The Status of Road Financing in the United States

A Time of Change

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Session Discussion Topics

• America at a crossroad in transportation
• The current climate
  o A new administration has begun to provide new directions
  o The Congress of the U.S. is stalemated on moving forward
  o The financial backbone of the surface transportation programs is all but broken
  o 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

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The Current Climate

The current state of play:

- A high priority given to infrastructure by the new Administration
- However, they haven’t shown necessary leadership
- The creation of new law is underway and we have excellent Congressional leadership but again stalemate
- Funding and revenue is key and the Highway Trust Fund has gone broke
- There is no support for increasing user fees
- There are many competing goals at the national level

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Moves by the Obama Administration

• The Administration addressed the economic issues in January, 2009
• The economic crisis led to the passage of an economic stimulus act
• **Transportation received $45 billion in funding**
  - Highways $ 26.6 billion
  - Transit $ 8.4 billion
  - Aviation $ 1.3 billion
  - High Speed Rail $ 8.5 billion
Obama Administration’s Direction

• The long-term proposals postponed
• Some key features will likely include:
  o Livable communities
  o Major emphasis on transit
  o Congestion reduction
  o Passenger rail revitalization
  o No user fee increases in the immediate future
The View From Congress

• Facing difficult choices
  o Transportation and Infrastructure Committee of the House of Representatives has developed a bill
  o The Senate counterpart (EPW) has not and wants to postpone action
  o Funding is in critical condition
  o Other major legislation of higher priority
  o The road ahead is unclear

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The Financial Backbone is All But Broken...
Vehicle Kilometers Traveled - February 2004 to February 2010
(Moving 12 Month Total)
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 July 2009.
***Excludes $14.7 billion transfer from General Fund to Highway Account of HTF in March 2010.
Estimation of Reduced Program Spending Beyond 2011

Highways
Transit

($ billions)

Decline in Purchasing Power of Motor Fuel Taxes
(Based on Inflation since 1993)
Other Major Legislation

• Economic Recovery
• Financial Reform
• Immigration
• Climate Change
Defining the Future Federal Government Role

• Will the national government continue to play a major role in surface transportation?
• Will the reshaped programs be acceptable to the States?
• Is the political will there to set major program directions?
Preamble

• 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

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Preamble

• We need to restore purchasing power

• 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
Legislative Principles

• Maintain the current federal and state shares for highway and transit capital programs.

• Eliminate or drastically limit earmarking in federal transportation programs.

• Develop policies that support maximum flexibility to allow for use of both conventional and innovative funding and financing tools.
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

Necessary Actions:

• In the short run, increase fuel taxes to fund a robust set of programs

• Study the feasibility of alternatives, e.g. VMT fees
  o Adopt a long-range approach that moves to a distance based user fee system such as VMT
  o Fund concept tests in the next cycle and plan for change

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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
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QUESTIONS?

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