL NEEDS TO MAINTAIN CURRENT PURCHASING POWER VS. REVENUE ESTIMATES

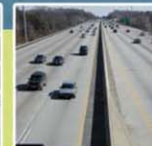


LARGE AND WIDENING GAP FEDERAL REVENUES VS. INVESTMENT NEEDS



FUNDING AND FINANCING GUIDING PRINCIPLES

- ◆ Funding framework must support enhancing mobility of all users.
- ◆ Funding framework must generate sufficient funding to meet investment needs on a sustainable basis.
- ◆ Users should bear the full cost of using the transportation system to the greatest extent possible.
- ◆ Funding framework should encourage efficient investment.
- ◆ Funding framework should incorporate equity considerations.
- ◆ Funding framework should support energy and environment goals.



SUMMARY OF COMMISSION FINDINGS AND RECOMMENDATIONS

NO “SILVER BULLET”

- ◆ Current federal funding structure is not sustainable ... Likely to erode quickly.
- ◆ Current indirect user fee system based on fuel taxes provides only weak price signals to users to use the transportation system in more efficient ways.
- ◆ Federal funding system based on more direct forms of “user pay” charges (VMT system) is the consensus choice.



SUMMARY OF COMMISSION FINDINGS AND RECOMMENDATIONS

NO “SILVER BULLET”

- ◆ Short-term, effective and feasible options are limited.
- ◆ Federal actions can help expand the options.
 - ❖ Tolling and PPPs available to states and localities.
- ◆ Financing approaches are not a substitute for solving funding problems.



LONG TERM RECOMMENDATION: VEHICLE MILE TAX

- ◆ VMT connects use and funding directly.
- ◆ Long-term solution: replace all current HTF taxes.
- ◆ Revenue neutral, federal system cost is 1.4¢ to 2.7¢ per mile for cars.
- ◆ Limited experience: Oregon demonstrates a simple, easy-to-use system
- ◆ Popular opinion starts out negative but can become positive with experience
- ◆ Resolvable issues include privacy, implementation and admin costs, level of tax, technology standards and disposal of fuel tax.



VEHICLE MILE TAX ISSUES

- ◆ Privacy
- ◆ Rural
- ◆ Environment and emissions
- ◆ Fraud



NEAR TERM RECOMMENDATIONS: INCREASE, INDEX CURRENT HTF TAXES

- ◆ Protect and Preserve the HTF.
- ◆ Increase Gas tax 10¢.
- ◆ Increase Diesel tax 15¢ (13 +2).
- ◆ Double HVUT.
- ◆ Index all but truck sales tax using CPI.



NEAR TERM RECOMMENDATIONS: INCREASE TOLLING AT STATE AND LOCAL LEVEL

- ◆ Allow tolling on new capacity.
- ◆ Allow tolling on existing Interstates in metros of 1 million or more for congestion relief.
- ◆ Expand Interstate Highway Reconstruction and Rehabilitation Pilot Program to 5 slots.
- ◆ \$700M per year for tolling incentives.



FUNDING ... NOT FINANCING ... SOLVES THE PROBLEM

FUNDING:

- ❖ Fuel tax
- ❖ Vehicle fees
- ❖ Direct user fees
 - ◆ Tolls, VMT
 - ◆ Transit fares
 - ◆ Freight taxes
- ❖ Indirect user fees
 - ◆ Container fees
 - ◆ Customs duties
- ❖ General Fund or other sources

FINANCING:

- ❖ General obligation debt
- ❖ Grant anticipation borrowing
- ❖ User fee revenue bonds
- ❖ Federal credit assistance / Infrastructure bank
- ❖ Toll road concessions
- ❖ Asset leases



FINANCING OPPORTUNITIES

PUBLIC PRIVATE PARTNERSHIPS:

- ◆ \$500B is available.
- ◆ Accelerate capacity growth.
- ◆ Share cost risk and improve efficiency.

Challenge is protecting public interest.



FEDERAL FUNDING AND FINANCE 2.0

FEDERAL ROLE:

- ❖ Possibly somewhat reduced
- ❖ More incentive-based funding
- ❖ Less complexity
- ❖ More use of TIFIA, PAB's, SIB's, maybe a NIB

STATE ROLE:

- ❖ Increases
- ❖ More funding options
- ❖ More financing options especially PPP

USER:

- ❖ More direct pay
- ❖ Greater correlation of cost and benefit



WHO PAYS IN THE FUTURE?

WE STILL PAY ...QUESTION IS: *HOW MUCH ... WHEN ... AND, WHAT DO WE GET.*

- ◆ Build infrastructure for economic growth, continued personal mobility, less congestion and safer travel.
But, we will pay more fuel taxes, in the future, possibly VMT, tolls and higher state and local taxes.
- ◆ Don't build infrastructure and we pay with reduced mobility, lower productivity growth, more time on congested roads, a worse environment and a less safe travel experience.
- ◆ Financing can accelerate the availability of the improvements.
But, still needs a source of funding.
- ◆ Change the system so user pays close to cost of their use, encourages efficient system use and the market helps improve system performance.



<http://financecommission.dot.gov>

