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 stats 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

CHALLENGES
I Expected Times Like This - But I Never Thought They’d Be So Bad, So Long, And So Frequent.

www.despair.com
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

- **Highways**
- **Transit**

<table>
<thead>
<tr>
<th>Year</th>
<th>Highways</th>
<th>Transit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>42.5</td>
<td>10.9</td>
</tr>
<tr>
<td>2011</td>
<td>42.6</td>
<td>11.3</td>
</tr>
<tr>
<td>2012</td>
<td>43.0</td>
<td>7.2</td>
</tr>
<tr>
<td>2013</td>
<td>13.2</td>
<td>7.5</td>
</tr>
<tr>
<td>2014</td>
<td>36.3</td>
<td>7.7</td>
</tr>
<tr>
<td>2015</td>
<td>36.7</td>
<td>8.0</td>
</tr>
</tbody>
</table>
Highway Account Balance

Source: Federal Highway Administration

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Billions of Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2003 Funding Level</td>
<td>$32.5</td>
</tr>
<tr>
<td>Actual Enacted as of May 2008</td>
<td>$42.0</td>
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<tr>
<td>FY 2003 Inflated for Cost Increases (PPI)</td>
<td>$51.8</td>
</tr>
<tr>
<td>Young-Oberstar $375 Billion Proposal</td>
<td>$55.0</td>
</tr>
</tbody>
</table>

Source: Transportation Weekly
2008 Conditions and Performance Report
## Bridge Conditions at Current Funding

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

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

Source: National Bridge Investment Analysis System.
# Goods Movement Projections

## Exhibit 13-2

### Goods Movement by Mode, 2002 and 2035

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

*Source: Freight Analysis Framework 2.2.*
Tackling Congestion

**Exhibit 14-1**

**Sources of Congestion**

- Inadequate Physical Capacity (Bottlenecks) 40%
- Traffic Incidents 25%
- Bad Weather 15%
- Work Zones 10%
- Poor Signal Timing 5%
- Special Events/Other 5%

*Source: Federal Highway Administration.*
Needs

• We need to spend $225 to $340 billion per year on average through 2055
  o Highway
  o Bridge
  o Public transit
  o Freight rail
  o Intercity passenger rail

• Currently spending is less than $90 billion per year
Needs

- Nationally, meeting only about $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.
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:
  
  o **Highway program funded at $375 billion**  
    (2015 level = $75 billion)
  o **Transit program funded at $100 billion**  
    (2015 level = $20.8 billion)
  o **Freight program funded at $40 billion**  
    (2015 level = $9.2 billion)
  o **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

<table>
<thead>
<tr>
<th>Potential Program Name</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>TOTAL</th>
</tr>
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<tbody>
<tr>
<td>Preservation and Renewal</td>
<td>$28.00</td>
<td>$30.80</td>
<td>$33.60</td>
<td>$36.40</td>
<td>$39.20</td>
<td>$42.00</td>
<td>$210.00</td>
</tr>
<tr>
<td>Highway Freight (Based on Existing Revenues)</td>
<td>$2.40</td>
<td>$2.64</td>
<td>$2.88</td>
<td>$3.12</td>
<td>$3.36</td>
<td>$3.60</td>
<td>$18.00</td>
</tr>
<tr>
<td>Highway Safety Improvement Program</td>
<td>$2.60</td>
<td>$2.86</td>
<td>$3.12</td>
<td>$3.38</td>
<td>$3.64</td>
<td>$3.90</td>
<td>$19.50</td>
</tr>
<tr>
<td>Operations</td>
<td>$2.40</td>
<td>$2.64</td>
<td>$2.88</td>
<td>$3.12</td>
<td>$3.36</td>
<td>$3.60</td>
<td>$18.00</td>
</tr>
<tr>
<td>Transportation System Improvement/Congestion Reduction</td>
<td>$11.10</td>
<td>$12.21</td>
<td>$13.32</td>
<td>$14.43</td>
<td>$15.54</td>
<td>$16.65</td>
<td>$83.25</td>
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<tr>
<td>Environment Program</td>
<td>$3.50</td>
<td>$3.85</td>
<td>$4.20</td>
<td>$4.55</td>
<td>$4.90</td>
<td>$5.25</td>
<td>$26.25</td>
</tr>
<tr>
<td><strong>TOTAL - Highways</strong></td>
<td>$50.00</td>
<td>$55.00</td>
<td>$60.00</td>
<td>$65.00</td>
<td>$70.00</td>
<td>$75.00</td>
<td>$375.00</td>
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<tr>
<td><strong>TOTAL - Transit</strong></td>
<td>$12.5</td>
<td>$14.2</td>
<td>$15.8</td>
<td>$17.5</td>
<td>$19.2</td>
<td>$20.8</td>
<td>$100.00</td>
</tr>
<tr>
<td><strong>TOTAL - Freight (Based on New Revenues Outside of Highway Trust Fund)</strong></td>
<td>$4.2</td>
<td>$5.2</td>
<td>$6.2</td>
<td>$7.2</td>
<td>$8.2</td>
<td>$9.2</td>
<td>$40.00</td>
</tr>
<tr>
<td><strong>TOTAL - Intercity Passenger Rail</strong></td>
<td>$5.0</td>
<td>$6.3</td>
<td>$7.7</td>
<td>$9.0</td>
<td>$10.3</td>
<td>$11.7</td>
<td>$50.00</td>
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<tr>
<td><strong>GRAND TOTAL</strong></td>
<td>$71.67</td>
<td>$80.67</td>
<td>$89.67</td>
<td>$98.67</td>
<td>$107.67</td>
<td>$116.67</td>
<td>$565.00</td>
</tr>
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</table>
## Surface Transportation Funding Options Matrix

*(all revenue estimates in $ millions)*

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

**Total Revenues** $191,878 $ 226,629 $1,359,772

*VMT fee estimates refer to miles traveled on Interstate System.*
CURRENT STATE OF PLAY
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
  o “Renewing and Expanding America’s Roads, Railways, and Runways”
  o 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
  o **Infrastructure Bank** to leverage federal dollars and focus on investments of national and regional significance
  o Integration of **high-speed rail** into the surface transportation program
  o **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
  o 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 112th 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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