

Federal Transportation Funding is Reauthorization Going To Happen?

Funding Realities

Jack Basso

Director of Program Finance and Management



Session Discussion Topics

- America at a crossroads in transportation
- The current climate
 - The budget Federal\State is a driving force in future decisions
 - The Congress of the U.S. is stalled and is not moving forward
 - The financial backbone of the surface transportation programs is all but broken
 - New factors such as climate change and livability are on the table
- What is the Federal government's role going to be in the future?
- How will the nation best generate the required revenue for investment?

The Current Climate:
Discussing the Issues

The Current Climate

- The latest news:
- The Administration has announced its intention to rollout a long-term reauthorization proposal with the budget release in February, 2011
- The Congress will convene in a lame duck session in November
- The Highway Trust Fund has gone broke and required supplements
 - There is no support for increasing user fees
 - There are many competing goals at the national level

Obama Administration's Direction

- The long-term proposals unclear
- Some key features will likely include:
 - Livable communities
 - Major emphasis on transit
 - Congestion reduction
 - Passenger rail revitalization
 - Climate change
 - A National Infrastructure Bank
 - Front loaded funding

The Congress

- Facing difficult choices
 - The House of Representatives-Transportation and Infrastructure Committee has developed a bill
 - The Senate counterparts (EPW, Banking, ET AL) has not taken action but started work
 - The Congress passed and extension to December 31st.
 - Funding is in critical condition
 - Congress will need to act by the end of the year to continue the programs or they will shut down

The road ahead is bumpy

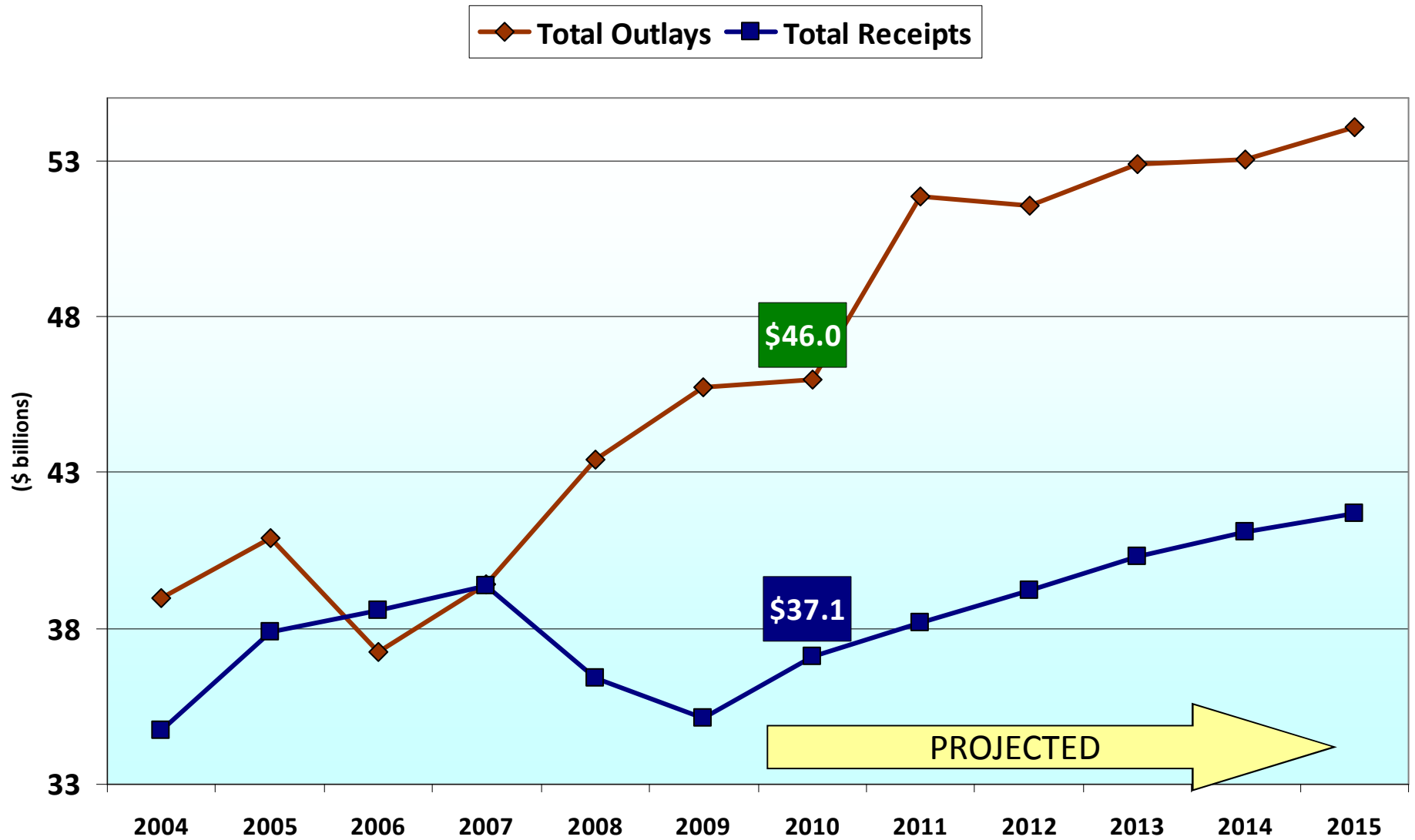
The Financial Backbone is All But Broken...

Where We Are Now

Congress acted to keep the Trust Fund Solvent

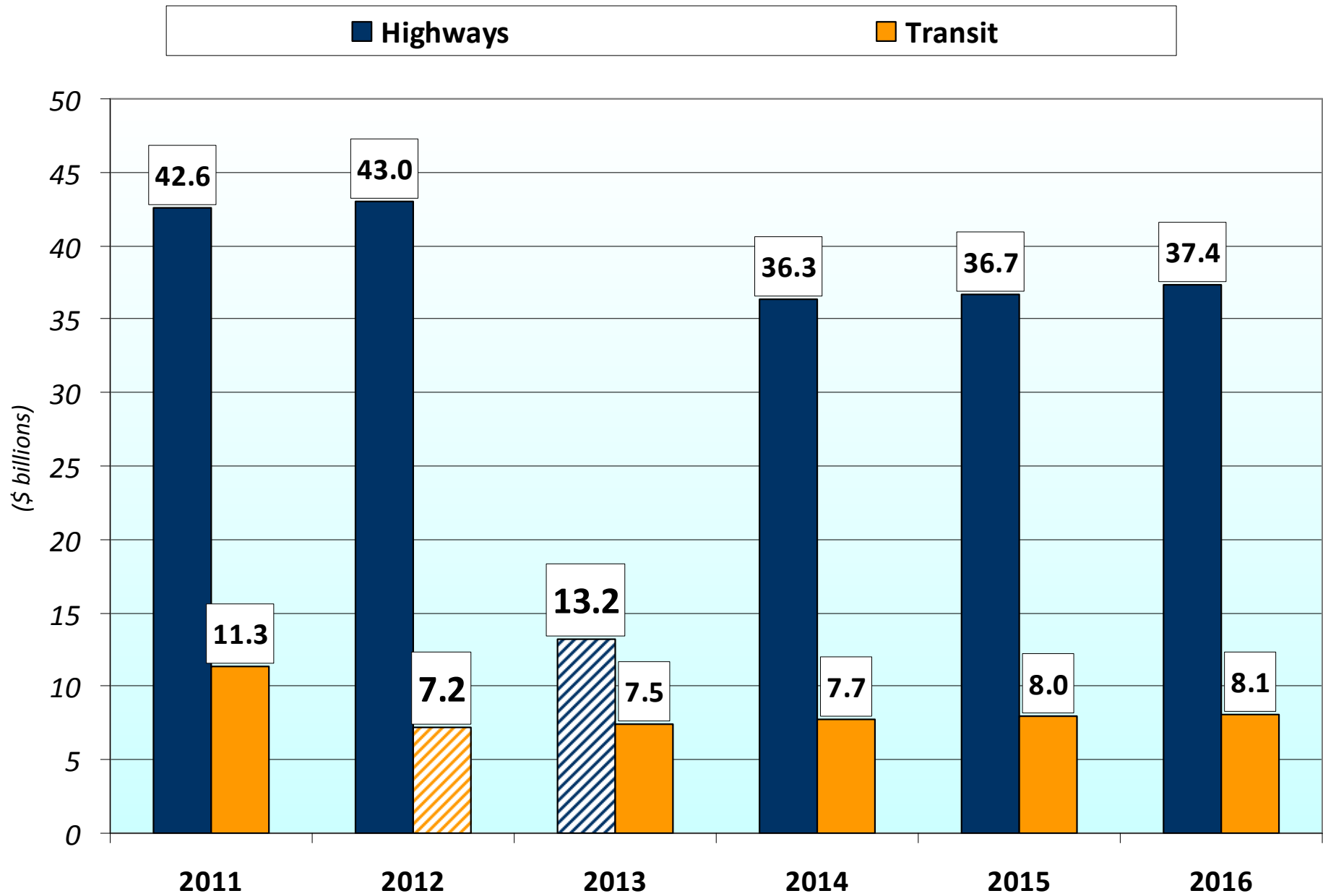
- o September 2008: \$8.017 billion General Fund transfer to the Highway Trust Fund
- o August 2009: \$7 billion General Fund transfer to the Highway Trust Fund
- o September 30, 2009: SAFETEA-LU expired
- o March 1, 2010: Highway Trust Fund shutdown for two days
- o March 18, 2010: \$19.5 billion in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

Highway Trust Fund: Receipts and Outlays Discrepancy



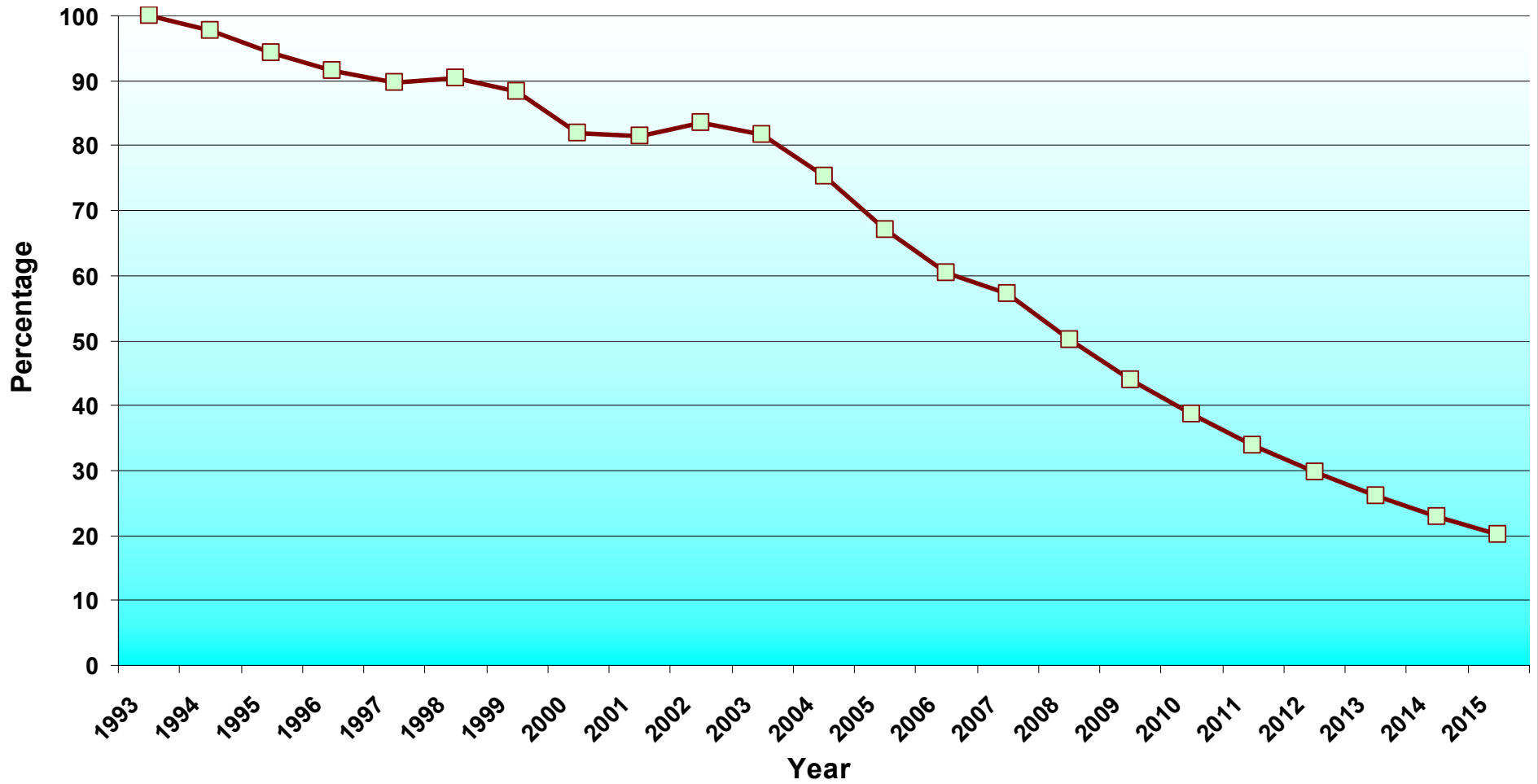
Note: Excludes \$8.017 billion transfer from General Fund to Highway Account of HTF in September 2008; \$7 billion transfer from General Fund to Highway Account of HTF in August 2009; \$19.5 billion transfer from General Fund to Highway and Mass Transit Accounts of HTF in March 2010.

Estimation of Reduced Program Spending Beyond 2011



Decline in Purchasing Power of Motor Fuel Taxes

(Based on Inflation since 1993)



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

Future Revenue Collection

- The current U.S system relies on fuel taxes
- We have seen a marked decline in revenues
- Two National Commissions have called for short and long-term solutions
- VMT collection systems have come to the forefront of options to consider

Future Revenue Collection

- In the short run, increase fuel taxes to fund a robust set of programs
- In the mid- to long-term, study the feasibility of alternatives, such as Vehicle Miles Traveled Fee
- AASHTO policy adopted in October 2008 calls for:
 - Adopt a long-range approach that moves to a distance based user fee system such as VMT
 - Fund a proof of concept test's of a VMT-based funding approach at \$50 million per year for 2010 through 2012 with a report to Congress by 2013

What are the considerations?

- Adequate research on new systems
- Bridging the gap between the needs today and new systems
- Overcoming problems such as perceived privacy issues
- Undertake evolution not revolution
- Develop communications to prepare for change

SUMMARY CONSIDERATIONS

- Again we are at a crossroad
- Congress and the Administration face difficult choices
- The nation will either benefit from our actions or be changed in negative ways
- The future is really now

Funding Realities for Reauthorization

QUESTIONS ?

Jack Basso

Director of Program Finance and Management

Email: jbasso@aaashto.org

Phone: +1-202-624-3508

