Funding the Federal-Aid Highway Program

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The Environment for Reauthorization

“Our transportation system, once the envy of the world, is losing its battle against time, growth, weather, and wear. The system is suffering from decades of underinvestment, and the costs are staggering. Today, we advance a Blueprint … (that provides) $450 billion for highway, highway safety, and transit investment over six years…a 38 percent increase above the current funding level.”

- House Committee on Transportation and Infrastructure, Bipartisan “A Blueprint for Investment and Reform”, June 18, 2009

“The federal government is on an unsustainable fiscal path that poses a critical threat to our economy. The Committee is recommending funding reductions for many programs…(and) will also work to ensure that infrastructure investments funded by these programs are those that make sense.”

- “Views and Estimates of the House Committee on Transportation and Infrastructure for Fiscal Year 2012”, March 16, 2011
How We Collect and Distribute Highway Funds: Dedicated Revenues for Surface Transportation

- Motor fuel taxes (about 85% to Highway Account)
  - Gasoline/gasohol (18.4 cents per gallon)
  - Diesel (24.4 per gallon)
  - Other excise taxes (e.g. liquefied natural gas)

- Truck related taxes (all proceeds to Highway Account)

<table>
<thead>
<tr>
<th>Tires</th>
<th>9.45 cents for each 10 pounds of the maximum rated load capacity over 3,500 pounds</th>
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</thead>
<tbody>
<tr>
<td>Truck and trailer sales</td>
<td>12 percent of retailer's sales price for tractors and trucks over 33,000 pounds gross vehicle weight (GVW) and trailers over 26,000 pounds GVW</td>
</tr>
<tr>
<td>Heavy-vehicle use</td>
<td>Annual tax for trucks 55,000 pounds and over GVW: $100 plus $22 for each 1,000 pounds (or fraction thereof) in excess of 55,000 pounds. Maximum tax: $550.</td>
</tr>
</tbody>
</table>
How We Collect and Distribute Highway Funds: Federal Expenditures for Highways: 1982-2008

Source: GAO analysis of FHWA data
How We Collect and Distribute Highway Funds: Multiple Programs and Complicated Formulas

- Interstate Maintenance Program
  - Interstate Highway System lane miles and vehicle miles traveled

- Highway Bridge Replacement and Rehabilitation Program
  - Relative share of total cost to repair/replace deficient highway bridges

- Highway Safety Improvement Program
  - Fatalities on the National Highway System

- Coordinated Border Infrastructure Program
  - Number of commercial trucks, personal motor vehicles, and buses passing through land border ports of entry

- Safe Routes to School Program
  - Total primary/middle school enrollment (grades K through 8)
How We Collect and Distribute Highway Funds: Formulas Overridden by Rate-of-Return Provisions

All states
States may qualify under any one of three provisions for Equity Bonus Program funding

Equity Bonus Program provisions
Guaranteed relative rate of return
All states were guaranteed a specific rate of return of their share of estimated contributions to the Highway Account of the Highway Trust Fund.

- or -

Guaranteed increase over Transportation Equity Act for the 21st Century (TEA-21) funding
All states are guaranteed an amount greater than the average amount they received under the authorization measure that preceded SAFETEA-LU – TEA-21 (1998-2004).

- or -

States meet certain “hold harmless” qualifying criteria
A state is guaranteed a share of apportionments and High Priority Projects at least equal to its share of total apportionments and High Priority Projects under TEA-21, if it had any of 5 qualifying characteristics at the time SAFETEA-LU was enacted:

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Qualifying criteria</th>
<th>Qualifying states</th>
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<tbody>
<tr>
<td>Population density</td>
<td>Less than 40 people per square mile and federal land ownership in the state exceeds 1.25 percent of total state acreage</td>
<td>11</td>
</tr>
<tr>
<td>Population</td>
<td>Under 1 million</td>
<td>8</td>
</tr>
<tr>
<td>Median income</td>
<td>Less than $35,000</td>
<td>10</td>
</tr>
<tr>
<td>Highway fatality rate</td>
<td>Over 1 per 100 million Interstate Highway vehicle miles traveled</td>
<td>18</td>
</tr>
<tr>
<td>Indexed state motor fuels excise tax</td>
<td>Over 150 percent of the federal motor fuels excise tax rate</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: FHWA.
How We Collect and Distribute Highway Funds: Formulas Overridden by Rate-of-Return Provisions

States’ Percent Change in Highway Account Apportionments and High Priority Projects FY2005-2009

Alaska 92.2%
Hawaii 14.2%
Nearly All States Received More Funding Than They Contributed in Highway Taxes Since 2005

Data through FY 2008

Sources: GAO analysis; Map Resources (map).
Looking to the Future:
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 and the Recovery Act breaks the link between highway taxes and highway funding

• Sustainability of existing mechanisms is in question and new approaches to funding the nation’s transportation system poses challenges likely needed

• There is a need to factor performance and accountability for results into transportation investment decisions
Looking to the Future: GAO’s principles to help guide restructuring and funding federal surface transportation programs

- Ensure that goals are well-defined and focused on the national interest and that the federal role in achieving each goal is clearly defined

- Ensure performance and accountability for results by entities receiving federal funds

- Employ the best tools and approaches to improve results

- Ensure fiscal sustainability
Looking to the Future: What Might We Expect from Reauthorization?

- Performance standards and measures
  - *Administration budget proposes a performance-based highway program in areas of safety and “state of good repair”*

- Restructuring of highway and transit programs
  - *House and Administration plans identify >55 highway programs*

- Spending limited to Trust Fund revenues

- Innovative finance/public-private partnerships
GAO Reports and Contacts

GAO reports are available at no charge at www.gao.gov

- Surface Transportation Competitive Grant Programs Could Benefit from Increased Performance Focus and Better Documentation of Key Decisions, GAO-11-234 (Jun 30, 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: Nearly All States Received More Funding Than They Contributed in Highway Taxes Since 2005, GAO-09-316 (June 30, 2010)

GAO Reports and Contacts (Cont’d)

• Surface Transportation Programs: Proposals Highlight Key Issues and Challenges in Restructuring the Programs, GAO-08-843R (July 29, 2008)

• Surface Transportation: Principles Can Guide Efforts to Restructure and Fund Federal Program, GAO-08-744T (July 10, 2008)

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

• Highway Public-Private Partnerships: More Rigorous Up-front Analysis Could Better Secure Potential Benefits and Protect the Public Interest, GAO-08-44 (Feb. 8, 2008)

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