

**NARC**

*Building Regional Communities*

# Transportation Finance Subcommittee

Wednesday, January 20, 2010, 12 pm EST

The meeting will be starting shortly. Here are a few items that will help you navigate and participate in the webinar.

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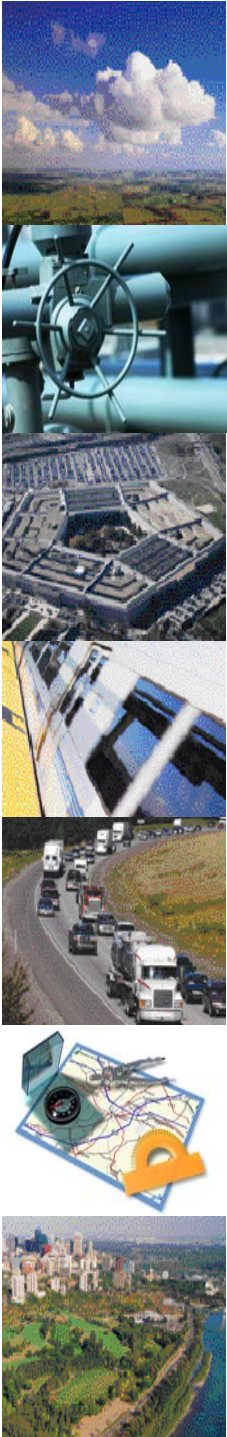
## 2. Technical Questions – please call Lindsey Riley at 202.679.6116 or email [lindsey@narc.org](mailto:lindsey@narc.org)

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# Transportation Finance Subcommittee

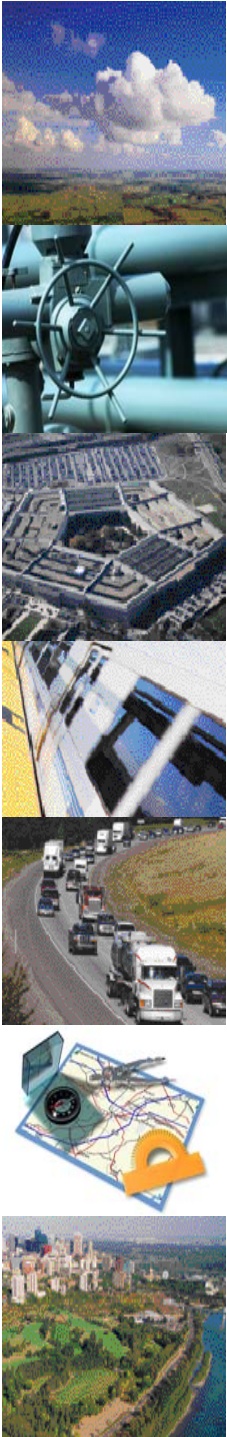
- Welcome!
- Introduction of Finance Chair, Eric Anderson, Maricopa Association of Governments
- Introduction of transportation funding rescissions
  - Background
  - Purpose
- Questions and General Discussion



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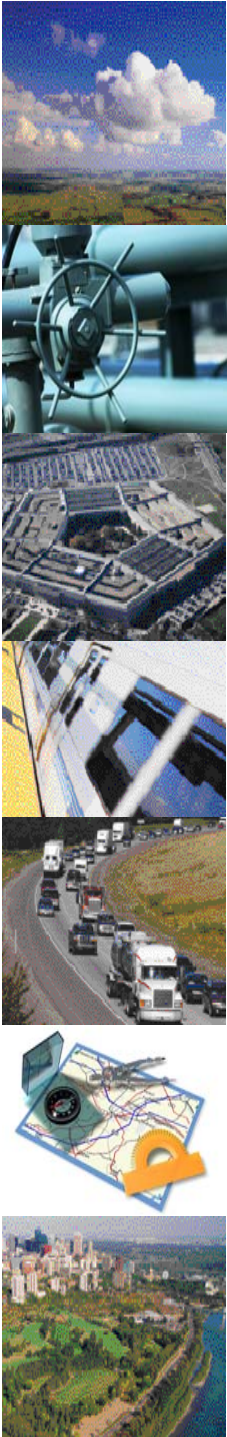
# Transportation Funding Rescissions - Background

- A variety of rescissions
  - SAFETEA-LU section 10212, \$8.078 billion
  - Annual appropriations rescissions
  - The Energy Independence and Security Act of 2007 (EISA) (P.L. 110-140)
    - P.L. 110-140 mandates that, for FY08 and FY09, the federal share of CMAQ be 100% of the cost of the CMAQ eligible project.
    - To pay for the CMAQ provision, Congress allowed States to rescind up to 110% of their proportionate share of the programs contained in Title 23
    - This allows the rescission of metropolitan planning funding.



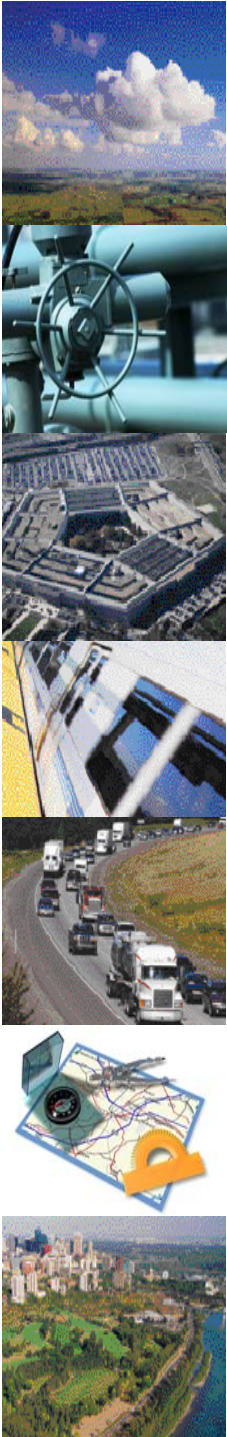
# Transportation Funding Rescissions - Background

- As the provision is left to the individual states to determine, applications of this provision vary both across and within states.
- This has created varying degrees of complexity and understanding within Congress as to the extent of this problem



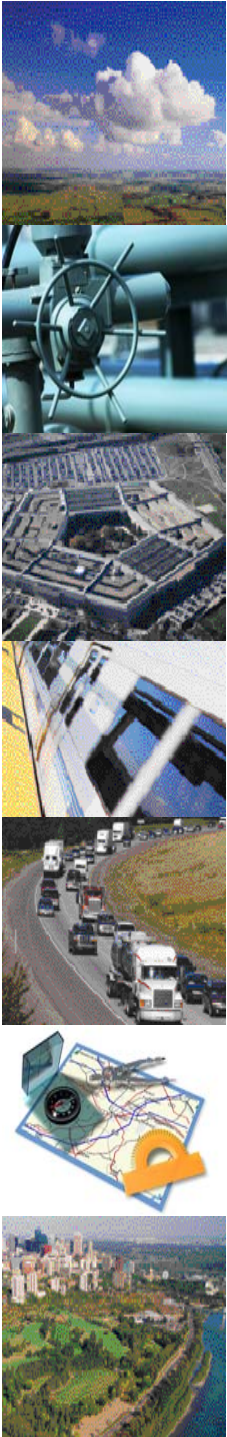
# Transportation Funding Rescissions - Purpose

- State/Regional relationship
  - What has been the role of the state DOTs?
  - What has been the role of the MPO?
- The effect of the rescissions on regional transportation programs and the upcoming “Jobs” bill



# Transportation Funding Rescissions - Purpose

- A state DOTs perspective
  - Joung Lee – AASHTO
- The MPO experience
  - Jennifer Schaufele – DrCOG
  - Eric Anderson – MAG
  - Warren Henry - TMACOG



# *AASHTO Update on Funding and Authorization*

**Joung H. Lee**

*Associate Director for Finance and Business Development*

American Association of State Highway and Transportation Officials

*Deputy Director*

AASHTO Center for Excellence in Project Finance

20 JANUARY 2010

## Session Objectives

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

# State Spending

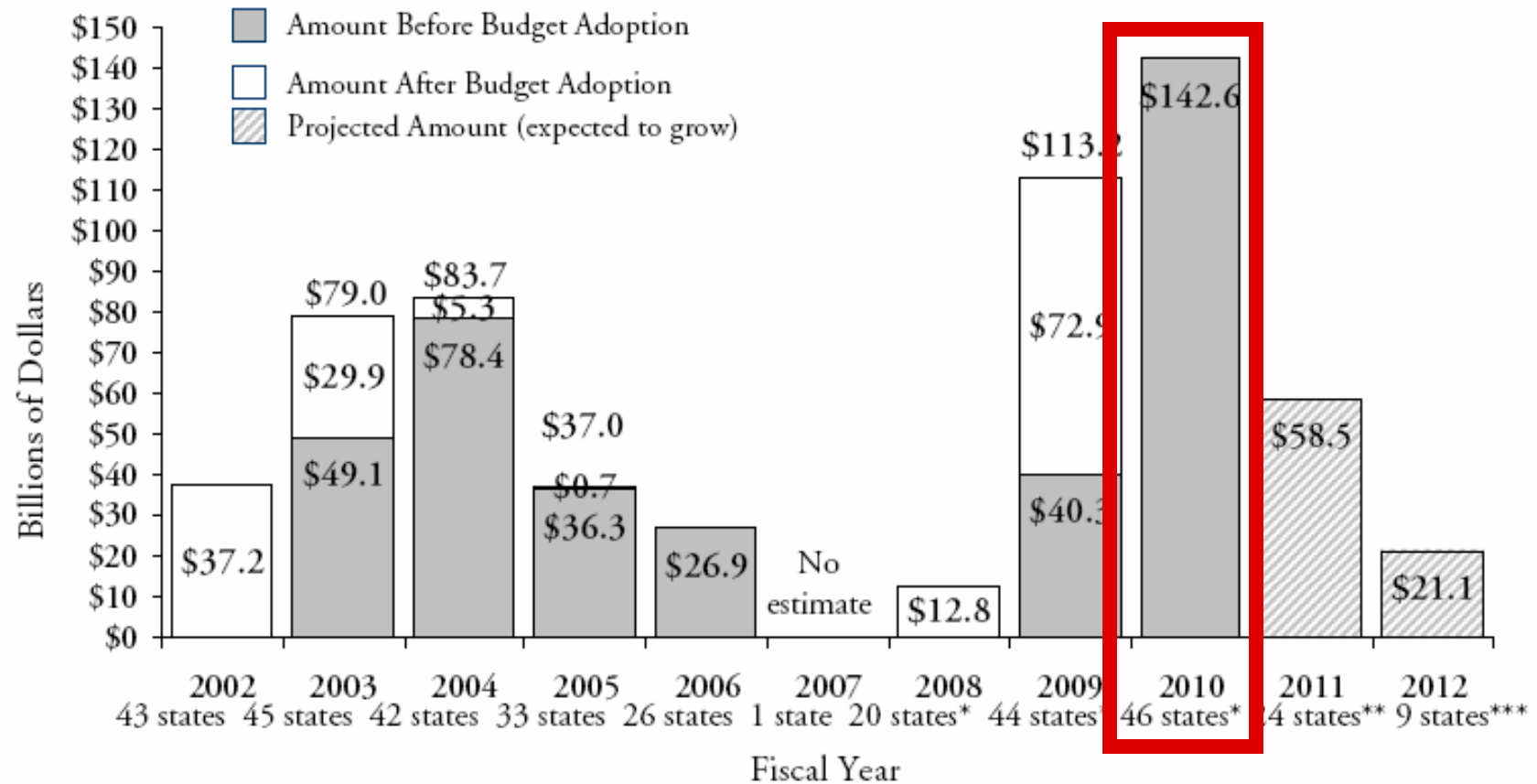


## Transportation Spending Cuts in 19 States in FY 2010

- Arizona
- California
- Delaware
- Georgia
- Idaho
- Illinois
- Louisiana
- Massachusetts
- Maine
- Michigan
- Minnesota
- North Carolina
- New Jersey
- New York
- South Carolina
- Utah
- Virginia
- West Virginia
- Washington

*Source: National Association of State Budget Officers*

## Figure 1. State Budget Gaps FY 2001-FY 2012 (projected)



\*Includes Puerto Rico

\*\* 31 states and Puerto Rico forecast FY 2011 gaps. The amount shown for FY 2011 indicates the 24 states that provided gap estimates.

\*\*\* 15 states forecast FY 2012 gaps. The amount shown for FY 2012 indicates the nine states that provided gap estimates.

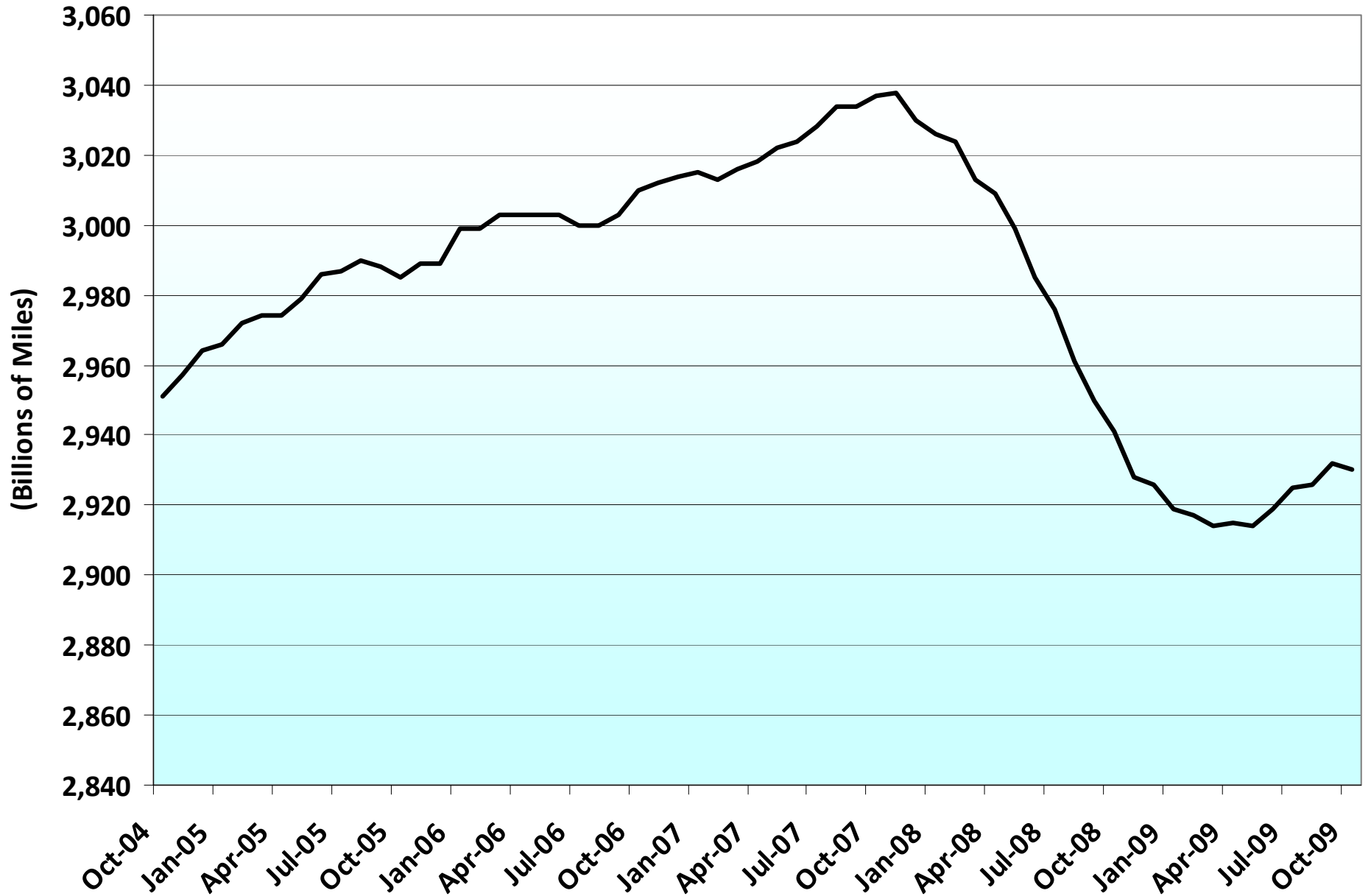
Source: NCSL survey of legislative fiscal offices, various years.

# Current Trends and Challenges

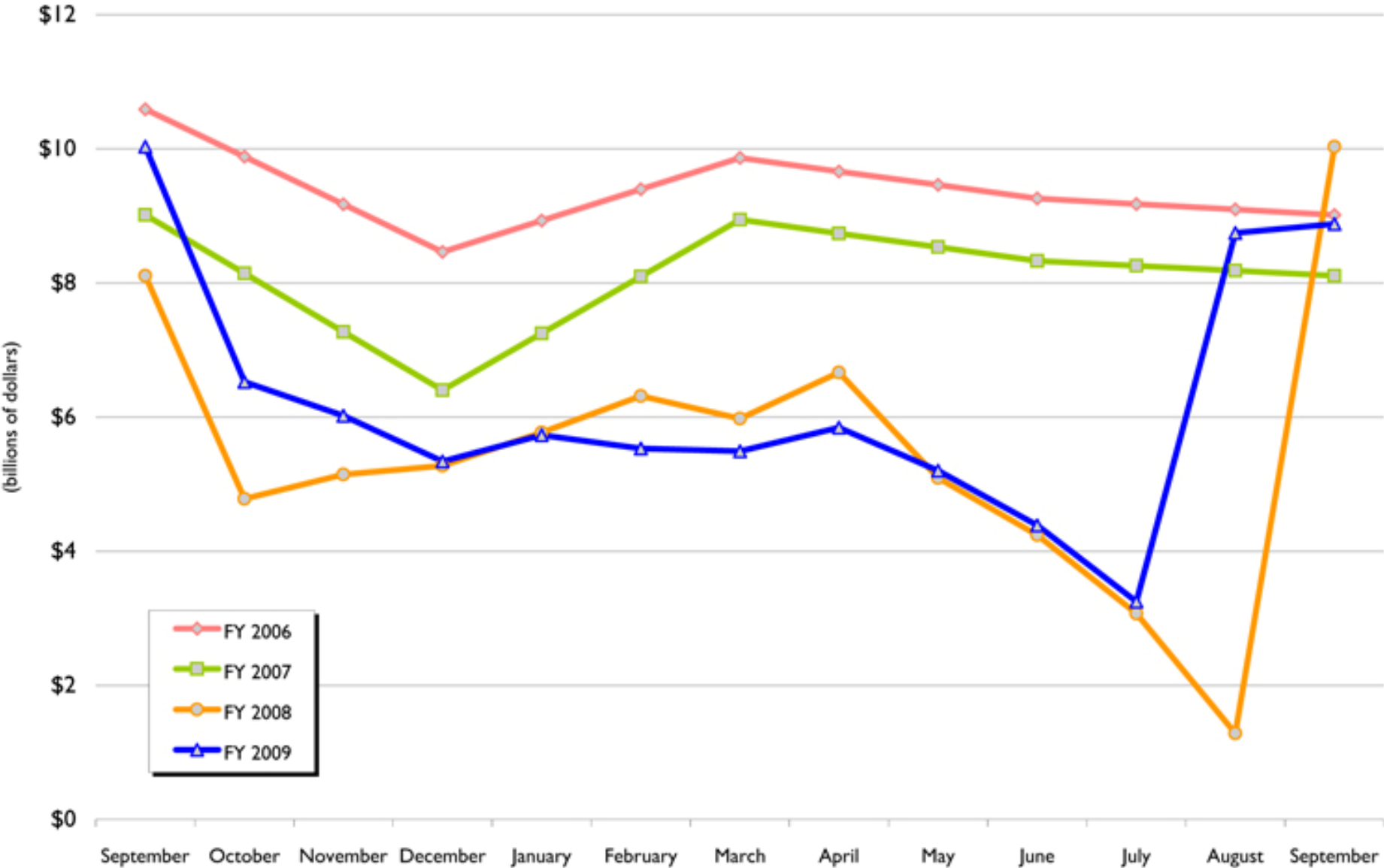


# Vehicle Miles Traveled - October 2004 to October 2009

## (Moving 12 Month Total)



# Highway Account Balance

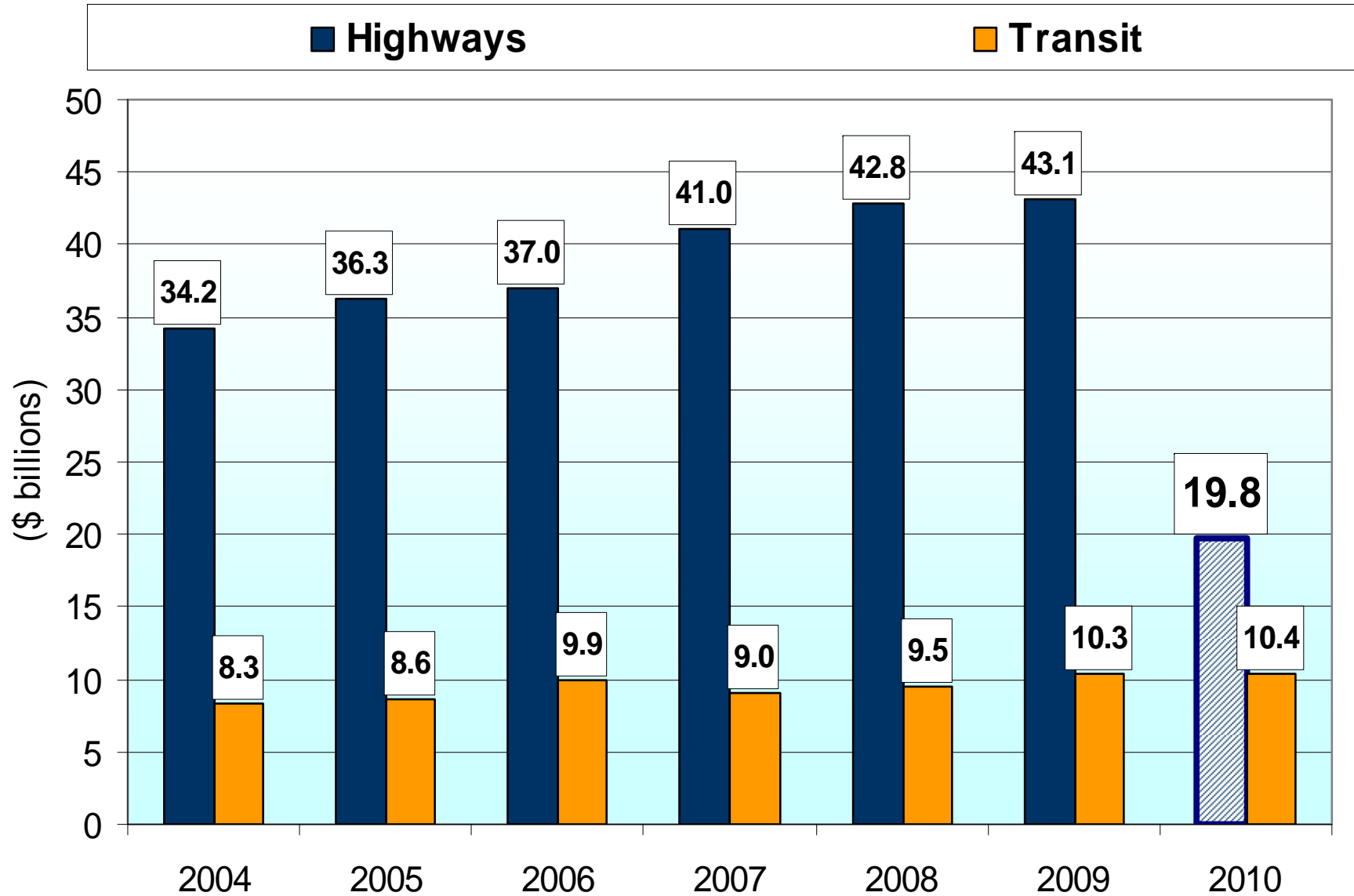


Ending balance for FY 2008 includes \$8.017 billion transferred from the General Fund in September 2008 pursuant to Public Law 110-318.

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

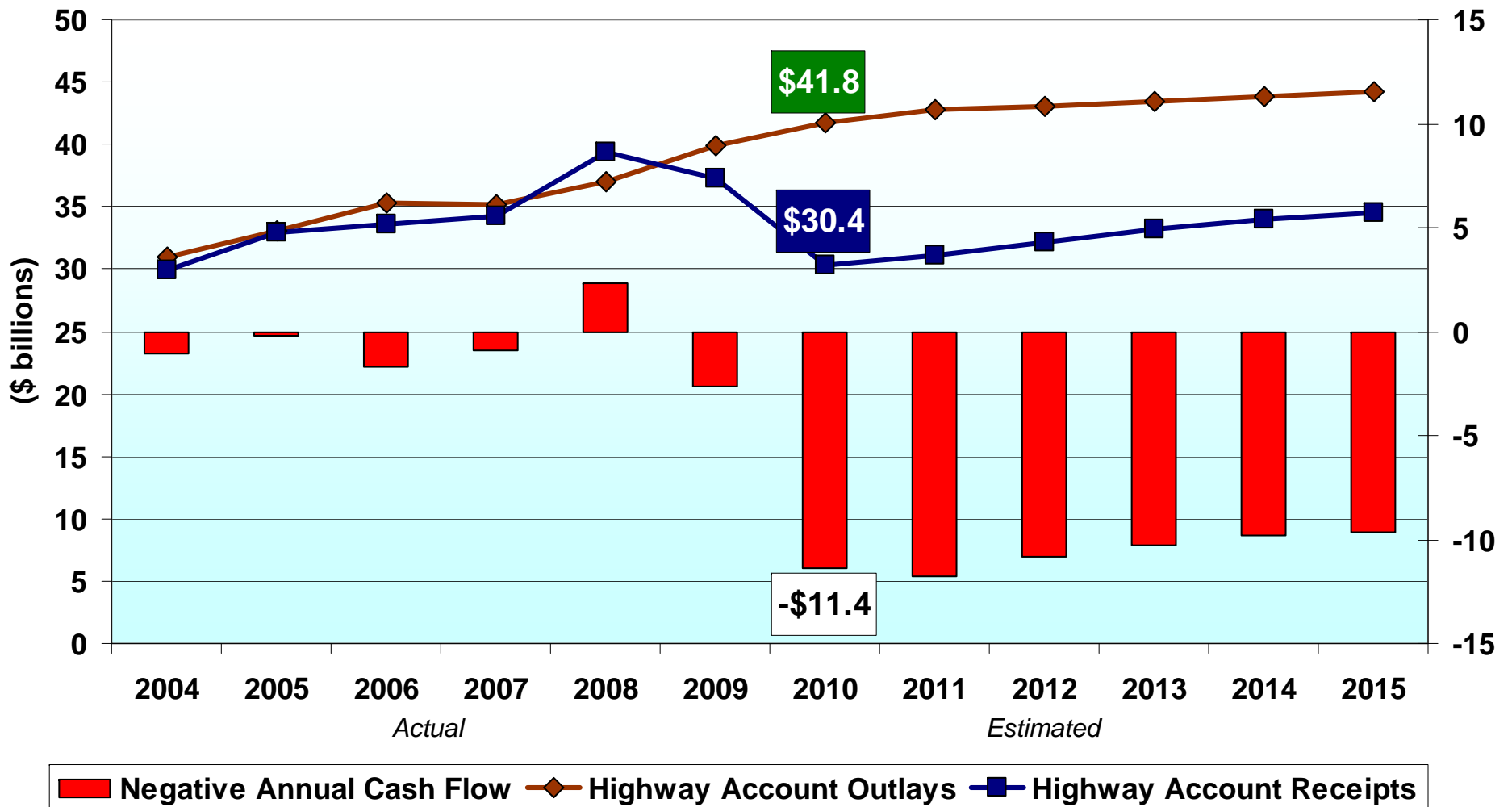
Source: Federal Highway Administration

# Reduced Highway and Transit Program Levels



Note: Baseline projection from FY 2010 Budget using CBO Summer 2009 baseline receipts estimates

# Highway Account of the Highway Trust Fund: Receipts and Outlay Discrepancy



\*Excludes \$8.017 billion transfer from General Fund to Highway Account of HTF in September 2008.

\*\*Excludes \$7 billion transfer from General Fund to Highway Account of HTF in August 2009.

# Surface Transportation Authorization



# Surface Transportation Authorization Act of 2009

## Funding

- Total funding \$450 billion; a \$500 billion with High Speed Rail
- \$337.4 billion in Highway investment
  - \$100 billion for Capital Asset Improvement (NHS, IM, Bridge)
  - \$50 billion for Metropolitan Mobility and Access (MMA)
  - \$25 billion for Projects of National Significance
  - \$162.4 billion for other FHWA-administered programs (e.g. Highway Safety Improvement, Surface Transportation, CMAQ, Freight, etc)
- \$99.8 billion transit
  - \$87.6 billion from HTF
  - HTF share was 15.2% in SAFETEA-LU; it is increased to 19.5% in STAA
  - \$12.2 billion from GF
- \$50 billion high speed rail corridors
- \$12.6 billion Motor Carrier Safety

# Surface Transportation Authorization Act of 2009

- Specific authorizations are not included in the bill nor are the apportionment formulas
- While the top line numbers are in the bill there is no specific breakdown by category and no formulas or runs that would show state shares or return on contributions
- There is no revenue title to be bill yet

# AASHTO's Vastly Expanded Funding Proposal

AMERICAN ASSOCIATION OF  
STATE HIGHWAY AND  
TRANSPORTATION OFFICIALS  
**AASHTO**  
THE VOICE OF TRANSPORTATION

TRANSPORTATION—Are We There Yet?  
Creating America's Future  
Transportation System—2009

**future**



## 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

## Surface Transportation Funding Options Matrix (all revenue estimates in \$millions)

Funding Mechanisms	Mechanism Yield (2010)	Illustrative Rate	Annual Revenues 2010	Average Annual Revenues 2010-2015	Total Revenues 2010-2015
Annual Highway Miles Traveled Fee (Cars Only)	1¢/VMT = \$ 17,298	1.0¢	\$ 17,298	\$ 17,616	\$ 105,696
Annual Highway Miles Traveled Fee (All light duty vehicles)	1¢/VMT = \$ 27,610	1.0¢	\$ 27,610	\$ 28,682	\$ 172,094
Annual Highway User Vehicle Fee	\$1.00 Fee = \$ 263	\$1.00	\$ 263	\$ 275	\$ 1,652
Carbon Tax or Cap And Trade Auction Proceeds	1¢/gal or equiv = \$ 553	30.0¢	\$ 16,594	\$ 17,250	\$ 103,501
Container Tax	\$1 per TEU = \$ 57	\$20.00	\$ 1,137	\$ 1,336	\$ 8,013
Diesel Tax Increase Plus Indexing	1¢/gal = \$ 411	13.0¢	\$ 5,337	\$ 5,976	\$ 35,856
Existing Highway Trust Fund Sources			\$ 40,566	\$ 42,569	\$ 255,413
Gas Tax Increase Plus Indexing	1¢/gal = \$ 1,380	10.0¢	\$ 13,796	\$ 15,082	\$ 90,489
General Fund Support for Intercity Passenger Rail			\$ 3,000	\$ 3,000	\$ 18,000
General Fund Transfers for Transit			\$ 3,167	\$ 3,167	\$ 19,000
Index Existing Highway Trust Fund Sources Beginning in 2010			\$ 791	\$ 3,032	\$ 18,192
Index Heavy Vehicle Use Tax Retroactively to 1997			\$ 411	\$ 536	\$ 3,217
Interest on Highway Trust Fund Balances			\$ 200	\$ 200	\$ 1,200
Motor Fuel Tax Exemption Reimbursement (Retroactive and Future)			\$ 1,057	\$ 1,099	\$ 6,593
Sales Tax on Motor Fuels	1.0% of Sales = \$ 6,136	2.5%	\$ 15,340	\$ 15,658	\$ 93,949
Share of US Customs Revenues	1% of Receipts = \$ 314	5.0%	\$ 1,570	\$ 1,817	\$ 10,904
Tax Credit Bonds for Highways and Transit			\$ 8,333	\$ 8,333	\$ 50,000
Tax Credit Bonds for Intercity Passenger Rail			\$ 4,167	\$ 4,167	\$ 25,000
Ton Freight Charge -- All Modes	1¢/ton = \$ 162	10.0¢	\$ 1,617	\$ 1,801	\$ 10,804
Ton Freight Charge -- Truck Only	1¢/ton = \$ 111	10.0¢	\$ 1,115	\$ 1,242	\$ 7,452
Ton-Mile Freight Charge -- All Modes	1¢/ton-mile = \$ 42,763	0.1¢	\$ 4,276	\$ 4,763	\$ 28,579
Ton-Mile Freight Charge -- Truck Only	1¢/ton-mile = \$ 12,516	0.1¢	\$ 1,252	\$ 1,394	\$ 8,365
US Freight Bill -- All Modes	1% of Sales = \$ 7,708	1.0%	\$ 7,708	\$ 8,585	\$ 51,513
US Freight Bill -- Truck Only	1% of Sales = \$ 6,497	1.0%	\$ 6,497	\$ 7,237	\$ 43,420
Vehicle Sales Tax on New Passenger Cars/Light-duty Trucks	1% of Sales = \$ 4,853	2.0%	\$ 9,707	\$ 10,812	\$ 64,870
Vehicle Sales Tax on New/Used Passenger Cars/Light-duty Trucks	1% of Sales = \$ 9,012	2.0%	\$ 18,024	\$ 20,077	\$ 120,461
<b>Total Revenues</b>			<b>\$ 210,831</b>	<b>\$ 225,705</b>	<b>\$ 1,354,232</b>

# 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>

## Current State of Play

- Obama Administration is currently undertaking reauthorization Listening Sessions around the country
  - 1 Dec 09 kickoff in New Orleans
  - 25 Jan 10 in Minneapolis with Chairman Oberstar
- Continuing Resolution (HR 3326) until 28 Feb 10
  - Provides FY 2009 POST-rescission budget authority for highways
  - \$30 billion annualized level instead of \$42 billion
  - Signed into law on 19 Dec 09

## Current State of Play – HR 2847

- Extension of Highway Trust Fund Programs until 30 Sep 10
  - Maintains FY 2009 pre-rescission spending level
  - Passed House
- The Jobs for Main Street Act of 2010
  - Funded out of outlay savings from TARP program
  - \$154 billion measure allocates \$36.7 billion for highways, transit, and Amtrak
  - Credits Highway Trust Fund with \$19.5 billion in foregone interest payments
  - Allows HTF to accrue interest
  - Passed House; awaiting Senate floor time

## AASHTO SURVEY—READY-TO-GO PROJECTS

Mode	Number of States Reporting	Number of Projects	State Estimates
Highway	51*	7,497	\$47.26 billion
Transit	34	983	\$9.77 billion
Rail	20	234	\$3.49 billion
Port	11	80	\$0.58 billion
Aviation	16	528	\$1.81 billion
Intermodal**	9	266	\$6.63 billion
<b>TOTAL</b>	<b>50*</b>	<b>9,588</b>	<b>\$69.55 billion</b>

Committee on Transportation and Infrastructure  
 Transportation and Infrastructure Investment Included in  
 H.R. 2847, the "Jobs for Main Street Act, 2010"

*December 16, 2009*

Transportation and Infrastructure	Total Investment	Jobs Created
Highways	\$27,500,000,000	765,133
Transit	\$8,400,000,000	253,539
Amtrak	\$800,000,000	22,258
Airport Improvement Program	\$500,000,000	13,912
Maritime Guaranteed Loan Program	\$100,000,000	55,646
Clean Water State Revolving Funds	\$1,000,000,000	27,823
Army Corps of Engineers	\$715,000,000	19,893
<b>Total</b>	<b>39,015,000,000</b>	<b>1,158,204</b>

## Current State of Play

- There is great uncertainty right now
- Broader variables: unemployment situation and deficit-spending appetite
- It is important to pass the six-year authorization bill soon, as state DOTs and contractors depend on long-term investment time horizons
- Any action should not reverse the progress made through the stimulus legislation

# Thank You

**Joung H. Lee**

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# A Plea for Improved National Collaboration

**Colorado's Experience with the  
2009 SAFETEA-LU Rescissions**

Colorado Department of Transportation  
Denver Regional Council of Governments

# The Issue

- Winter 2008, Colorado was anticipating losing ~ \$159M to rescissions by September 2009
- Flexibility for administering rescissions was eliminated by 2007 Energy Bill
  - Proportionality
  - Exemptions, e.g., STP-Metro
  - DRCOG lost ~\$.5M with 2008 Appropriations/Rescission
- Colorado's situation
  - Unobligated balances to cover prior SAFETEA-LU rescissions dried up so additional rescissions would impact planned projects
  - Colorado MPOs would lose PL funds
    - Nearly 30% of DRCOG's transportation budget could be cut
    - 2 small MPOs would have to close their doors

# Identified potential solutions

- Winter 2008
  - CDOT and MPOs partnered on the issue
    - Developed White Papers
    - Sent joint letters to the Congressional Delegation signed by all the EDs
  - Identified potential solutions (progress hindered because the bill was authored by T&I Chair)
    - Eliminate 2009 Appropriations Rescission
      - Budgetary constraints, e.g., paygo
    - Use all unobligated funds first
    - Pass a waiver for Colorado
    - Exempt PL funds

# Finding potential solutions was easier than finding supporters

- Early supporters
  - Colorado Congressional Delegation
  - Key Congressional Committee Staff
  - NARC & AMPO
- Looked for additional support, but found very little
  - With the exception of NARC and AMPO staff, we found minimal early support outside Colorado
  - Members of Congress were hearing, and literally saying to us, “this is a Colorado problem; no one else is impacted”

# Used supporters where we found them

- Early 2009
  - CDOT and DRCOG met w/EPW staff
    - NARC and AMPO were working with them and T&I staff
    - Met with most of EPW staff for nearly an hour; even they were confused about some details but understood our dilemma
    - EPW staff were taking a wait and see approach
  - NARC asked membership to contact their delegations
- Summer 2009
  - Language was included in 2009 Appropriations bill avoiding rescission of “real” dollars in Colorado
  - Colorado’s Senate delegation staff strongly advised looking for other impacted states prior to end of SAFETEA-LU

# Sounding the alarm – July 2009

- APA, ACT, AMPO, NACTO, NADO, NARC sent joint letter to FHWA
  - Argued PL funds were exempt based on 2009 Omnibus Appropriations Act
- Colorado initiated targeted campaign
  - Governor, CDOT and DRCOG EDs talked with Secretary LaHood
    - Follow up with a letter from Colorado MPOs
  - CDOT ED wrote all other 49 DOTs
  - Mickey walked the halls in Congress delivering rescission package and talking with members and key staffers
  - Jennifer contacted intermountain and desert southwest TMAs to describe problem
    - Arizona, Arkansas, California, Idaho, Kansas, Missouri, Montana, New York Metropolitan Area, Nebraska, New Mexico, Nevada, North and South Dakota, Ohio, Oklahoma, Oregon, Utah, Washington, Wyoming
    - Encouraged writing letters, making personal visits and calls to delegation members
    - Provided weekly updates, conference calls, sample materials for distribution

# Sounding the alarm – August 2009

- Amendments offered to repeal SAFETEA-LU rescission
  - Support from Senator Boxer but ‘not the right time’
  - Some members asking us to ‘turn down the heat’ – convinced fix would come
- In response to joint letter, FHWA disagreed PL funds were exempt from rescissions
  - Verbally however, FHWA began acknowledging rescissions were going to be bigger problem than originally anticipated
  - FHWA initiated conference call with DOTs
- September 24 – Senate/House Conference Committee struck language to repeal rescission
- FHWA unveiled new interpretation to implement rescissions
  - Rescission still cost Colorado \$50M

# Too little, too late

- NLC, US Chamber, National Governor's Association came out in opposition to rescissions
  - Support came very late – generally mid/late September with some exceptions
  - Some MPOs in California were supportive but continued reporting their state didn't have a problem

# Doing better going forward

- Tremendous value of having good DOT/MPO relationship
  - Build and maintain good working relationships
    - Staff, Executive Directors, Boards/Commission, state legislature
  - No good comes from lack of communication
    - Ask, explain, re-explain; “show me why this is/isn’t a problem”
    - Develop strategies together; share data, information and responsibilities
- Everything about MPOs is political; act accordingly
  - Get to know your Delegation members and their staff
  - Share issues with all your members throughout the year
  - Get your elected officials educated and involved
- Communicate your challenges with your peer agencies — maybe you have common issues and can support one another

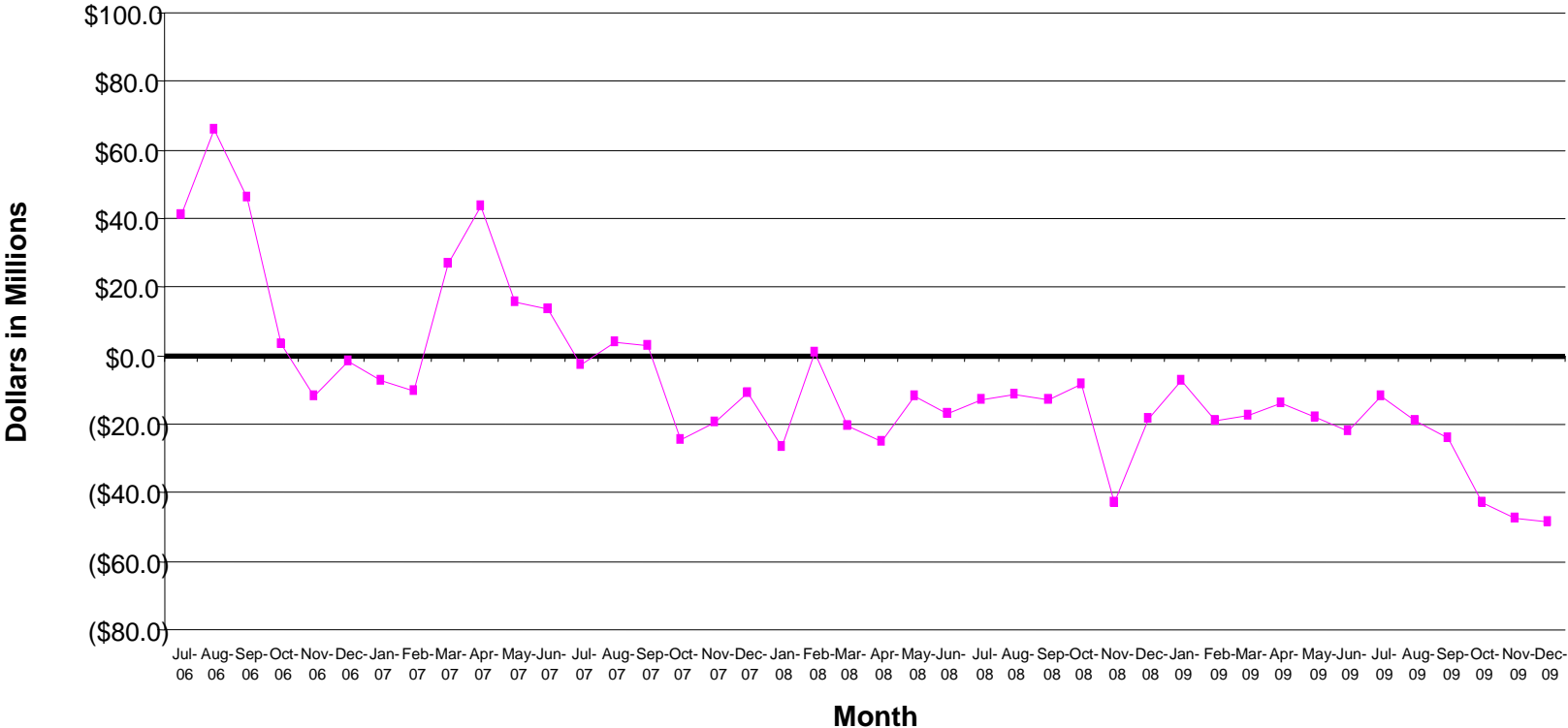
# Rescission of Contract Authority

If someone tells you they understand federal transportation finance they will also lie about other things.

# Arizona Impact

- FY 2009 Rescission: \$170 million in Arizona
- Reductions by Funding Category
  - Except for PL Funds which were fully obligated
- Rescissions Carried Forward in Continuing Resolutions
  - Lack of Apportionment for FY 2010
  - Potential one-third reduction in available federal funding
  - Significant impact on PL funds in FY 2010
- Awaiting final close-out figures for FY 2009

# ADOT State Highway Fund Low Cash Balance FY 2007 – FY 2010



—■ Low SHF Balance

# Transportation Rescissions Update

## Impact of Funding Rescissions in Ohio

Warren Henry, P.E.  
Vice President Transportation  
TMACOG  
January 20, 2010



# Transportation Rescissions Update

## ODOT Transportation Budgeting

- **ODOT business decisions based on ELLIS**
  - State Project Management Database
- **Using ELLIS data, forecast obligation limit**
  - Six step methodology adopted 2005
  - Performed annually
  - Estimates real cash, not apportionment
  - Ob limits applied to both State and MPOs

# Transportation Rescissions Update

## Impact of Rescissions in Ohio

- **Reduced apportionment balances**
  - All programs: \$308 million
  - Planning: \$413 thousand
- **Obligation limits not affected**
- **MPO budgets not reduced**

# Transportation Rescissions Update

## ODOT Motivation & Benefits

- **Mutual best interests of Agency and MPOs**
  - Minimize program uncertainty
  - Treat both state agency and MPOs the same
- **Collaboration with MPOs**
  - Policy making and legislative input
  - Implement largest construction program in Ohio history with personnel levels at a 30 year low

# Transportation Rescissions Update

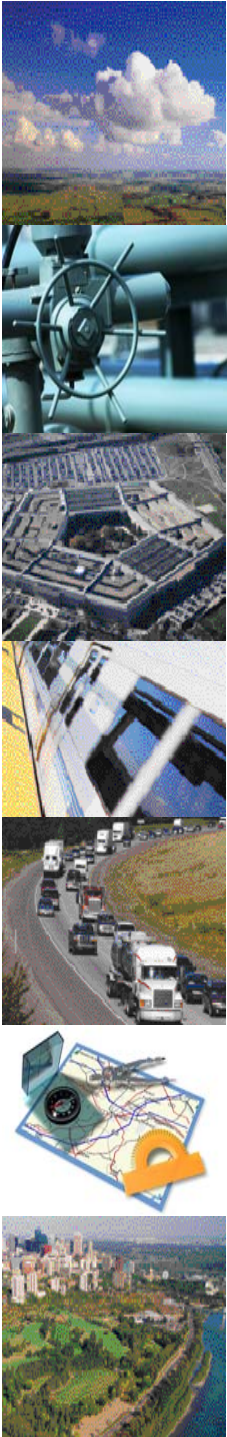
## TMACOG Budget Challenges

- **Stability of Federal and State funding**
  - ODOT foresight, no tangible rescission impact
- **Ability to generate local match (23.5% of our budget)**
  - Decline of local assessed valuation & population
- **Impact on federal funding policy & legislative decision making process**
  - Political process
  - NARC



# Transportation Funding Rescissions – Briefing Memo

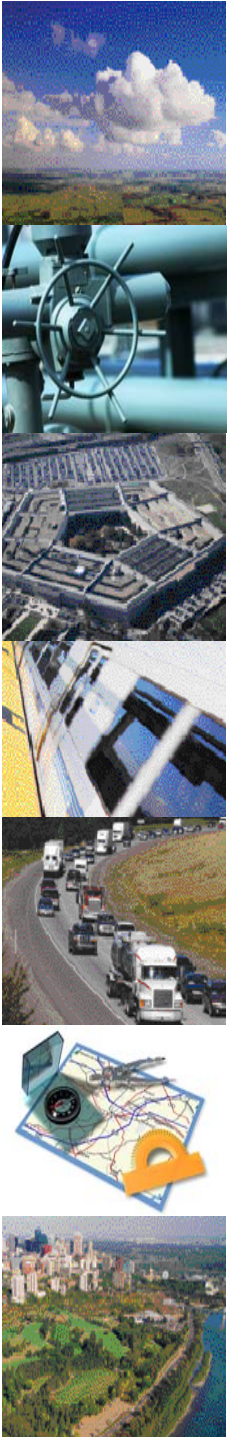
- NARC has developed a rescissions brief for general use, contact Erika at [erika@narc.org](mailto:erika@narc.org) to ask for a copy



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# Transportation Funding Rescissions

Questions/Comments



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# THANK YOU FOR PARTICIPATING!

For more information, please contact:

**Erika Young**

Transportation Director

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**National Association of Regional Councils**

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