

ISSUE BRIEF: Transportation Financing

Innovative Solutions, Real Impacts

The future financing of our country's transportation system is in question. Purchasing power and funds continue to dwindle as infrastructure needs for basic maintenance and demands for increased capacity overwhelm our aging multimodal system. Without adequate funds to support a nationally integrated, multimodal transportation system, our country will be unable to compete in a global marketplace, sustain jobs, and strengthen the overall national economy.

Our national economy is sustained by regional economic engines that drive growth. Through the daily movement of people, goods and services across multiple modes of transportation, Councils of Government (COGs) and Metropolitan Planning Organizations (MPOs) play critical roles in supporting regional economies. The National Association of Regional Councils (NARC) is working to expand and implement innovative transportation finance strategies that will empower COGs and MPOs to best serve the needs of our transportation system for the future.

For years, the Highway Trust Fund (HTF) has served as the federal government's primary channel for funding transportation. Supported by the 18.4 cent per gallon federal gas tax, which has not been increased since 1993, the HTF receives 15.44 cents per gallon leaving 2.86 cents to fund the Mass Transit Account. The federal government's share of transportation funding is approximately 45 percent with state and local governments contributing the remaining balance. Projections indicate that the HTF will be insolvent by as early as 2009. Inflation, coupled with the rising cost of construction and cost of doing business, has significantly under cut the HTF's purchasing power. In fact, industry studies are forecasting

an ever widening funding gap for transportation infrastructure with cumulative deficits at \$1 trillion or more by 2015.

Varied finance strategies being implemented by some state, regional and local governments, include, but are not limited to: states raising and, in some instances, indexing their gas taxes; regional transportation taxes; pricing; tolling; user-based fees; and, public-private partnerships. The federal government has not yet decided on a policy to recapture the purchasing capacity of the gas tax, but it is clear all ideas and suggestions need to be on the table to have a salient discussion with viable solutions. Practical strategies will be streamlined and flexible, maximizing the position of COGs and MPOs to convene and work cooperatively with local, state and federal partners on policies and decisions that are in the best interest of the American people and our communities.

NARC is testing, exploring and analyzing innovative transportation finance policies to empower COGs and MPOs to capitalize on their vast experience with multimodal transportation. These policies include, but are not limited to: taxing at the federal, state and regional levels, including indexing strategies, a dedicated national infrastructure sales tax, and restructuring the income tax to include a set aside for infrastructure investment; Vehicle Miles Traveled (VMT) and other user-based fees programs to be piloted in states and regions across the country; and, public-private partnerships (PPPs) that do not undermine public authority and maintain a primary role for state, regional and local governments as stewards of our national infrastructure. One example of PPPs that NARC is advocating is Regional Infrastructure Improvement Zones (RIIZs).

For more information, please contact Megan Zadecky at megan@narc.org or 202/986-1032.



NARC
Building Regional Communities

1666 Connecticut Avenue, NW, Suite 300 · Washington, DC 20009

Tel: 202/986-1032 – Fax: 202/986-1038

www.narc.org