Transportation Funding

Focus on Federal Funding Issues
- Transportation Systems
- Financing Transportation Infrastructure
- Federal Transportation Reauthorization
- Future Federal Transportation Finance
1. Transportation Systems

- **Highway:**
  - Local, state and federal governmental agencies own nearly all of the nation’s 4 million miles of road
    - Local - 77%; State – 20%; Federal – 3%
  - Private operations:
    - Motor carriers provide commercial freight
    - Private vehicles and bus service
1. Transportation Systems

- Public Transit
  - Use existing highway system and rail system
  - Primarily local transit systems for bus and fixed rail facilities

- Airports:
  - Local Airport Authorities own airports
  - Commercial and charter airlines provide air service
1. Transportation Systems

- Railroads
  - Private companies own track and provide rail freight service
  - Passenger service from state/local/federal

- Waterways
  - Federal jurisdiction over waterways and locks and dams
  - Private barge companies provide commercial service
1. Transportation Systems

Ownership and operation of transportation systems has remained relatively constant.

- Highways
- Aviation
- Public Transit
- Rail passenger – Amtrak
- Waterways
Now that we have the Transportation Systems ........

How do we pay for the operations, maintenance and improvements?
2. Financing Transportation Infrastructure

- Financing is from a combination of Public and Private sources that varies depending on the transportation system.

- Largest component - “USER CHARGES”
2. Financing Transportation Infrastructure

Highways:
- Local: Property taxes, special assessments, tolls, bonds, transfers of state funds and transfers of federal funds.
- State: Fuel taxes, general revenues, registration fees, use taxes, bonds, transfers of federal funds.
- Federal: Fuel taxes, commercial truck taxes
- Federal Highway Trust Fund – Highway Account
2. Financing Transportation Infrastructure

- Transit:
  - Local: General funds, property taxes, user fees
  - State: General funds
  - Federal: General funds, federal fuel tax
  - Federal Highway Trust Fund – Mass Transit Account
2. Financing Transportation Infrastructure

Aviation:
- Local: General funds, property taxes, other user fees
- State: Fuel taxes; general funds; use taxes
- Federal: Fuel taxes, ticket taxes
- Federal Airport and Airway Trust Fund
2. Financing Transportation Infrastructure

- Railroad:
  - Infrastructure the responsibility of the private railroad companies
  - State and Local: May contribute to track indirectly through assistance to Amtrak
  - Federal: General funds and support for Amtrak
  - No trust fund
2. Financing Transportation Infrastructure

- Waterway:
  - Federal: barge fuel tax and general funds
  - Federal Inland Waterways Trust Fund
Now that the Funding has been collected from the user ....

How are the public funds converted into transportation improvements?
3. Federal Transportation Reauthorization

- Federal Transportation Funding
- Two step process
  - Reauthorization
    - Multi-year program direction and funding
  - Appropriations
    - Annual obligation limitations
3. Federal Transportation Reauthorization

Reauthorization of the federal-aid transportation programs is used to:

- Review national transportation and modal policies
- Establish specific program and activities
- Evaluate and modify the respective roles of the various governmental jurisdictions
- Provide the level of federal financial assistance
3. Federal Transportation Reauthorization

Aviation:
- Program was reauthorized in 2003 – VISION 100
- Revenues in the Aviation Trust Fund for aviation programs
- Funding for Airport Improvements, General Aviation, Essential Air Service and Small Community Commercial Air Service and Airport security
- Funding decisions primarily between the FAA and the airport authority
3. Federal Transportation Reauthorization

- Railroad:
  - Railroad/highway grade crossing
    • Incorporated in Surface Transportation Reauthorization bill
  - Rail freight assistance
    • Federal maintenance tax credits now provided for shortline/ regional railroads
  - Amtrak
    • Currently operating on an Annual basis
3. Federal Transportation Reauthorization

- Waterway:
  - Water Resource Development Act (WRDA)
  - Identifies the priorities for the construction and maintenance of locks and dams and other inland waterway improvements
3. Federal Transp. Reauthorization
*Highway and Transit* (History)

- 1950’s
  - Began construction of the Interstate System
  - Through a series of reauthorizations established the federal-aid highway program and federal-aid system
  - Focus was connecting the nation with a system of state and local highways
  - “Federally assisted state highway program”
3. Federal Transp. Reauthorization
Highway and Transit (History)

- 1982 – (Highway)
  - Reauthorization expanded beyond the traditional “Highway Bill”
  - Continued a focus on the construction of the Interstate System, Interstate 4R, Primary, Secondary, Urban, Bridge, Safety and Planning
  - Established “Demonstration Projects” to direct funding to specific projects identified in the bill – 10 projects totaling $389 million.
3. Federal Transp. Reauthorization
Highway and Transit (History)

- 1982 – (Transit)
  - Brought in Urban Mass Transit programs and funding
  - Capital funding for New Fixed Guideway (rail) Commuter Projects, Modernization of Existing Fixed Guideway Projects and Bus and Bus-related facilities
  - Formula funds for Urban and Rural Transit Assistance
  - Established the Mass Transit Account in the HTF
1982 – (continued)

- Created the Gasohol subsidy to promote ethanol
- Minimum Allocation for highway programs was established at 85%
- Increased gas and diesel tax revenues from 4 cents to 9 cents per gallon
3. Federal Transp. Reauthorization
Highway and Transit (History)

- 1991 – Intermodal Surface Transportation Efficiency Act
  - Major restructuring of the core programs
  - Interstate Maintenance, National Highway System, Surface Transportation Program, Bridge, Congestion Mitigation and Air Quality, Planning, 90% Minimum Allocation
### 3. Federal Transp. Reauthorization

**Highway and Transit (History)**

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3. Federal Transp. Reauthorization
Highway and Transit (History)

1991 - New Programs
Congestion Mitigation and Air Quality Program
Scenic Byways Program
National Recreational Trails Program
National High-Speed Ground Transportation
3. Federal Transp. Reauthorization
Highway and Transit (History)

- 1991 – ISTEA
  - Transit remains basically the same
  - Increased emphasis on local participation, environmental mitigation, intermodal transportation and planning
  - Increased revenue: Fuel tax increase
3. Federal Transp. Reauthorization
Highway and Transit (History)

- 1997 – Transportation Efficiency Act for the 21st Century (TEA 21)
  - Maintained core program structure and emphasis areas created in ISTEA
  - Increased the number of categorical programs and set-asides.
3. Federal Transp. Reauthorization
Highway and Transit (History)

- 1997 – TEA 21

New Programs:
- National Corridor Planning and Development
- Coordinated Border Infrastructure
- National Historic Covered Bridge Preservation
- Transportation and Community and System Preservation Pilot
3. Federal Transp. Reauthorization
Highway and Transit (History)

- 1997 – TEA 21
  New Safety Programs – Incentive Grants:
  - Seat belt use
  - .08 BAC
  - Occupant seat belt use
  - Child passenger protection
  - Enact “tough repeat offender” laws
  - Enact “open container” laws
  - Improve safety data collection
3. Federal Transp. Reauthorization
Highway and Transit (History)

- 1997 – TEA 21
  - Significant increase in “demonstration / earmarked” projects
  - Minimum Guarantee Program increased to 90.5%
  - Increased Revenues: Deficit tax now credited to the Highway Trust Fund
3. Federal Transp. Reauthorization
Highway and Transit

- Congress and the Administration have been unable to reach agreement on a reauthorization bill
  - Funding – How much is available
  - Funding – How it will be used
  - Funding – How it will be distributed among the States
- Highway and Transit Programs are continuing with extensions of TEA 21 – currently through May 31
3. Federal Transp. Reauthorization

Highway and Transit

- 2005 – House introduced bill on Feb. 9 - H.R.3
  Senate plan to reintroduce bill within a couple of weeks

Expect to see:
- Funding levels that do not meet identified needs
- More categorical programs – further subdividing the funding
- Disagreement over the distribution of funds among the states.
3. Federal Transp. Reauthorization
Highway and Transit

2005 — TEA LU (H.R.3)

New Programs Continue:
- Highway Safety Improvement Program
- Construction of Ferry Boats and Facilities
- Projects of National and Regional Significance
- Freight Intermodal Connectors (Sec 1303)
- High Risk Rural Safety Improvement Program (Sec. 1403)
- Dedicated Truck Lanes
3. Federal Transp. Reauthorization
Highway and Transit

- 2005 — TEA LU (H.R.3)

New Programs Continue:
- Pedestrian and Cyclist Equity (Sec. 1120)
  - Safe Routes to School
  - Non-Motorized Pilot
- Highways for Life Program
- A Congestion Relief set-aside (Sec. 1201)
- Commonwealth of Puerto Rico Highway Program
3. Federal Transp. Reauthorization
Highway and Transit

2005 — TEA LU (H.R.3)

A large number of Commissions and grants to various organizations for studies

• Wildlife Vehicle Collision Reduction Study
  National Commission on Future of Interstate Highway System
• Bicycle and Pedestrian Safety Grants (Sec. 1123)
• Road Safety (Sec. 1123)
3. Federal Transp. Reauthorization
Highway and Transit

2005 — TEA LU (H.R.3)

- Funding levels above what the House passed last year but still below Senate passed bill
- Demonstration projects to be determined
- Minimum Guarantee to reach 95% by 2009 !!!

- When will a bill be enacted ?????
Now that we see what has happened to federal-aid transportation programs ....

What do we want for the future?
4. Future Federal Transportation Reauthorization

There are a number of issues that must be discussed for future reauthorizations:

- Revenue Options
- Program Structure and Project Eligibility
- Jurisdiction and Roles
4. Future Federal Transportation Reauthorization

- Revenue options -
  - Revenue available through the Highway Trust Fund and existing level of General Funds is not adequate to meet the documented highway and transit needs.
  - User fees
4. Future Federal Transportation Reauthorization

- Revenue options -
  - Fuel Tax:
    - Should remain the core of the Highway Trust Fund.
    - Administrative procedures already in place.
    - Has lost purchasing power - not effectiveness.
  - Fuel Tax Myths:
    - Fuel economy will erode revenues - NO
    - Alternative fuels and hybrid vehicles will erode revenues - NO
4. Future Federal Transportation Reauthorization

- Revenue options -
  - Bonding
    - An state and local funding option – not a federal option.
  - Tolls and Congestion Pricing
    - An option for specific situations and special circumstances
    - A state and local funding option – not a federal option
4. Future Federal Transportation Reauthorization

- Program Structure and Project Eligibility -
  - Program categories and projects have expanded so that the Federal Program is everything to everyone
  - The current programs are funding projects that include federal funds for: sidewalks, local parking garages, recreational bike and pedestrian trails, local city streets, air conditioning in buildings, museums, .......
4. Future Federal Transportation Reauthorization

- Program Structure and Project Eligibility -
  - Federal aid should be directed to projects that are truly of national/regional importance. State and local governments should fund state and local projects.
  - Apportionment and allocation of federal funds is too focused on the Highway Minimum Guarantee or Minimum Return of Highway Trust Fund Contributions.
4. Future Federal Transportation Reauthorization

- Program Structure and Project Eligibility –
  - Focus on Core National Programs
  - Safety Component
  - Minimum Return
4. Future Federal Transportation Reauthorization

- Jurisdiction and Roles
  - Identify who is responsible for infrastructure and activity.
  - Avoid unnecessary requirements, overly prescriptive regulations and processes and duplication
  - Leading to a focused Federal-aid Program and a return of responsibility and funding
4. Future Federal Transportation Reauthorization

……. to the state and local governments – also known as *Devolution or Turnback*

- Highway –
  - Focus on the National Highway System – approximately 170,000 miles
  - With a few exceptions that may include high cost bridges, safety and a minimum guarantee
  - Remaining program returned to state and local responsibility
4. Future Federal Transportation Reauthorization

Transit –

- Primarily a state and local responsibility
- Minimum Return would financially benefit Iowa
- There will continue to be controversy over the National role in providing public transit services New York or Washington DC’s Metro.
Devolution or Turnback:

- Reduce federal user fees
  - Provide an opportunity for states to increase user fees to maintain program
- Reduce federal involvement to a much smaller system
  - Focus or restrict the federal role.
4. Future Federal Transportation Reauthorization

- Obstacles
  - Historically it is very difficult to eliminate federal programs or activities
  - Congressional interest in transportation funding
  - Federal agencies concern over their reduced role and authority
  - Interest groups would have to deal with individual states and local governments
Transportation Funding

Conclusion

• Federal-aid programs have become too cumbersome – trying to be all things to all people.
• Viewed by many people as “free money”
• Time to focus the federal-aid programs on our “National Priorities”
Transportation Funding

Questions ?????
Transportation Funding

Thank You
Earmarks

- 1982 – 10 projects - $389 million
- 1987 – 131 projects –
- 1991 -
Highways

- Interstate
  - Other National Highway System routes
    - Federal Aid highways