

# Examining the Blueprint for Surface Transportation Investment and Reform

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## SESSION OBJECTIVES

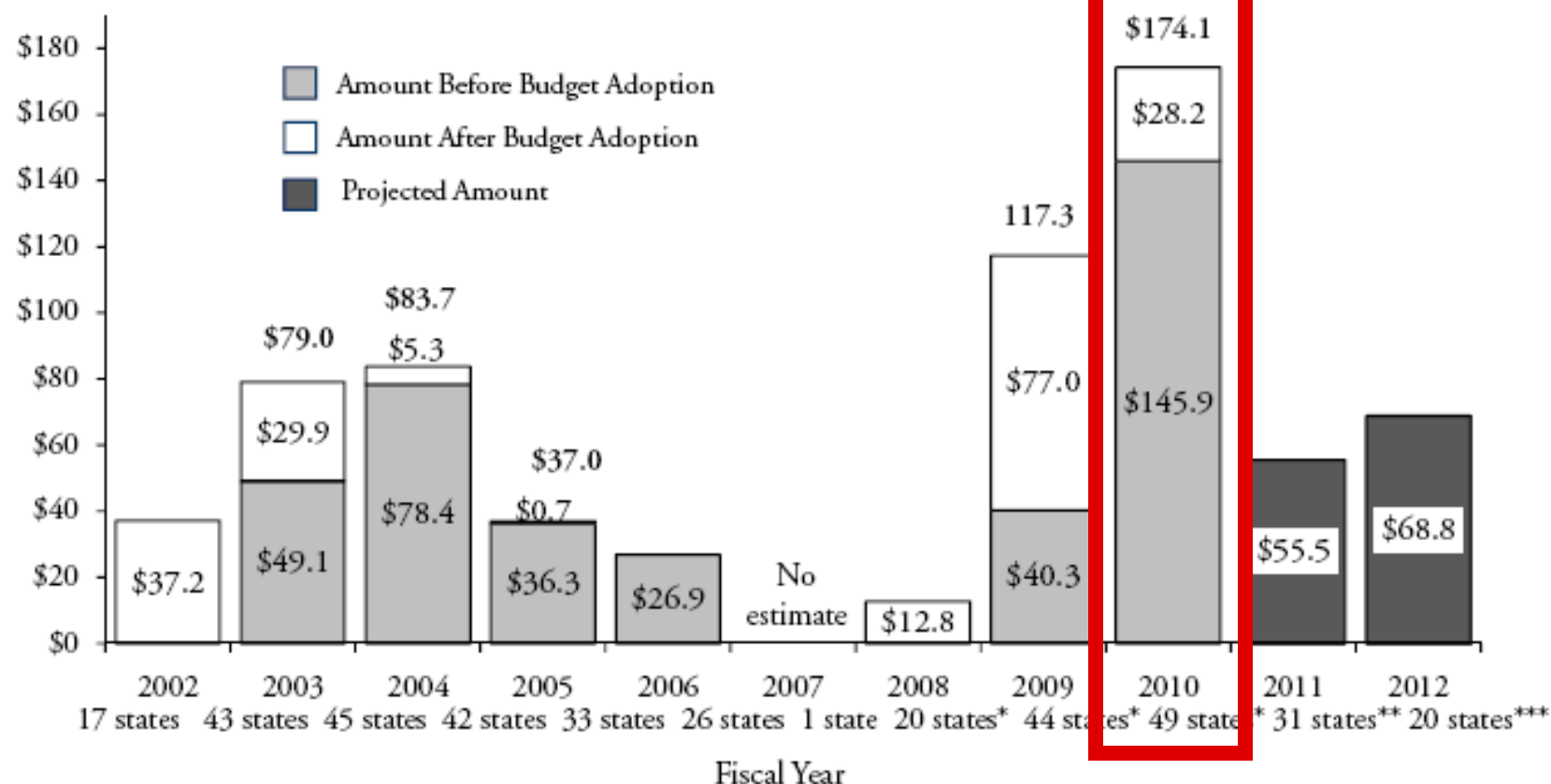
- To provide an update on state spending levels
- To discuss the state of current surface transportation funding, including Federal Highway Trust Fund conditions
- To examine overall surface transportation investment needs
- To provide AASHTO's funding framework for the future
- To give the latest update on current program extension and surface transportation reauthorization



# STATE SPENDING PICTURE



Figure 1. State Budget Gaps: FY 2002-FY 2012 (projected)



\*Includes Puerto Rico

\*\* 35 states and Puerto Rico forecast FY 2011 gaps. The amount shown for FY 2011 indicates the 30 states that provided gap estimates.

\*\*\*23 states and Puerto Rico Forecast FY 2012 gaps. The amount shown for FY 2012 indicates the 20 states that provided gap estimates.

Source: NCSL survey of legislative fiscal offices, various years.

# NCSL Projected State Budget Gaps

- As of July 2010:
  - \$83.9 billion in FY 2011
  - \$72.1 billion in FY 2012
  - \$64.3 billion in FY 2013

# Transportation Spending Cuts in 21 States in FY 2010

- Arizona
- California
- Connecticut
- Florida
- Georgia
- Kansas
- Louisiana
- Massachusetts
- Maine
- Michigan
- Mississippi
- Nevada
- North Carolina
- New Jersey
- New York
- Ohio
- Pennsylvania
- South Carolina
- Virginia
- Washington
- Wisconsin

*Source: National Association of State Budget Officers*

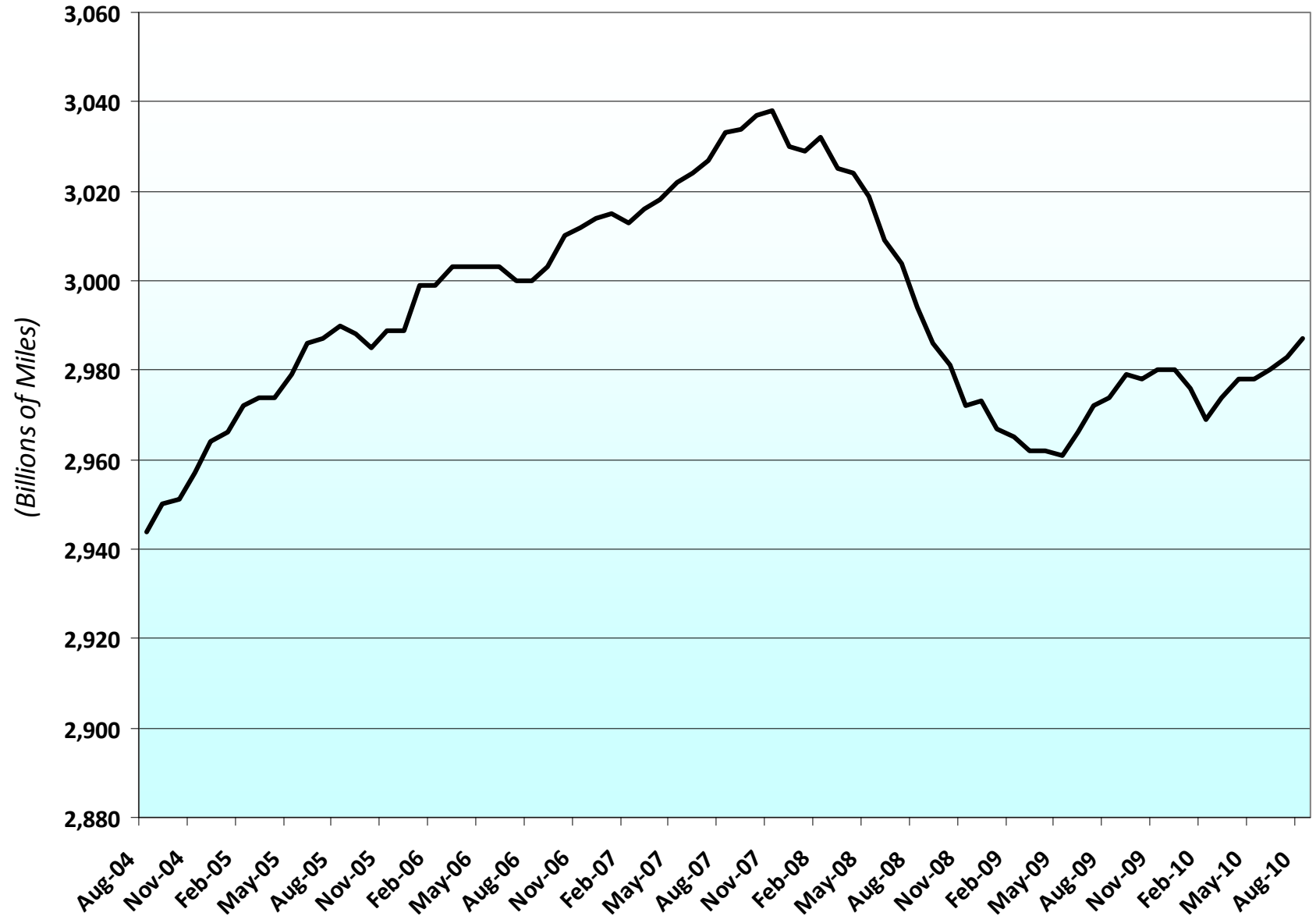


# CURRENT TRENDS AND CHALLENGES



# Vehicle Miles Traveled - August 2004 to August 2010

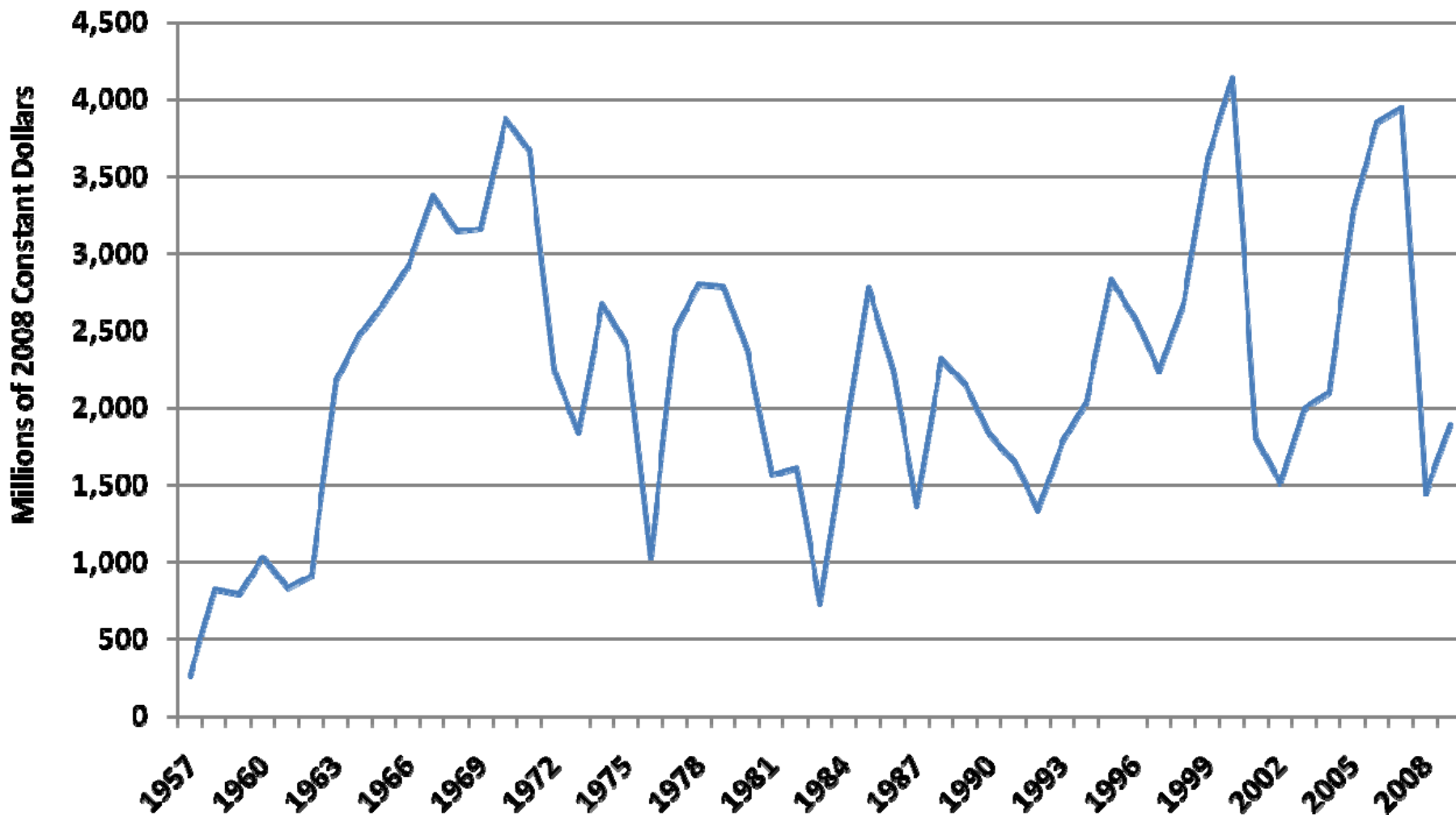
(Moving 12 Month Total)



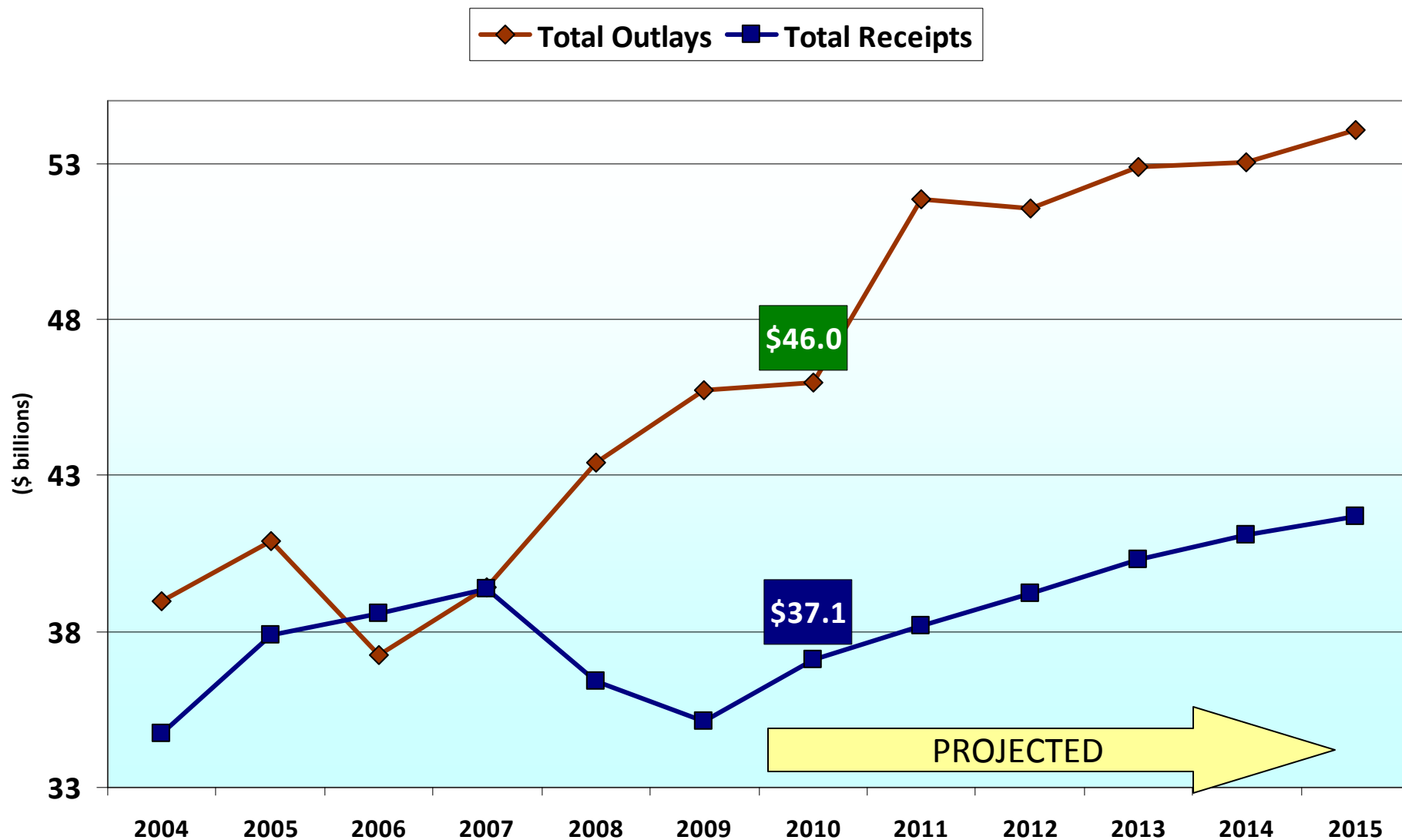


# Truck, Buses, and Trailer Retail Tax Receipts

(1957-2009)

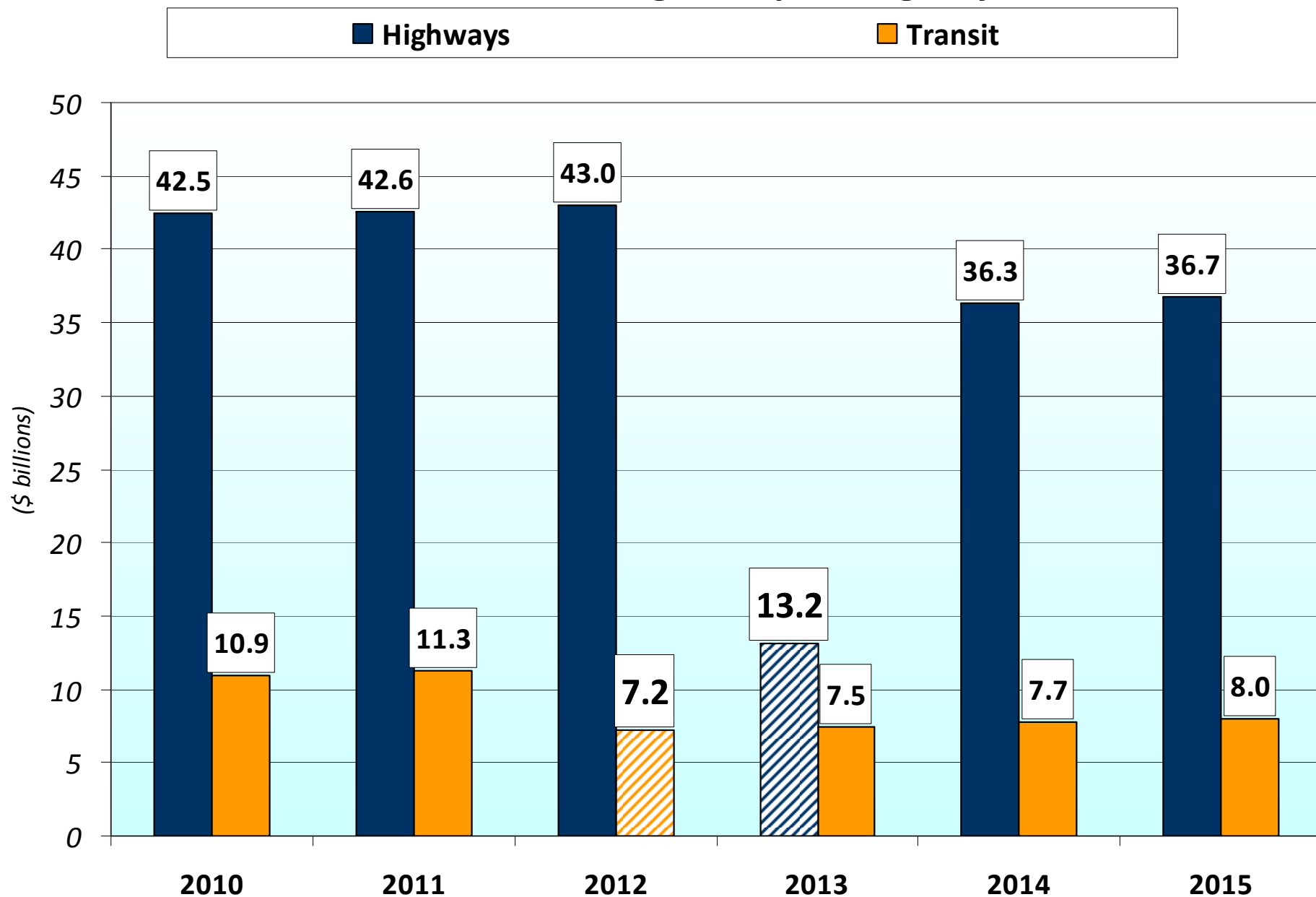


# Highway Trust Fund: Receipts and Outlays Discrepancy

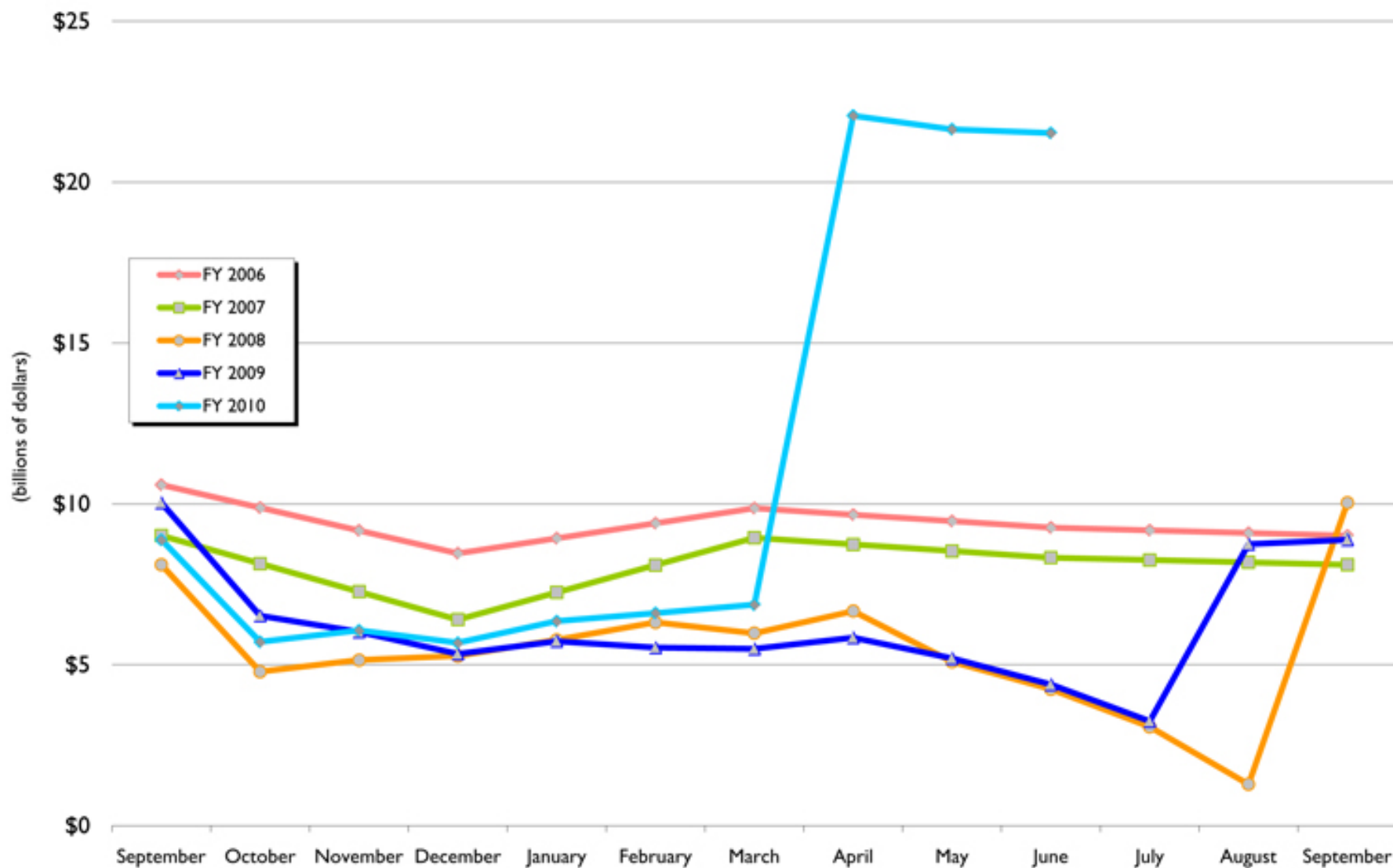


Note: Excludes \$8.017 billion transfer from General Fund to Highway Account of HTF in September 2008; \$7 billion transfer from General Fund to Highway Account of HTF in August 2009; \$19.5 billion transfer from General Fund to Highway and Mass Transit Accounts of HTF in March 2010.

# Estimation of Reduced Program Spending Beyond 2011



# Highway Account Balance

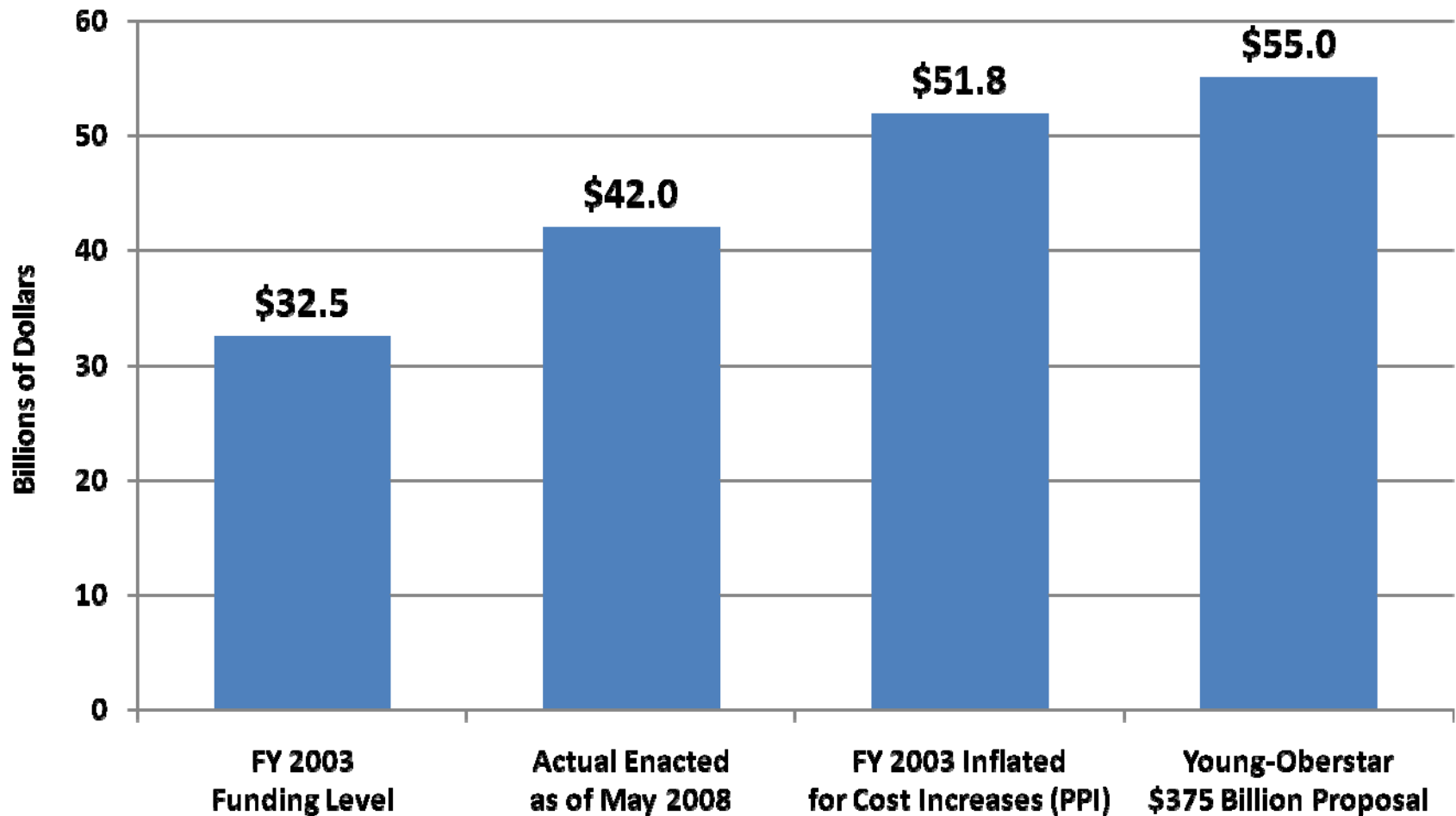


Ending balance for FY 2008 includes \$8.017 billion transferred from the General Fund in September 2008 pursuant to Public Law 110-318.

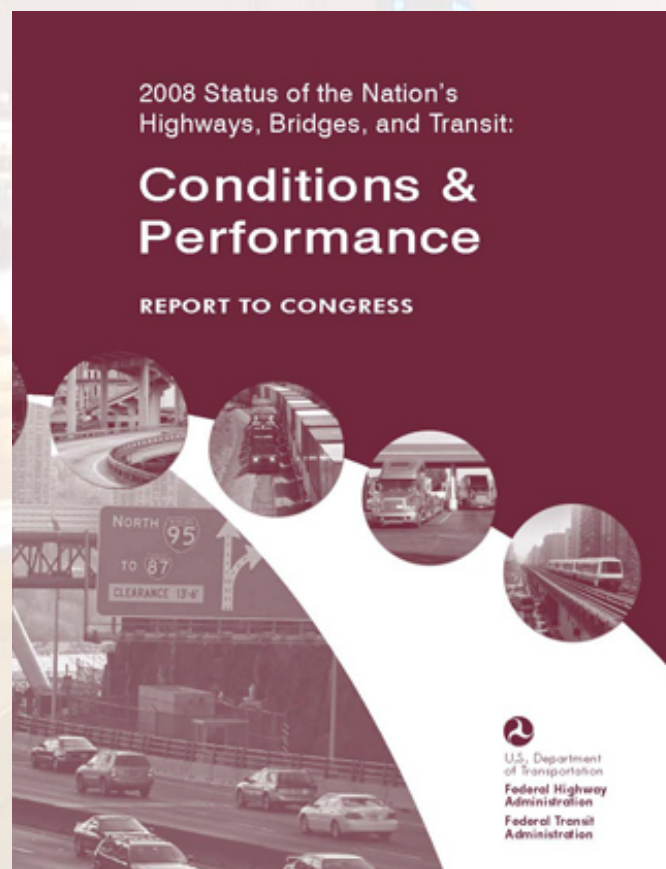
Ending balance for FY 2009 includes \$7 billion transferred from the General Fund in August pursuant to Public Law 111-46.



# Purchasing Power Loss of the Highway Program



# *2008 Conditions and Performance Report*



# Bridge Conditions at Current Funding

**Exhibit 11-3**

**Performance Projections—SR 50 Driven Strategy: Maintain Current Funding Alternative**

Metric	Year					
	2006	2016	2026	2036	2046	2056
Sufficiency Rating	82.8	75.9	69.2	68.6	67.7	67.1
Health Index	92.0	81.6	75.2	70.7	68.2	66.8
Percentage of Bridges With Deck Ratings of 5 or Greater	95.4%	95.8%	93.2%	88.5%	85.3%	84.5%
Percentage of Bridges With Superstructure Ratings of 5 or Greater	97.9%	95.3%	87.6%	88.5%	78.3%	84.5%
Percentage of Bridges With Substructure Ratings of 5 or Greater	98.1%	87.1%	51.4%	50.1%	51.0%	48.9%

Source: National Bridge Investment Analysis System.

# Goods Movement Projections

## Exhibit 13-2

### *Goods Movement by Mode, 2002 and 2035*

Mode	2002 (Millions of Tons)	Percent	2035 (Millions of Tons)	Percent	Percent Change, 2002/ 2035
Domestic	17,670	91.4%	33,668	90.6%	90.5%
Imports	1,657	8.6%	3,509	9.4%	111.8%
Plus Exports					
<b>Total</b>	<b>19,326</b>	<b>100%</b>	<b>37,178</b>	<b>100%</b>	<b>92.4%</b>

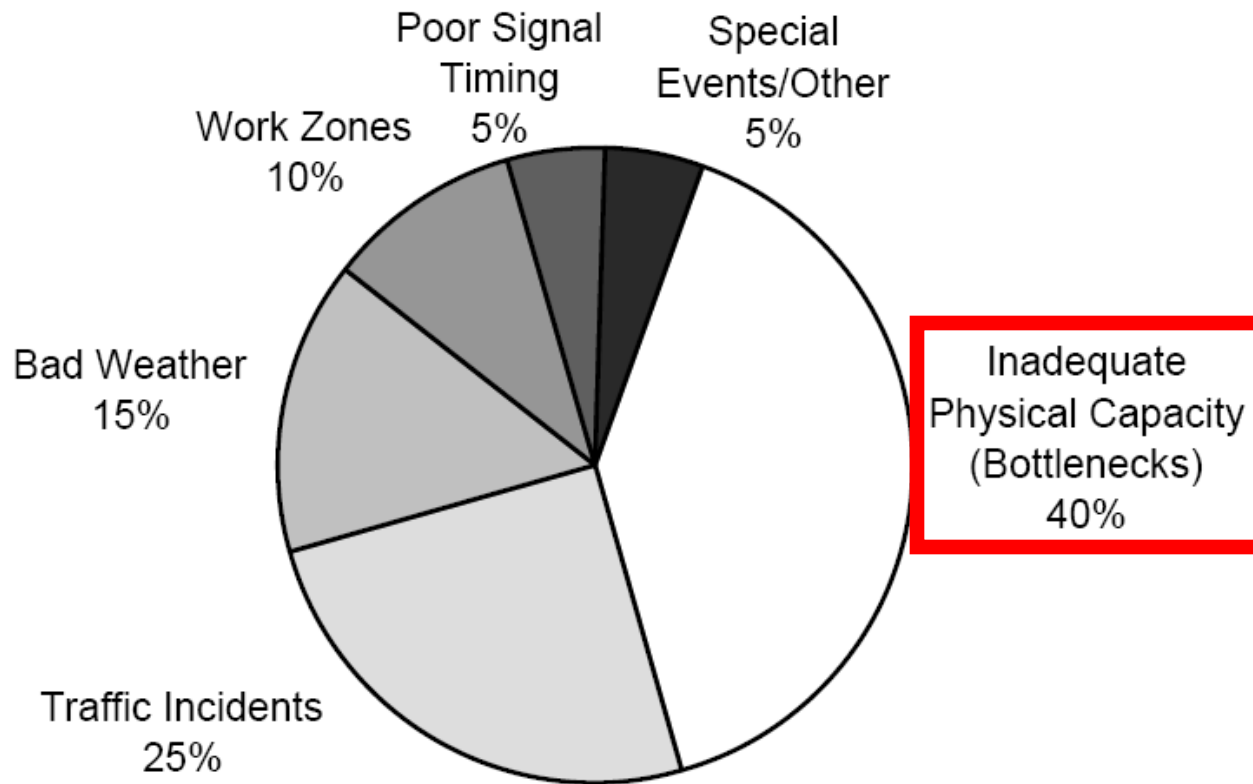
*Source: Freight Analysis Framework 2.2.*



# Tackling Congestion

**Exhibit 14-1**

## **Sources of Congestion**



*Source: Federal Highway Administration.*

# NATIONAL SURFACE TRANSPORTATION POLICY AND REVENUE STUDY COMMISSION

Report of the  
**National Surface Transportation Policy  
and Revenue Study Commission**  
*Transportation for Tomorrow*  
December 2007

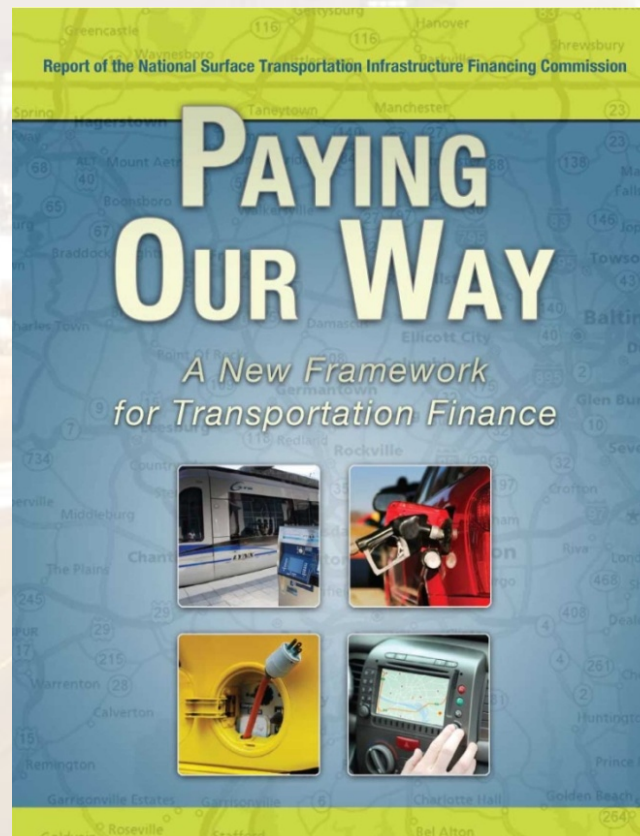


# Needs

- We need to spend \$225 to \$340 billion per year on average through 2055
  - Highway
  - Bridge
  - Public transit
  - Freight rail
  - Intercity passenger rail
- Currently spending is less than \$90 billion per year



# NATIONAL SURFACE TRANSPORTATION INFRASTRUCTURE FINANCING COMMISSION

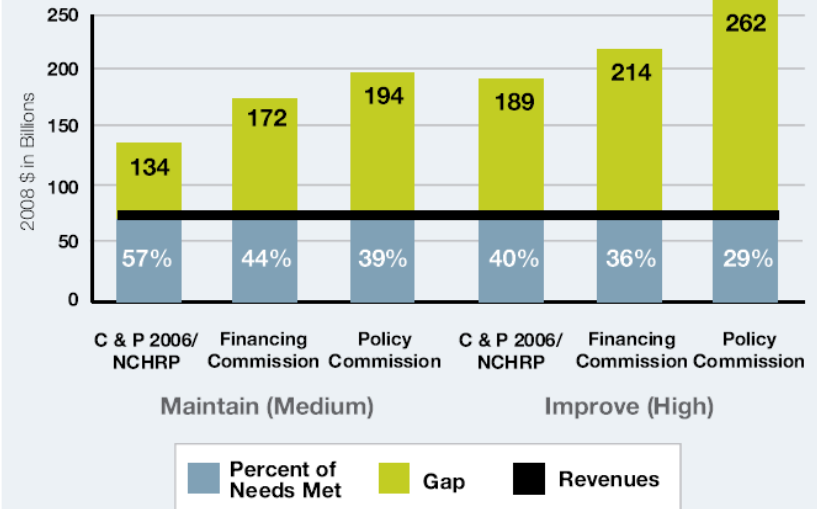




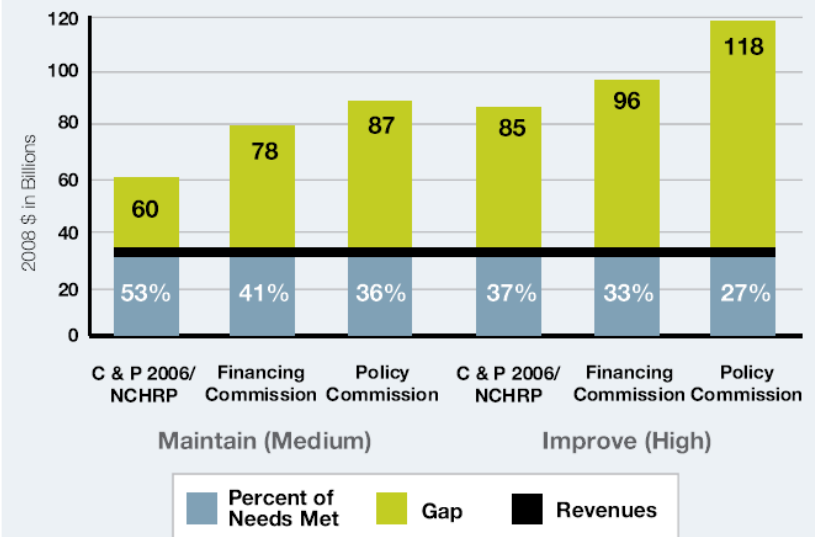
# Needs

- 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

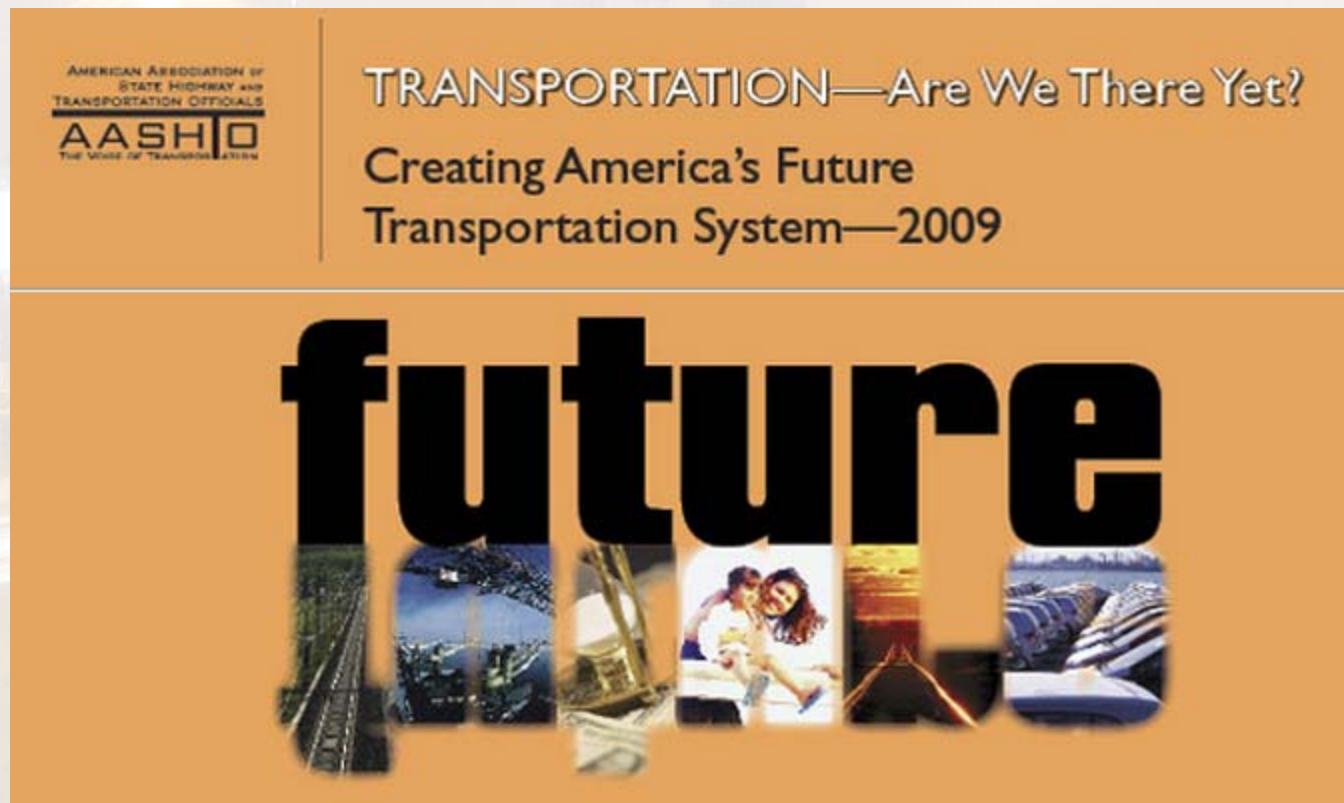
**EXHIBIT ES-1: AVERAGE ANNUAL CAPITAL NEEDS AND GAP ESTIMATES, ALL LEVELS OF GOVERNMENT, 2008–35 (in 2008 dollars)**



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



# AASHTO's Vastly Expanded Funding Proposal



## 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 \$565 billion multimodal program comprised of:**
  - **Highway program funded at \$375 billion**  
(2015 level = \$75 billion)
  - **Transit program funded at \$100 billion**  
(2015 level = \$20.8 billion)
  - **Freight program funded at \$40 billion**  
(2015 level = \$9.2 billion)
  - **Intercity passenger rail program funded at \$50 billion**  
(2015 level = \$11.7 billion)



## Legislative Recommendations

- Federal government must continue to play a **strong role** in investing and maintaining an integrated and multimodal national surface transportation system
- States and local governments should be provided with **maximum flexibility** to use federal revenues from existing core sources to meet systemic transportation needs
- Strong **accountability measures** must accompany substantially increased funding to ensure resources are spent as efficiently and effectively as possible
- 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

## Legislative Recommendations

- 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
- **Eliminate or drastically limit earmarking** in federal transportation programs



# AASHTO Recommendations on Bridges

- Incorporate as part of program reform all eligible activities and transferability provisions that exist under:
  - Interstate Maintenance (IM)
  - National Highway System (NHS)
  - Bridge Program
- Permit expanded transferability of federal funds when tied to performance management and measures that demonstrate where the greatest needs are
- Provide additional flexibility in the Highway Bridge Program and remove unnecessary environmental restrictions in bridge maintenance and replacement activities
- Continue “off-system bridge” 15% set aside
- Expand eligibility of preventive maintenance

# 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>\$14.2</b>	<b>\$15.8</b>	<b>\$17.5</b>	<b>\$19.2</b>	<b>\$20.8</b>	<b>\$100.00</b>
<b>TOTAL - Freight (Based on New Revenues Outside of Highway Trust Fund)</b>	<b>\$4.2</b>	<b>\$5.2</b>	<b>\$6.2</b>	<b>\$7.2</b>	<b>\$8.2</b>	<b>\$9.2</b>	<b>\$40.00</b>
<b>TOTAL - Intercity Passenger Rail</b>	<b>\$5.0</b>	<b>\$6.3</b>	<b>\$7.7</b>	<b>\$9.0</b>	<b>\$10.3</b>	<b>\$11.7</b>	<b>\$50.00</b>
<b>GRAND TOTAL</b>	<b>\$71.67</b>	<b>\$80.67</b>	<b>\$89.67</b>	<b>\$98.67</b>	<b>\$107.67</b>	<b>\$116.67</b>	<b>\$565.00</b>

# Surface Transportation Funding Options Matrix

(all revenue estimates in \$ millions)

Funding Mechanisms	Mechanism Yield (2011)	Illustrative Rate	Revenues 2011	Revenues 2011-2016	Revenues 2011-2016
Annual Drivers License Surcharge	\$1.00 Surcharge = \$ 222	<b>\$5.00</b>	\$ 1,110	\$ 1,165	\$ 6,993
Annual Highway Miles Traveled Fee (All Light Duty Vehicles)*	1¢/VMT = \$ 6,538	<b>2.0¢</b>	\$ 13,075	\$ 28,413	\$ 170,478
Annual Highway Miles Traveled Fee (All Trucks)*	1¢/VMT = \$ 977	<b>3.0¢</b>	\$ 2,931	\$ 3,401	\$ 20,406
Annual Registration Fee (Light Duty Vehicles)	\$1.00 Fee = \$ 261	<b>\$10.00</b>	\$ 2,613	\$ 2,741	\$ 16,448
Annual Registration Fee (Trucks)	\$1.00 Fee = \$ 4.4	<b>\$15.00</b>	\$ 66	\$ 66	\$ 399
Container Tax	\$1 per TCU= \$ 605	<b>\$15.00</b>	\$ 9,076	\$ 10,658	\$ 63,946
Dedicated Income Tax - Personal	0.1% of current taxes = \$ 1,130	<b>1.0%</b>	\$ 11,301	\$ 11,881	\$ 71,285
Dedicated Income Tax - Business	0.1% of current taxes = \$ 383	<b>1.0%</b>	\$ 3,832	\$ 4,029	\$ 24,172
Diesel Tax Increase	1¢/gal = \$ 386	<b>15.0¢</b>	\$ 5,794	\$ 6,052	\$ 36,309
Gas Tax Increase	1¢/gal = \$ 1,379	<b>10.0¢</b>	\$ 13,795	\$ 14,030	\$ 84,183
Harbor Maintenance Tax	0.1% Tax = \$ 1,236	<b>2.0%</b>	\$ 24,725	\$ 26,323	\$ 157,939
HVUT Increase	10% Increase = \$ 97	<b>15.0%</b>	\$ 15	\$ 169	\$ 1,017
Imported Oil Tax	\$1.00/Bbls = \$ 4,217	<b>\$1.00</b>	\$ 4,217	\$ 4,356	\$ 26,138
Sales Tax on Auto-related Parts & Services	1.0% of Sales = \$ 2,567	<b>1.0%</b>	\$ 2,567	\$ 2,823	\$ 16,938
Sales Tax on Gas	1.0% of Sales = \$ 2,987	<b>8.4%</b>	\$ 25,091	\$ 30,945	\$ 185,671
Sales Tax on Diesel	1.0% of Sales = \$ 868	<b>10.6%</b>	\$ 9,198	\$ 11,484	\$ 68,903
Sales Tax on New Light Duty Vehicles	1.0% of Sales = \$ 2,337	<b>1.0%</b>	\$ 2,337	\$ 2,571	\$ 15,427
Sales Tax on New and Used Light Duty Vehicles	1.0% of Sales = \$ 3,515	<b>1.0%</b>	\$ 3,515	\$ 3,837	\$ 23,021
Share of US Customs Revenues	1% of Receipts = \$ 333	<b>1.0%</b>	\$ 333	\$ 381	\$ 2,288
Tire Tax on Light Duty Vehicles	\$1.00 Fee = \$ 1,960	<b>\$3.00</b>	\$ 5,880	\$ 6,168	\$ 37,009
Ton Freight Charge -- All Modes	1¢/ton = \$ 164	<b>25.0¢</b>	\$ 4,111	\$ 4,432	\$ 26,592
Ton Freight Charge -- Truck Only	1¢/ton = \$ 113	<b>25.0¢</b>	\$ 2,835	\$ 3,057	\$ 18,340
Ton-Mile Freight Charge -- All Modes	1¢/ton-mile = \$ 43,497	<b>0.5¢</b>	\$ 21,748	\$ 23,446	\$ 140,678
Ton-Mile Freight Charge -- Truck Only	1¢/ton-mile = \$ 12,731	<b>0.5¢</b>	\$ 6,365	\$ 6,862	\$ 41,174
Truck/Trailer Sales Tax Increase	1% of Sales = \$ 219	<b>5.0%</b>	\$ 1,095	\$ 1,529	\$ 9,174
Truck Tire Tax Increase	10% Increase = \$ 33	<b>10.0%</b>	\$ 33	\$ 477	\$ 2,863
US Freight Bill -- All Modes	1% of Sales = \$ 7,612	<b>1.0%</b>	\$ 7,612	\$ 8,206	\$ 49,236
US Freight Bill -- Truck Only	1% of Sales = \$ 6,608	<b>1.0%</b>	\$ 6,608	\$ 7,124	\$ 42,745
<b>Total Revenues</b>			<b>\$191,878</b>	<b>\$ 226,629</b>	<b>\$1,359,772</b>

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



# CURRENT STATE OF PLAY



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## Where We Are Now

- 15 September 2008: \$8.017 billion General Fund transfer to the Highway Trust Fund
- 7 August 2009: \$7 billion General Fund transfer to the Highway Trust Fund
- 30 September 2009: SAFETEA-LU expired
- 1 March 2010: Highway Trust Fund shutdown for two days
- 18 March 2010: \$19.5 billion General Fund transfer to the Highway Trust Fund
- 31 December 2010: Current SAFETEA-LU extension expires
- Fiscal Year 2012: Highway Trust Fund projected to become insolvent



# Hiring Incentives to Restore Employment (HIRE) Act – HR 2847

- Signed into law on 18 March 2010
- Fifth Extension of SAFETEA-LU
  - Extends SAFETEA-LU at pre-rescission FY 2009 spending level until 31 Dec 2010
  - Credits Highway Trust Fund with \$19.5 billion in foregone interest payments
  - Allows Highway Trust Fund to accrue interest
  - Fuel tax credit for exempt fleet to be covered by the General Fund
  - Restores the \$8.7 billion contract authority rescission contained in SAFETEA-LU
- Build America Bonds expansion to cover other qualified tax credit bonds

## Current State of Play

- President's Announcement on Labor Day
  - "Renewing and Expanding America's Roads, Railways, and Runways"
  - Long-term vision with \$50 billion front-loaded in the first year
    - Rebuild 150,000 miles of roads
    - Construct and maintain 4,000 miles of rail
    - Rehabilitate or reconstruct 150 miles of runway

## Current State of Play

- President's Announcement on Labor Day
  - **Infrastructure Bank** to leverage federal dollars and focus on investments of national and regional significance
  - Integration of **high-speed rail** into the surface transportation program
  - **Streamlining, modernizing, and prioritizing** surface transportation investments, consolidating more than 100 different programs and focusing on using performance measurement and “race-to-the-top” style competitive pressures
  - Expanding investments in areas like **safety, environmental sustainability, economic competitiveness, and livability**



## Current State of Play

- Details on the Obama Administration plans not yet available
  - Legislative strategy
  - Duration/timing
  - Revenue source
  - Funding split
  - Policy details
- But the President is now fully engaged in surface transportation reauthorization

# Deficit Commission

- Gradually increase gas tax to fund transportation spending
  - Raise gas tax gradually by 15 cents beginning in 2013
  - Dedicate funds toward fully funding the transportation trust funds and therefore eliminating the need for further general fund bailouts
- Move Transportation Trust Fund spending to mandatory
- Limit transportation spending to existing revenue collections



## Current State of Play

- Broader variables: economic conditions including unemployment levels, and deficit-spending appetite
- What to make of the composition of the 112<sup>th</sup> Congress?
- Any action should not reverse the progress made through the stimulus legislation
- It is important to pass the six-year authorization bill soon, as state DOTs and contractors depend on long-term investment time horizons

# Thank You

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