

AMERICAN ASSOCIATION OF  
STATE HIGHWAY AND  
TRANSPORTATION OFFICIALS



*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
  - A new administration has begun to provide new directions
  - The Congress of the U.S. is stalemated on 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?

May 26, 2010



*The Current Climate:*  
**Discussing the Issues**

May 26, 2010



# 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

# 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:
  - Livable communities
  - Major emphasis on transit
  - Congestion reduction
  - Passenger rail revitalization
  - No user fee increases in the immediate future

# The View From Congress

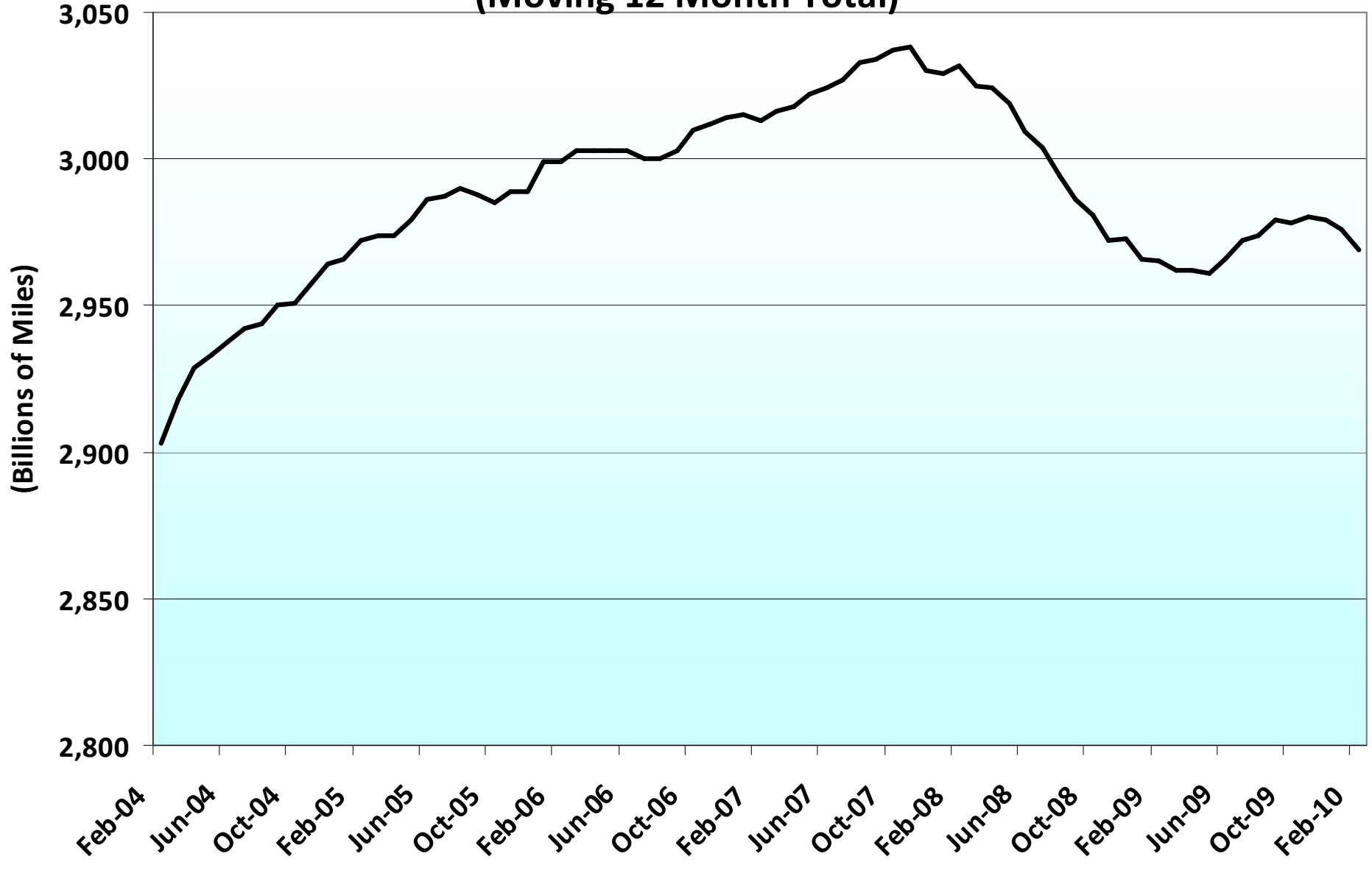
- Facing difficult choices
  - Transportation and Infrastructure Committee of the House of Representatives has developed a bill
  - The Senate counterpart (EPW) has not and wants to postpone action
  - Funding is in critical condition
  - Other major legislation of higher priority
  - The road ahead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

# The Financial Backbone is All But Broken...

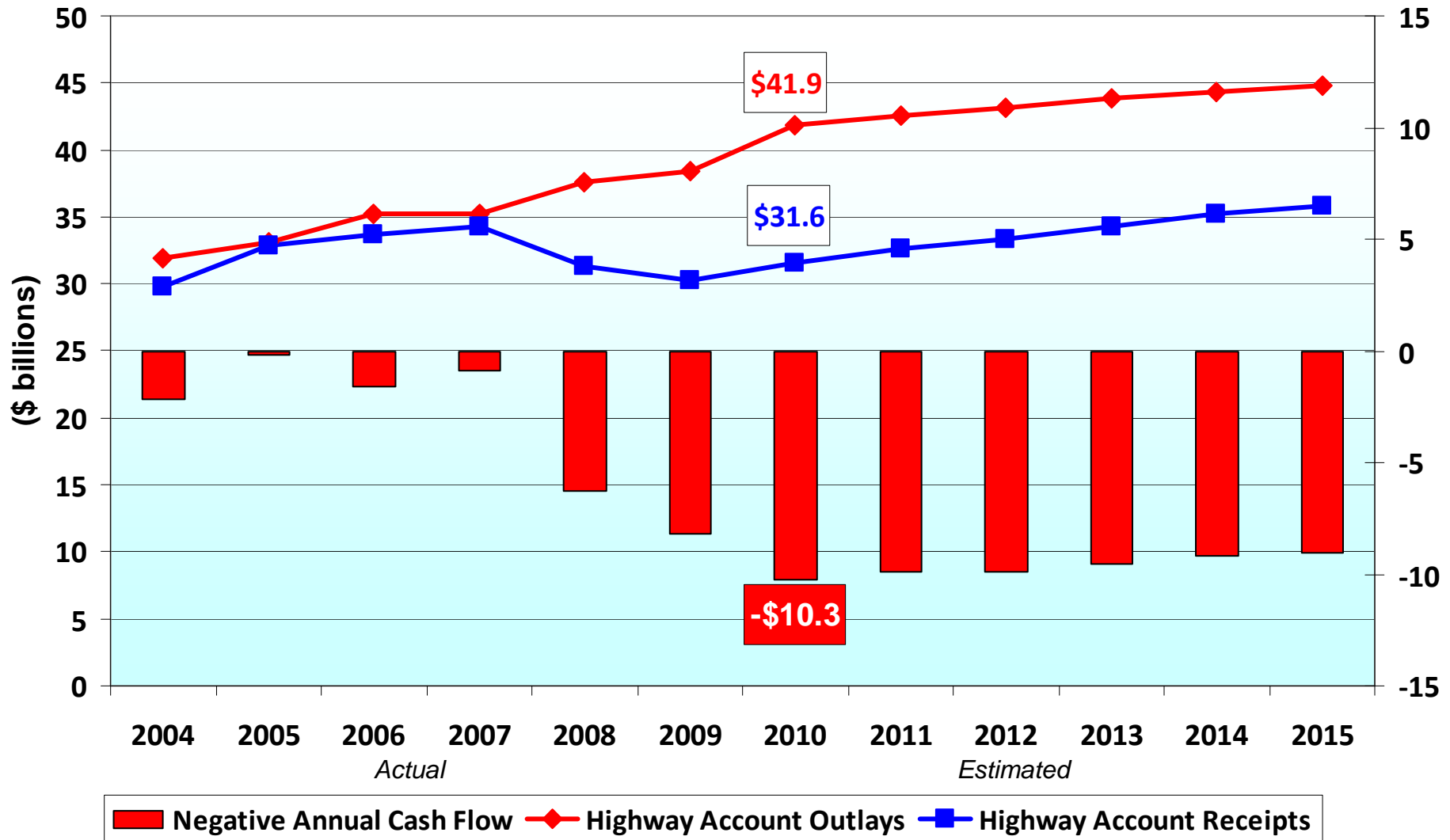
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# Vehicle Kilometers Traveled - February 2004 to February 2010 (Moving 12 Month Total)



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

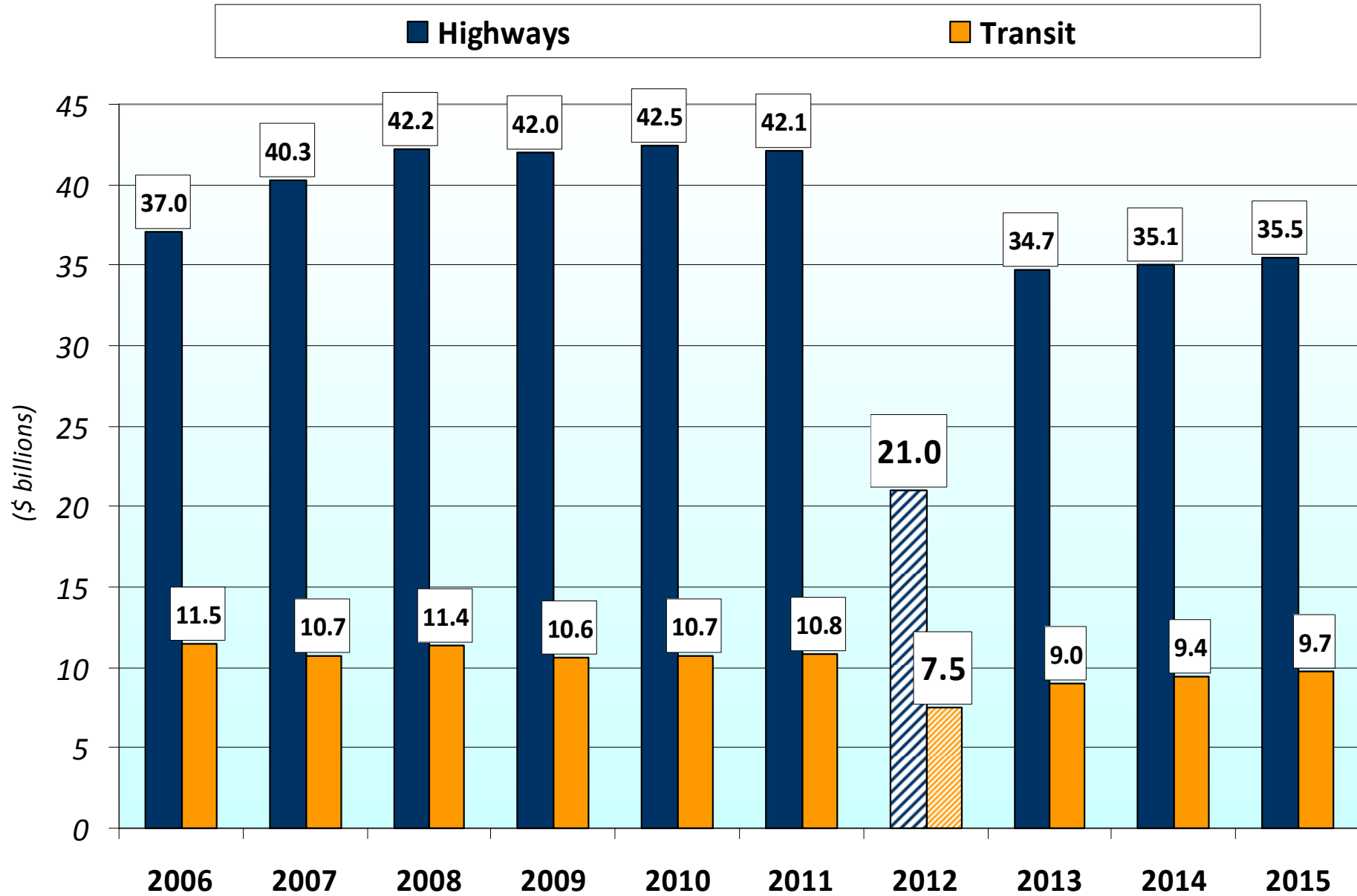


\*Excludes \$8.017 billion transfer from General Fund to Highway Account of HTF in September 2008.

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

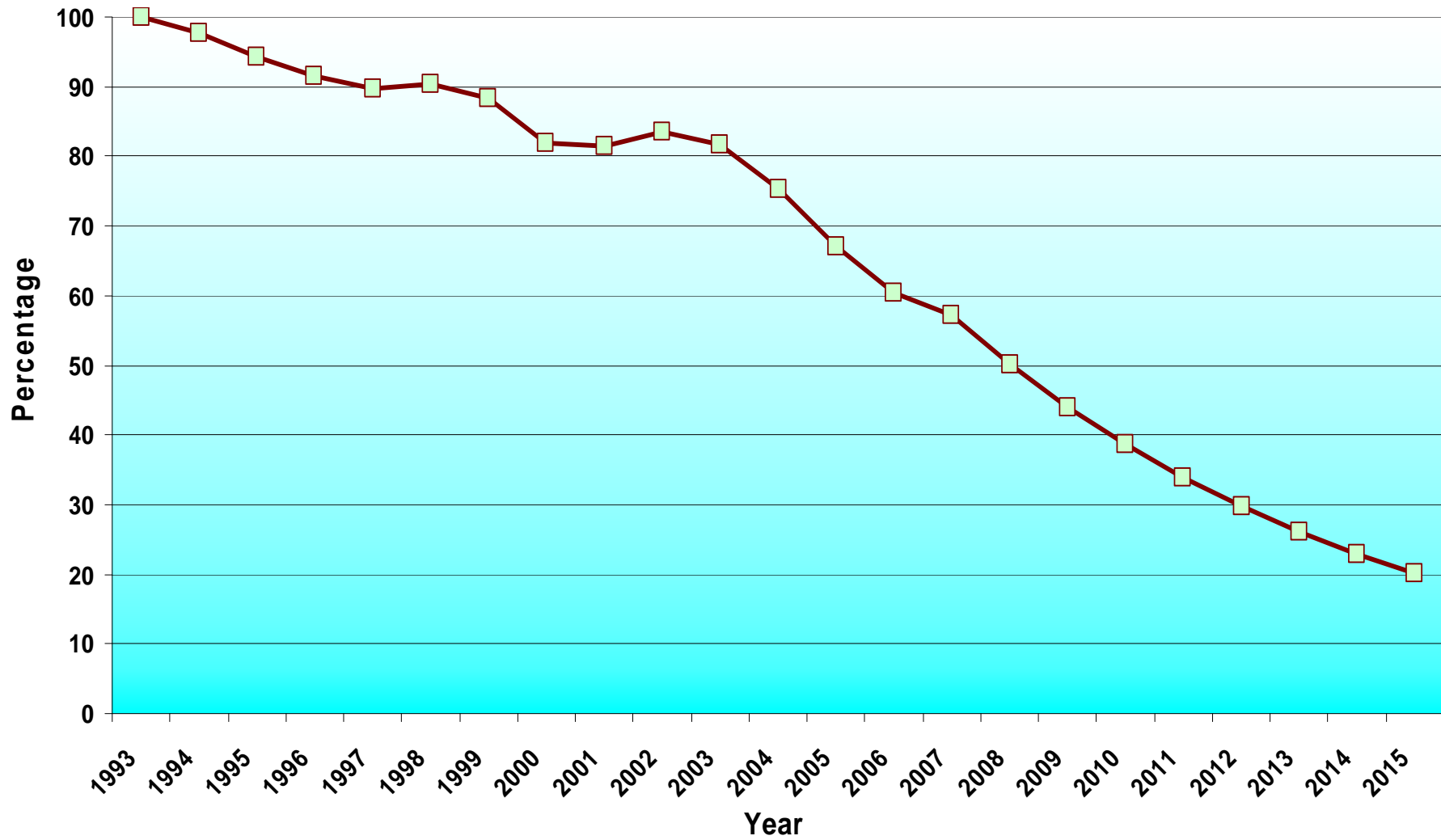
\*\*\*Excludes \$14.7 billion transfer from General Fund to Highway Account of HTF in March 2010.

# Estimation of Reduced Program Spending Beyond 2011



# Decline in Purchasing Power of Motor Fuel Taxes

(Based on Inflation since 1993)



# Other Major Legislation

- Economic Recovery
- Financial Reform
- Immigration
- Climate Change

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# 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?

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*Financing and Funding*  
**A Vastly Expanded Funding  
Proposal**

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# 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

# 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
  - Adopt a long-range approach that moves to a distance based user fee system such as VMT
  - Fund concept tests in the next cycle and plan for change

# 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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