

AMERICAN ASSOCIATION OF
STATE HIGHWAY AND
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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

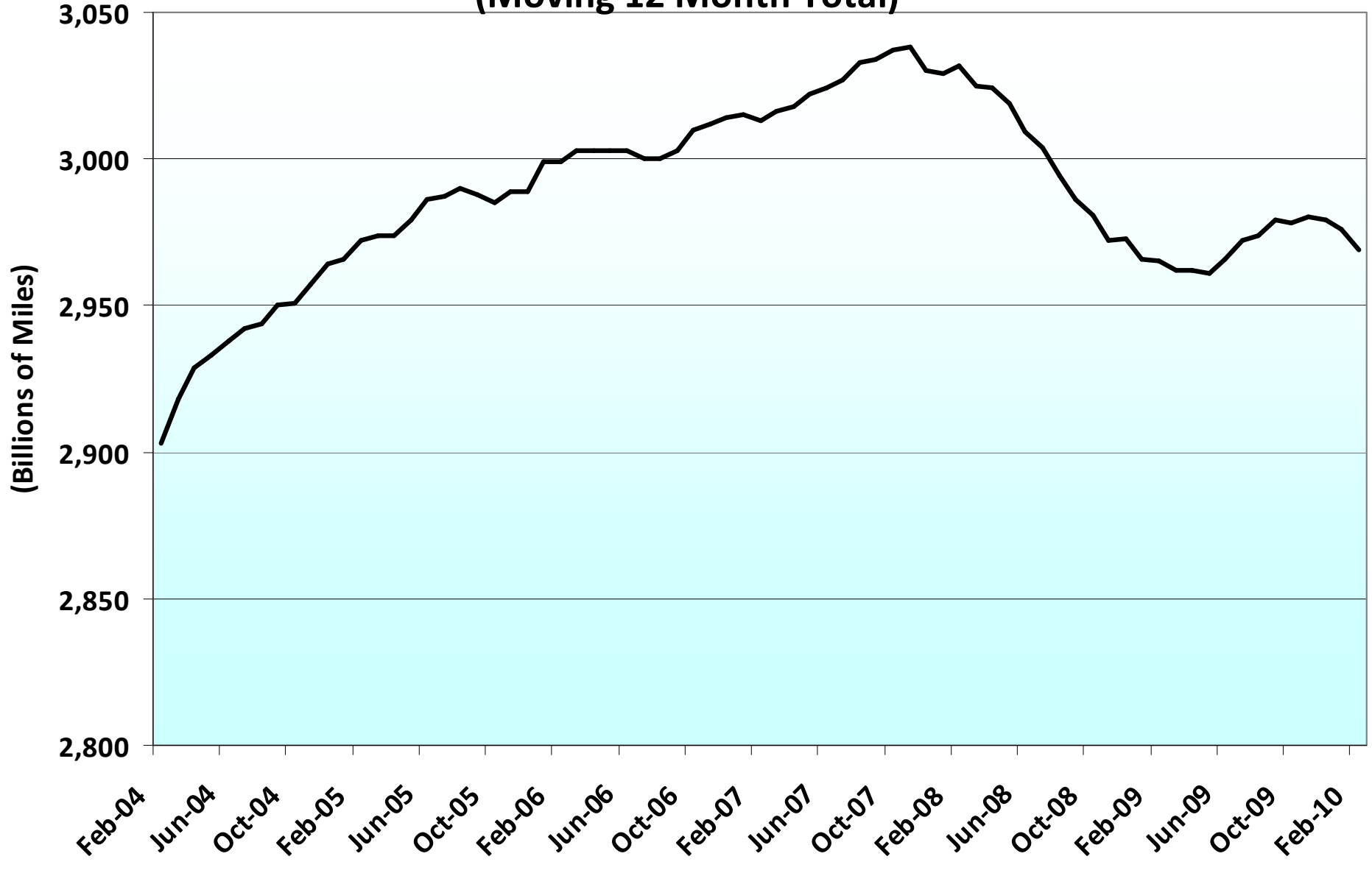
- Facing difficult choices
 - Transportation and Infrastructure Committee of the House of Representatives has developed a bill
 - The Senate counterpart (EPW) has not and wants to postpone action
 - Funding is in critical condition
 - Other major legislation of higher priority
 - The road ahead is unclear

The Financial Backbone is All But Broken...

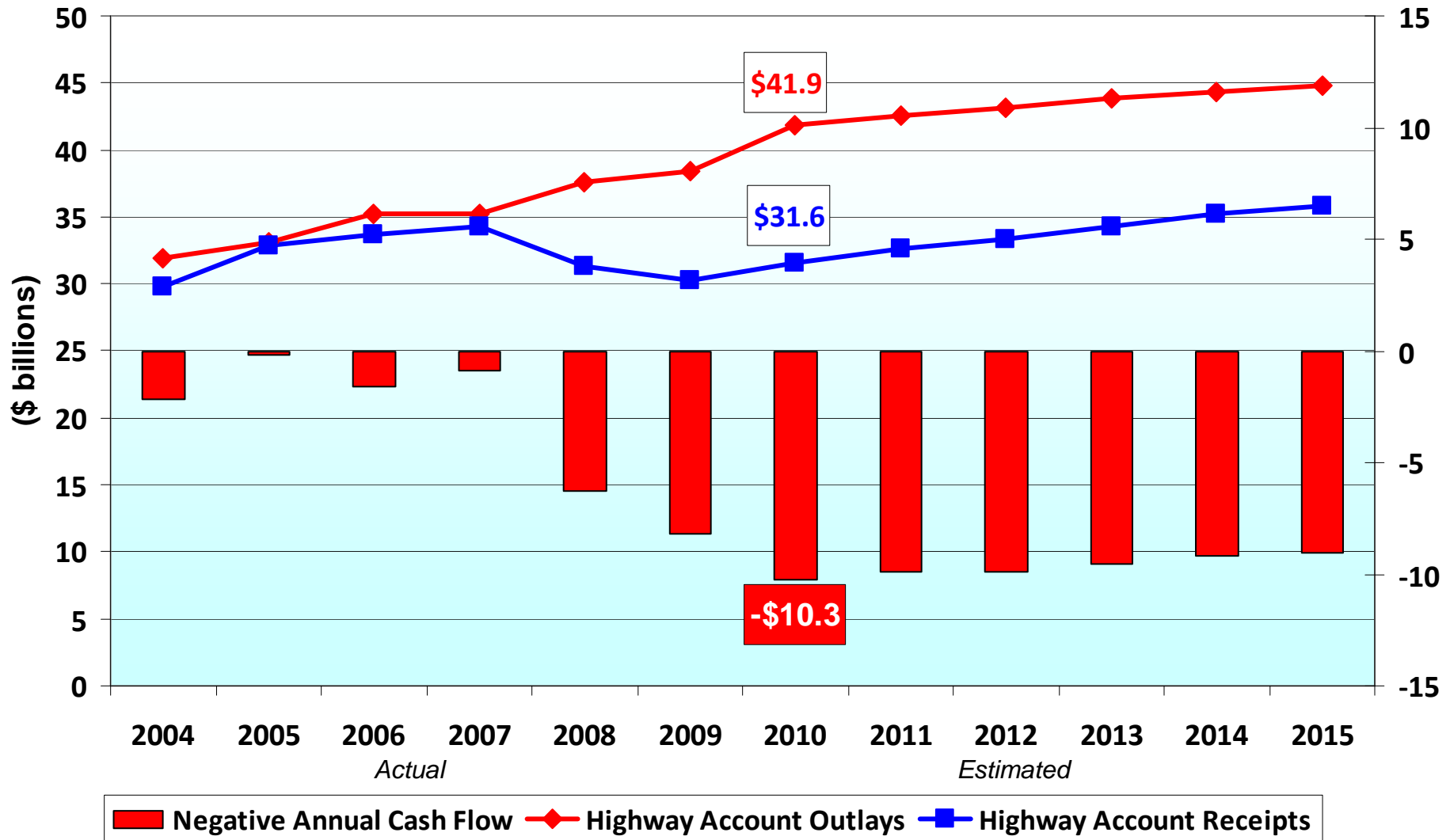
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Vehicle Kilometers Traveled - February 2004 to February 2010 (Moving 12 Month Total)



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

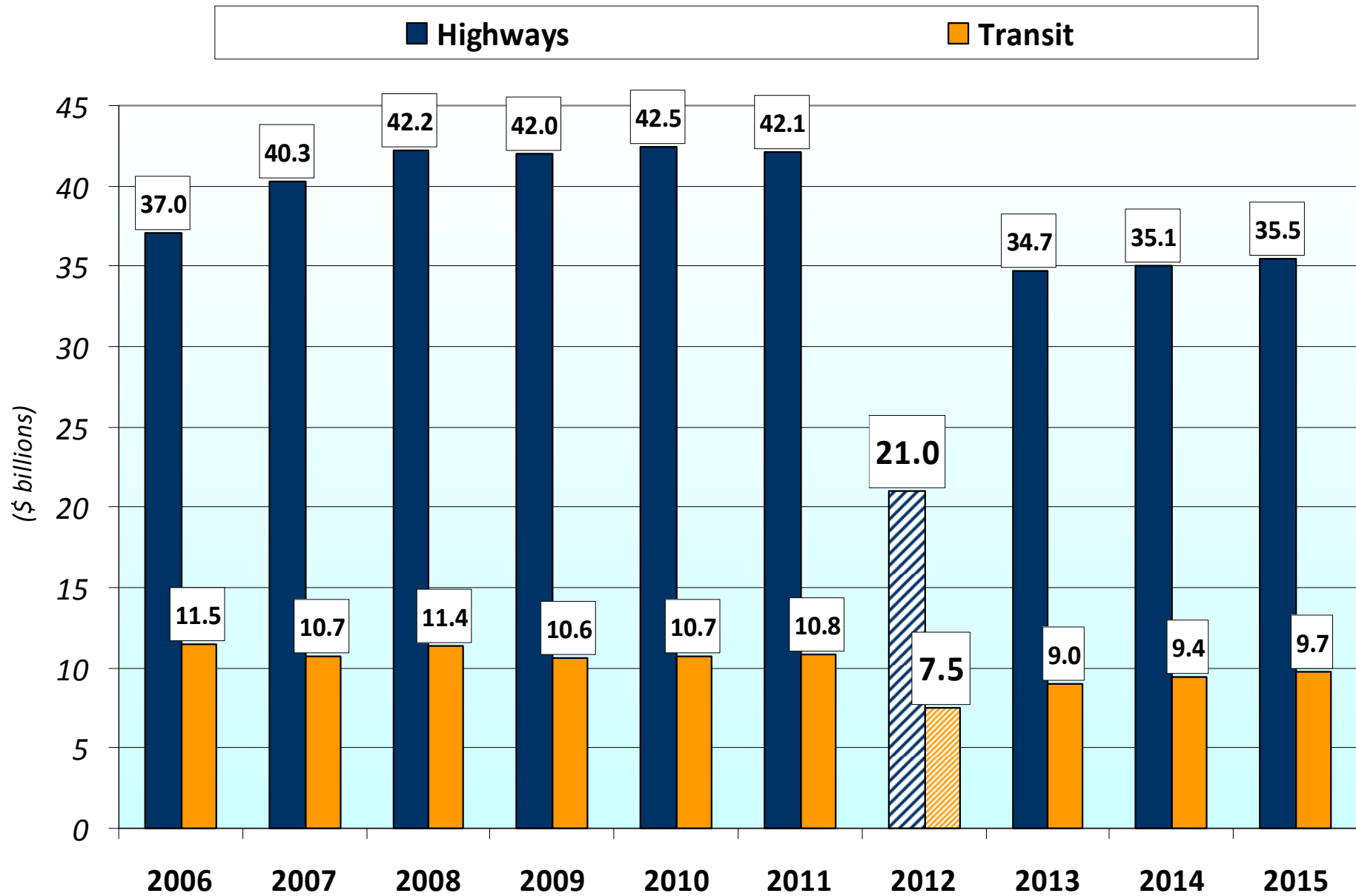


*Excludes \$8.017 billion transfer from General Fund to Highway Account of HTF in September 2008.

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

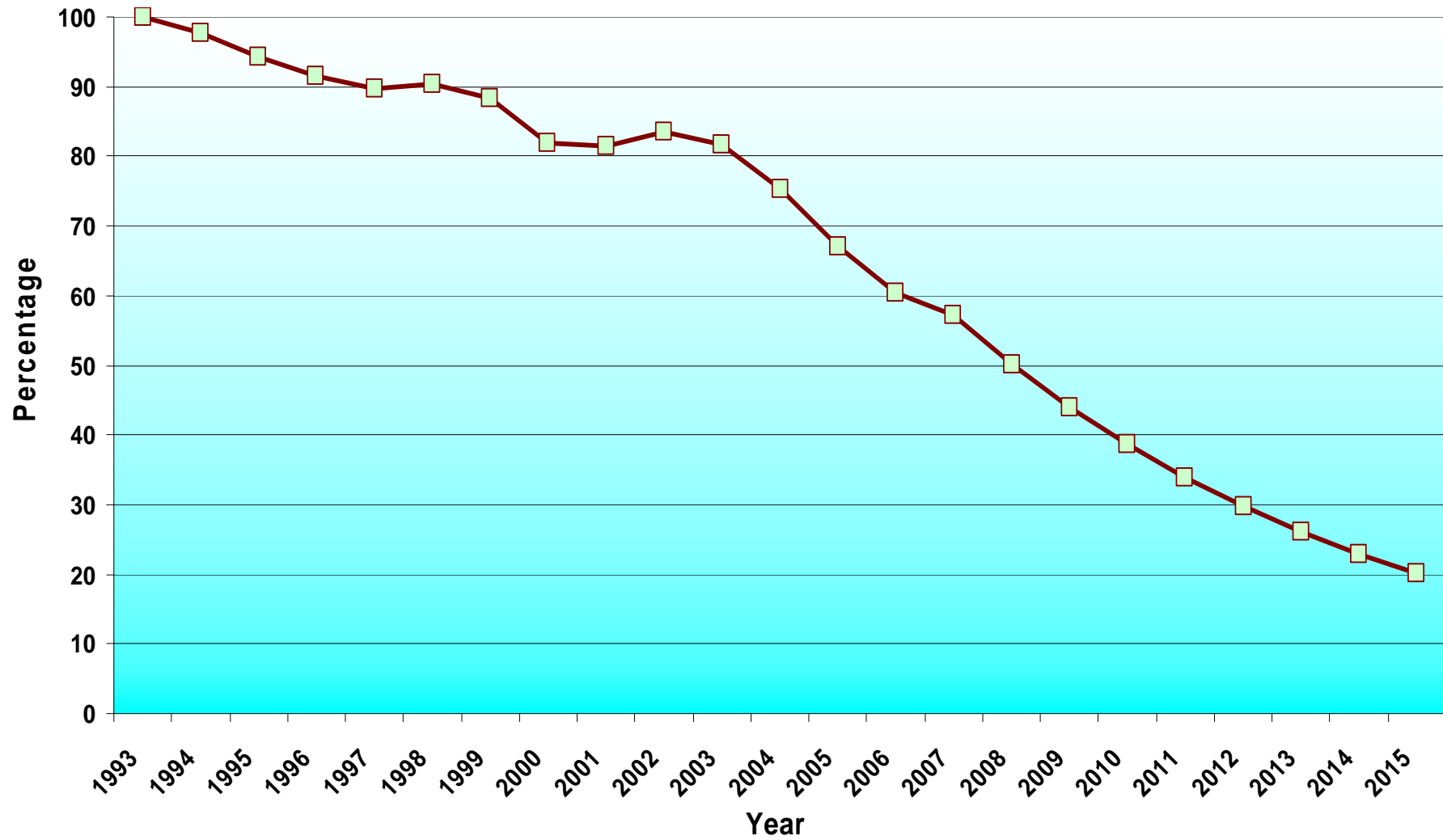
***Excludes \$14.7 billion transfer from General Fund to Highway Account of HTF in March 2010.

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?

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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