

MAXIMIZING PUBLIC INVESTMENTS AASHTO PROSPECTIVES AND REALITIES

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1

Objectives

- To inform you on the short term Highway Trust Fund challenges and the outlook for FY 2010
- To set a context for the programs and national needs for the future
- To provide some observations on transportation authorization
- To offer comments on some of the proposals being considered in Ohio

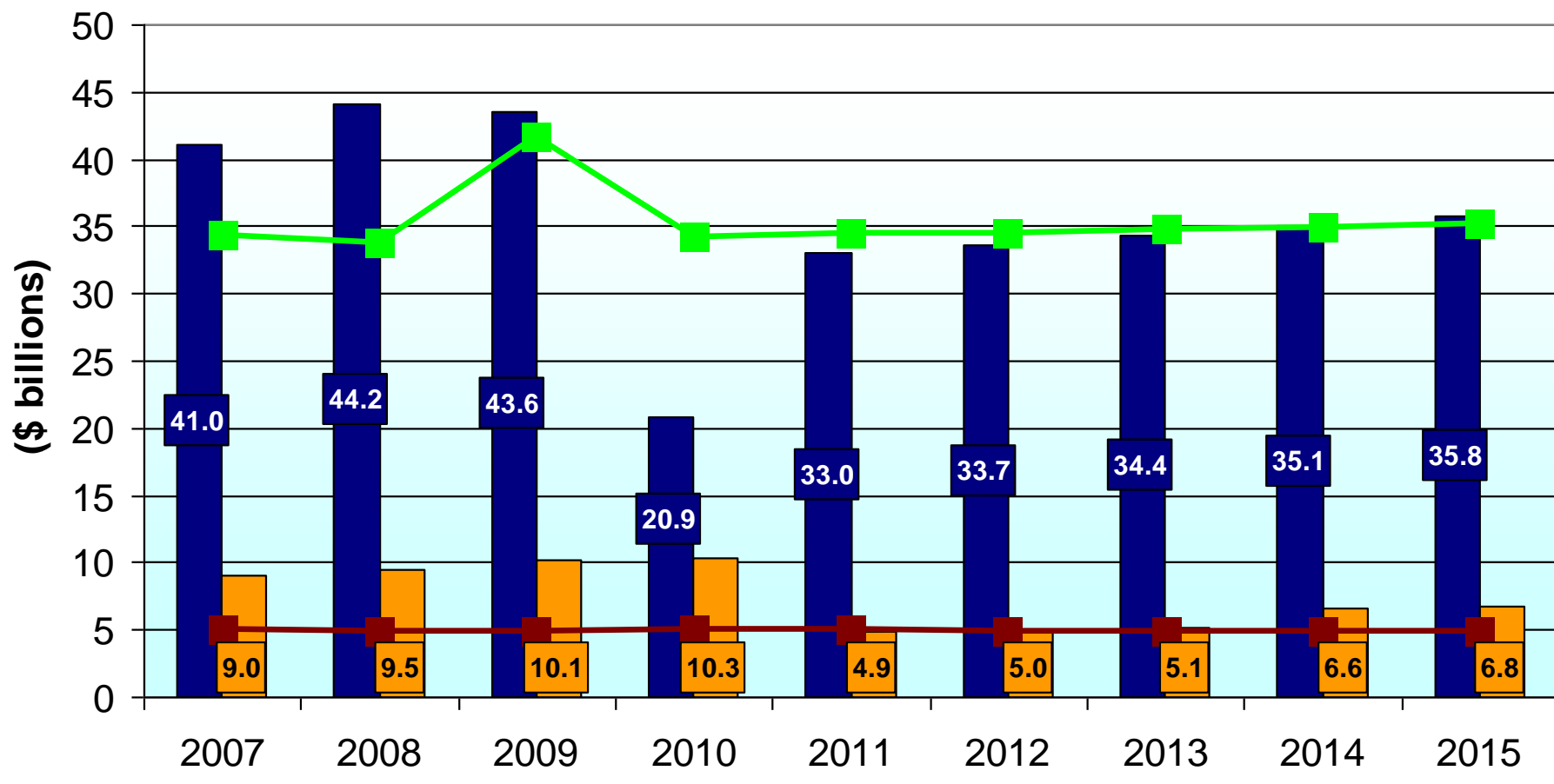
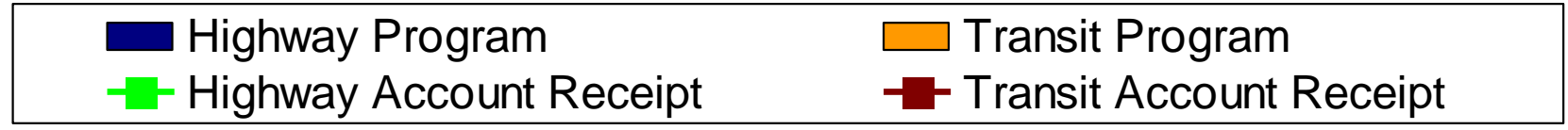
Current Events

- The Congress acted recently to avert a shutdown in payments to the States adding \$8 billion to the HTF
- While it was critical to act we just put a band-aid on a hemorrhage
- We need to understand that any fix is simply a short-term solution
- Difficult choices are necessary in the authorization legislation

Highway Account Revenues and Estimated Balance

- Fiscal Year 2009 scenario using official budget estimates from July (Mid-session)
 - Full funding at \$43.2 billion
 - Balance of \$2.8 Billion at end of year
- Other possible outcomes with reduced revenue in FY 2009
 - Mid-session numbers may be optimistic
 - The next estimate will come in January
 - Any reduced estimate is now speculative

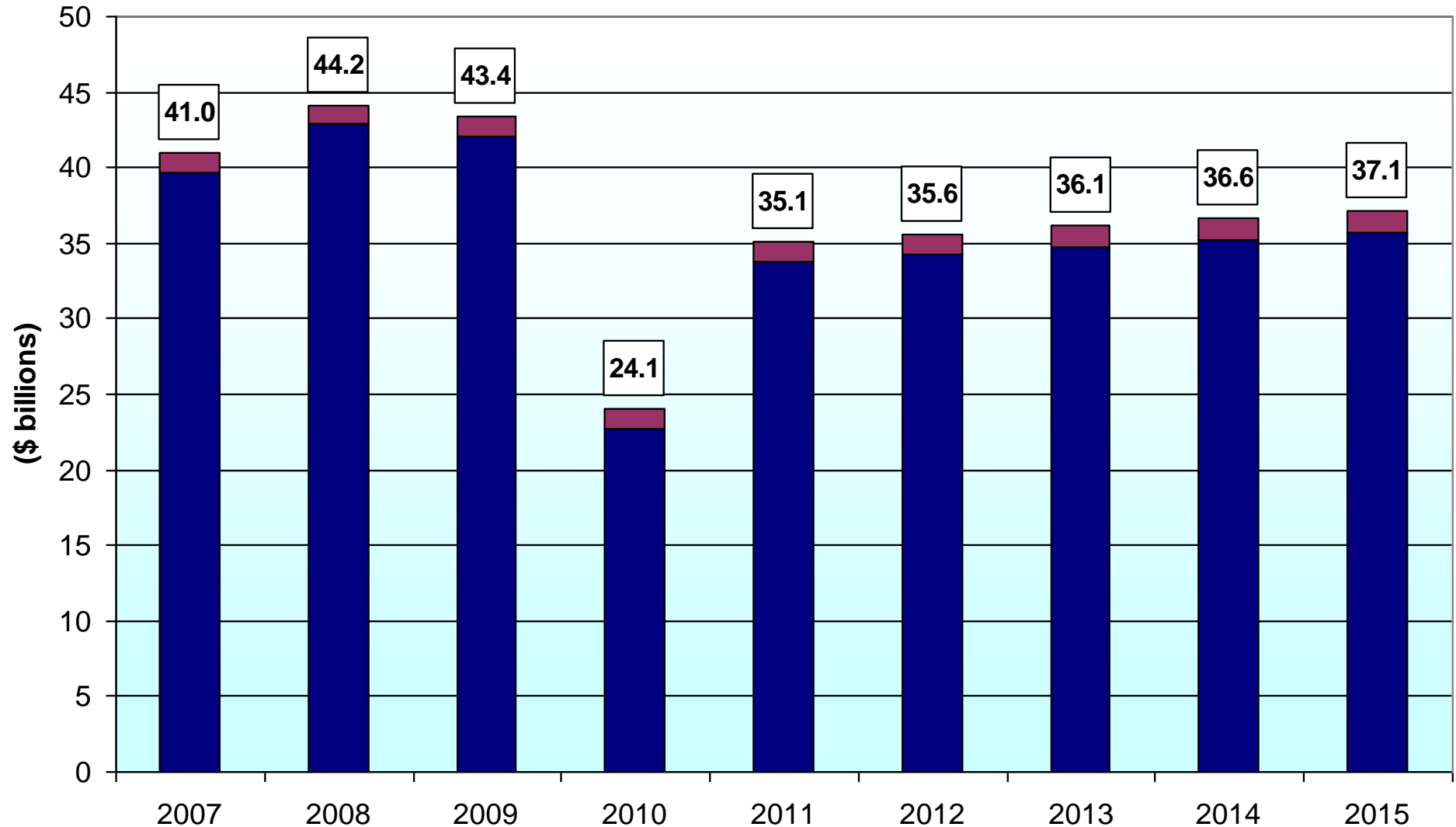
Highway and Transit Program Level and Trust Fund Revenue



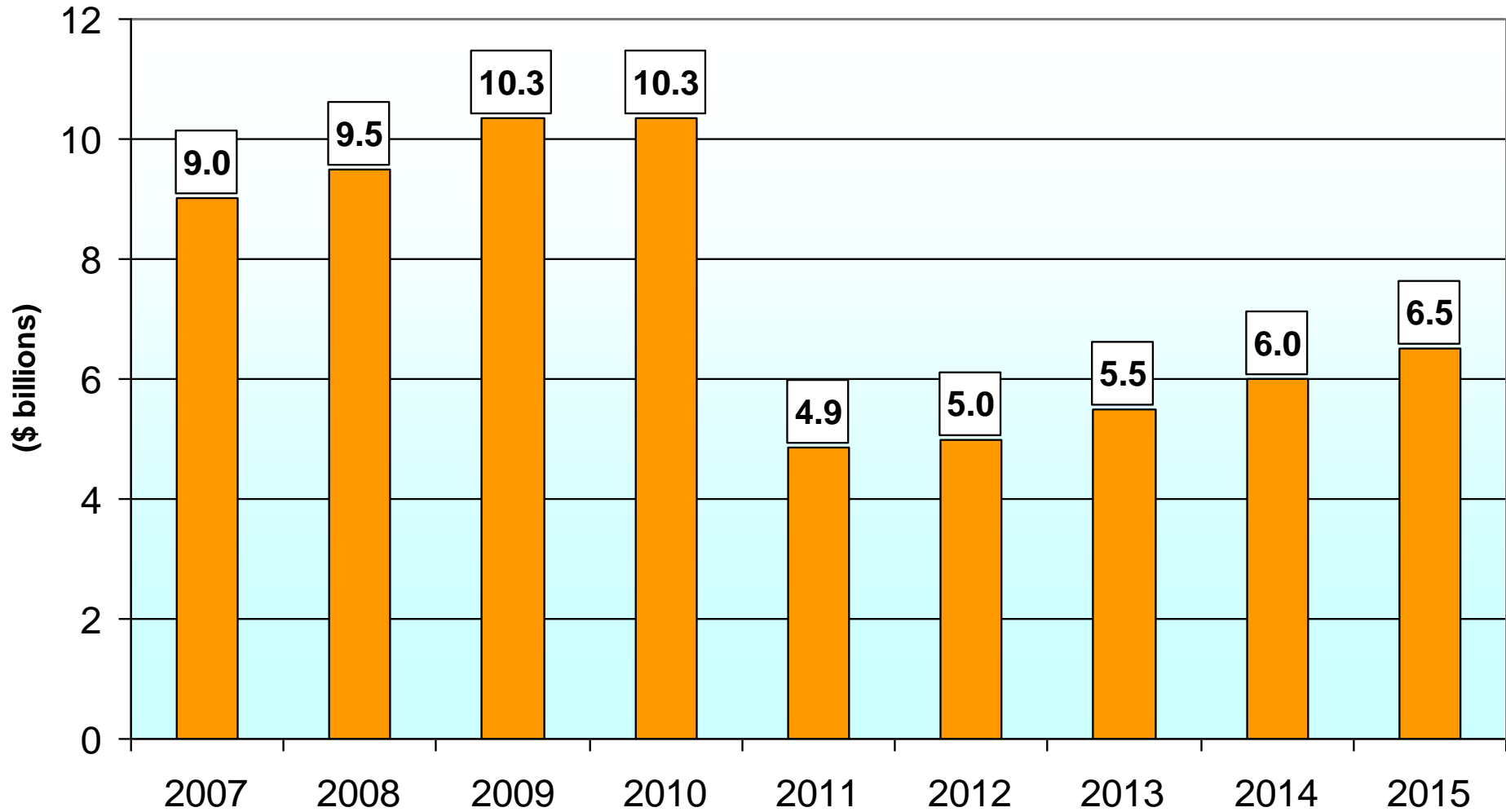
Highway Program Levels: 2007 - 2015

■ Core Programs (Fed-aid plus Exempt)

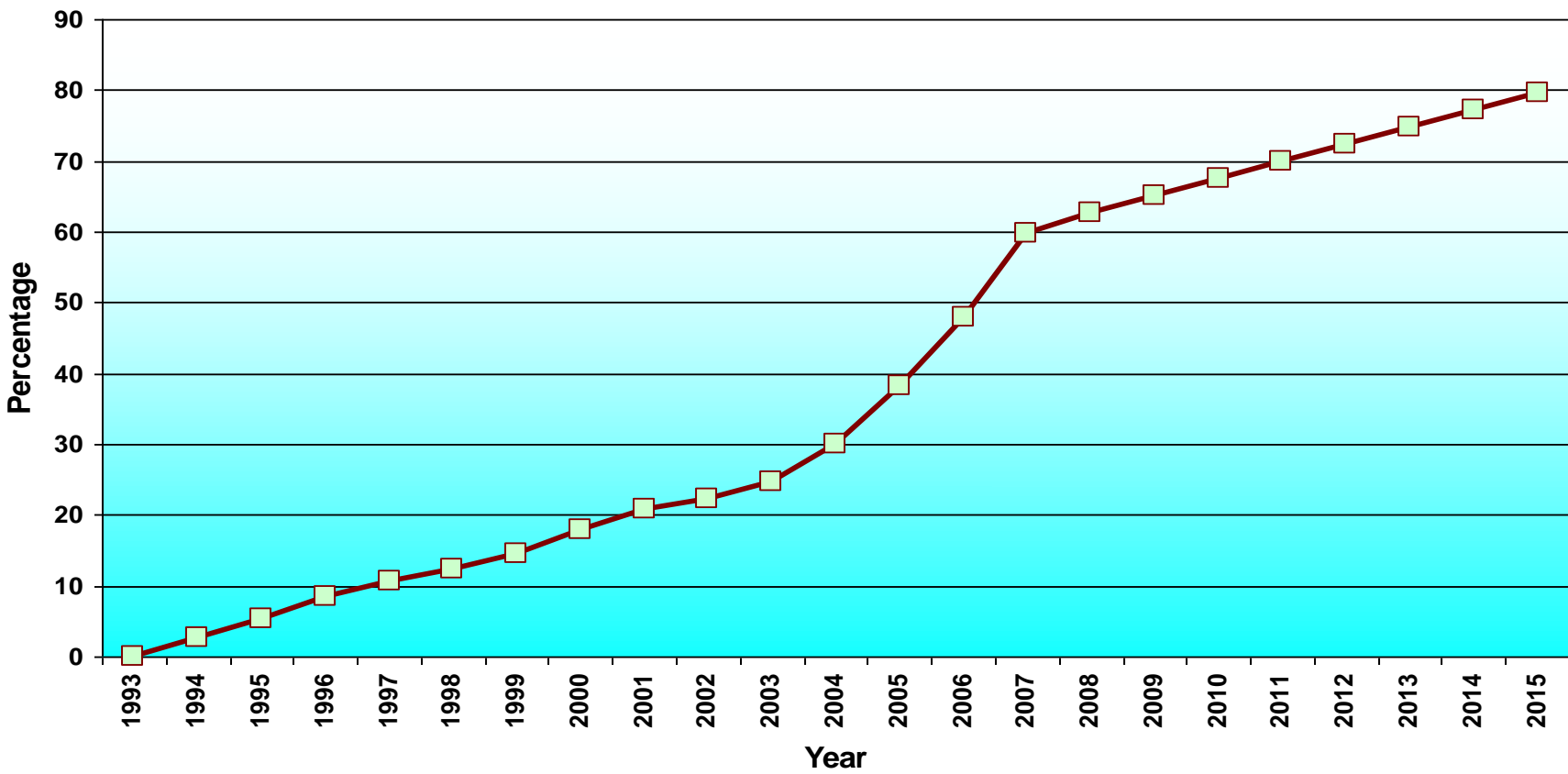
■ Safety Programs (FMCSA and NHTSA)



Transit Program Levels: 2007 - 2015

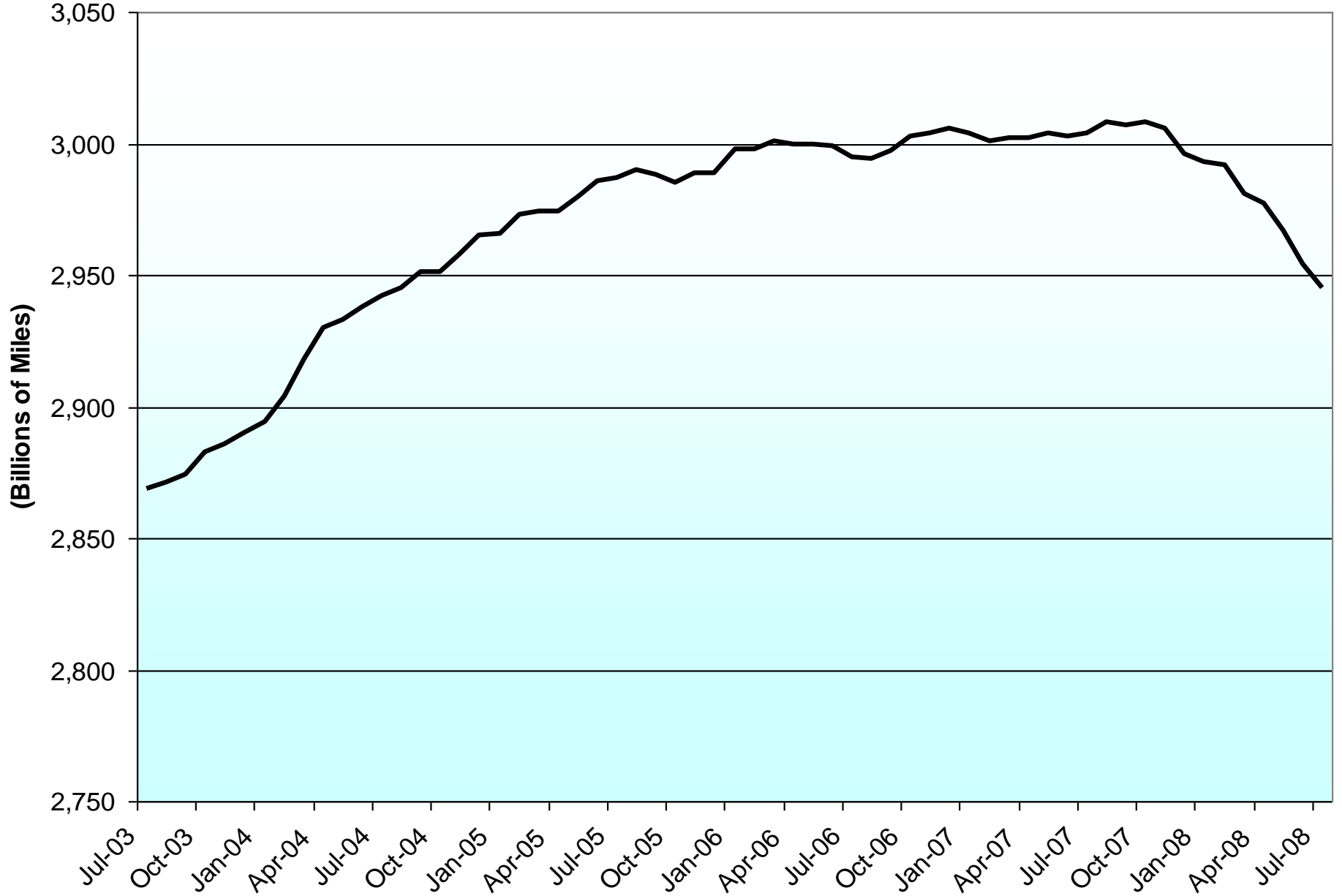


Percentage Reduction in Purchasing Power Between 1993-2015

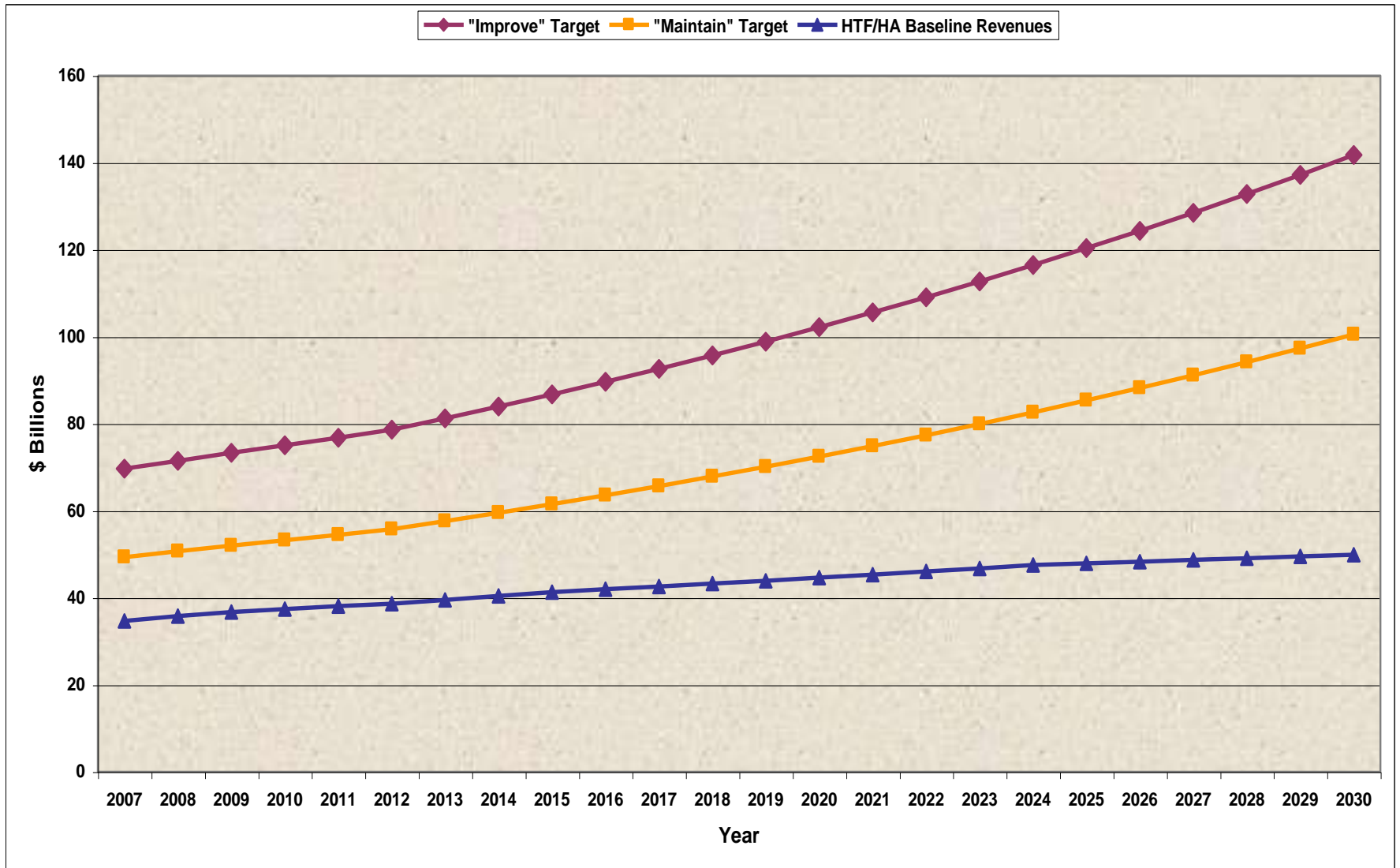


Vehicle Miles Traveled - July 2003 to July 2008

(Moving 12 Month Total)



"Federal Share" of Highway Investment (assumed to be 45% of total needs) Current Law HTF/HA Revenues extended through 2030



Note: Annual Revenue / VMT growth assumed to slow from 2.2% in 2007 to 0.7% by 2030.

Note: Nominal Federal gasoline tax rate assumed to remain at 18.4 cents through 2030.

Restoring Purchasing Power

Federal Highway Program Funding Needed to Restore Program Purchasing Power



Some Highway Trust Fund Options to Increase Revenues

Highway Program Level Made Possible 2015

- 10 Cent Rate Increase \$75 billion
- 10 Cent Rate Increase, Indexed to CPI \$82 billion
- Five Percent Sales Tax on Gas (if fuel prices increase 4% annually) \$85 billion
- 14.2 Percent Sales Tax on Gas in lieu of 28.4 Cent Gas Tax (if fuel prices increase 4% annually) \$95 billion

All Levels of Government Must Continue to Fund Their Share

National Capital Investment in Highways (\$ billions)

	2010	2015	Funding Increase Needed	New Toll Revenue	Net Required
Federal	\$43	\$75	\$32		\$32
State/ Local	\$52	\$95	\$43	\$8	\$35
Total	\$95	\$170	\$75	\$8	\$67

Looking Ahead

- It's not "SAFETEA-LU Reauthorization"; it's "Authorization" of an entirely revamped surface transportation program
- Most radical change expected since ISTEA in 1991 or perhaps Interstate Act in 1956

Preamble

- Surface transportation investment must be substantially increased.
- Requires increased revenues from traditional highway and transit funding mechanism.
- In the longer term, needs will continue to grow while revenues from fuel taxes will decline because of increased fuel efficiency and growing use of alternative fuel vehicles.
- Given this expected change, we need to identify sustainable revenues and mechanisms to fund transportation investments.

Considerations

- Federal government must continue to play a **strong role** in investing and maintaining an integrated and multimodal national surface transportation system.
- While a minimum distribution of Highway Trust Fund revenues to each state is appropriate, a greater proportion of Federal revenue should be distributed across **core programs**.
- Strong **accountability measures** must accompany substantially increased funding to ensure resources are spent as efficiently and effectively as possible.

Considerations

- Investment levels over the long-term need to correlate with **documented needs**.
- Investments in **safety and research** remain a compelling need.
- The **impact of inflation** on commodities and construction costs must be addressed in setting investment levels.

Competition of Ideas

- National Surface Transportation Infrastructure Financing Commission
- USDOT's *Refocus. Reform. Renew.* report
- ARTBA's Critical Commerce Corridors
- National Infrastructure Bank proposals
- Building America's Future Coalition
- Bipartisan Policy Center's National Transportation Policy Project
- America Moving Forward
- Intergovernmental Forum on Transportation Finance
- Transportation Transformation Group
- And others

Thank You

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