



NORTH DAKOTA SYMPOSIUM ON TRANSPORTATION FUNDING
WEDNESDAY 14 MARCH 2018
BISMARCK, NORTH DAKOTA

NATIONAL PERSPECTIVE ON FUNDING AND FINANCE POLICY

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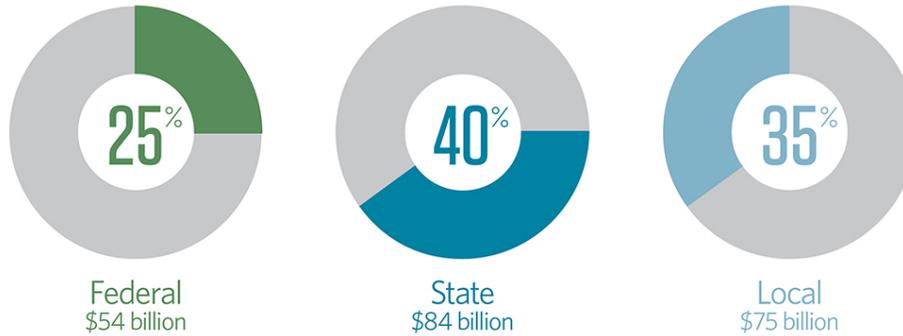


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All Levels of Government Fund Highways and Transit

Average annual own-source spending by level of government, 2008-12

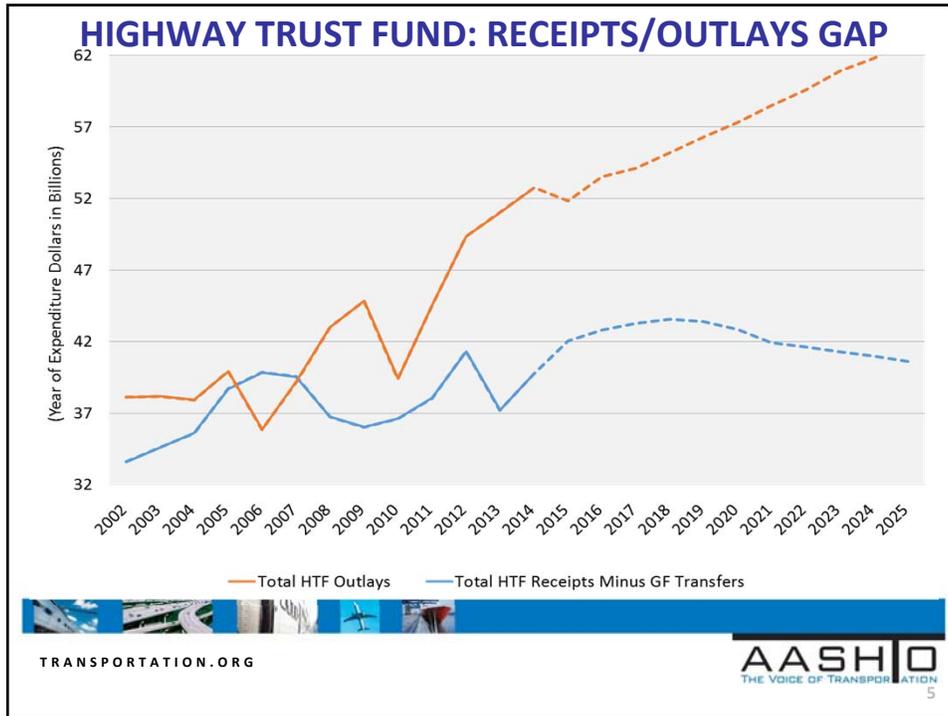


Source: Pew's analysis of U.S. Census Bureau's Annual Survey of State and Local Government Finances, 2008-12; U.S. Office of Management and Budget, Public Budget Database
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SETTING THE CONTEXT: THE FEDERAL FUNDING CLIFF



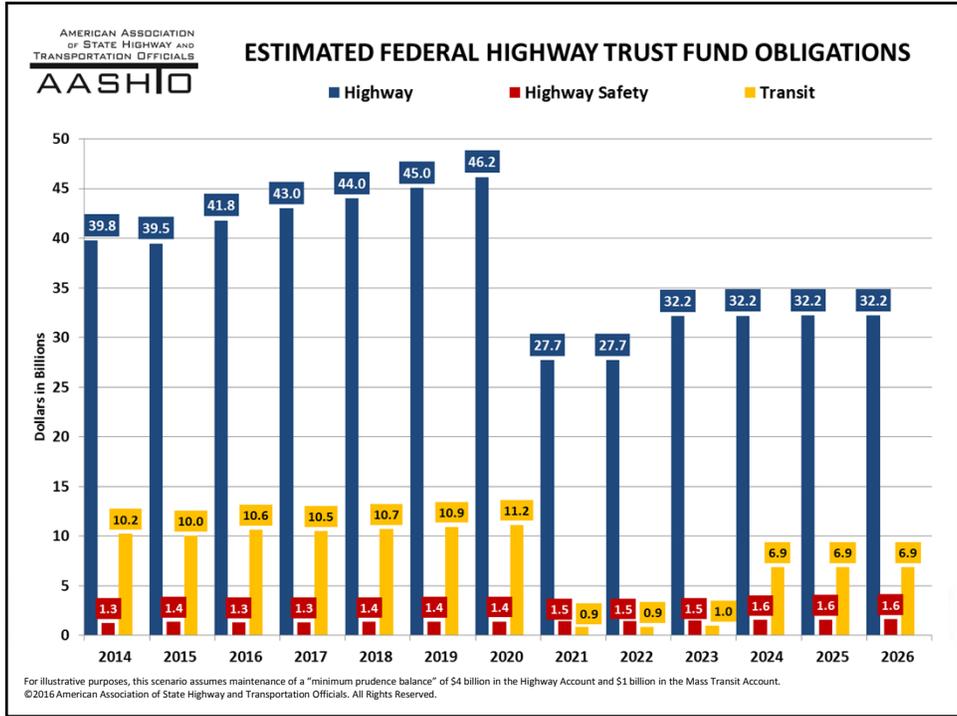


FEDERAL GAS TAX HEADWIND: SIGNIFICANT LOSS OF PURCHASING POWER

Sample of Nomical Price Changes Relative to Federal Gas Tax

Item	Description	1993	2015	Percent Change
College Tuition	Average Tution & Fees at Public 4-year Universities	\$ 1,908	\$ 9,145	379%
Healthcare	National Expenediture Per Capita	\$ 3,402	\$ 9,523	180%
House	Median New Home Price	\$118,000	\$292,000	147%
Gas	Per Gallon	\$ 1.08	\$ 2.56	137%
Beef	Per Pound of Ground Beef	\$ 1.97	\$ 4.38	122%
Movie Ticket	Average Ticket Price	\$ 4.14	\$ 8.43	104%
Bread	Per Pound of White Bread	\$ 0.75	\$ 1.48	98%
Income	National Median Household	\$ 31,241	\$ 56,516	81%
Stamp	One First-Class Stamp	\$ 0.29	\$ 0.49	69%
Car	Average New Car	\$ 16,871	\$ 25,487	51%
Federal Gas Tax	Per Gallon	\$ 0.18	\$ 0.18	0%

Sources: Bureau of Labor Statistics, Centers for Medicare & Medicaid Services, College Board, Federal Reserve Bank of St. Louis, Oak Ridge National Laboratory, U.S. Census Bureau, U.S. Energy Information Agency, U.S. Postal Service



Surface Transportation Revenue Options

- Raise the rate of taxation or fee rates of existing federal revenue streams into the Highway Trust Fund
- Identify and create new Federal revenue sources for the Highway Trust Fund
- Diverting current revenues (and possibly increasing the rates) from other Federal sources into the Highway Trust Fund

Matrix of Illustrative Surface Transportation Revenue Options:

<http://downloads.transportation.org/TranspoRevenueMatrix2014.pdf>



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THE INFRASTRUCTURE PROPOSAL



Infrastructure Proposal Overview

- \$200 billion over 10 years (\$20 billion/year) leveraged to \$1.5 trillion
 - “Infrastructure Incentives Program” - \$100 billion
 - “Rural Infrastructure Program” - \$50 billion
 - “Transformative Projects Program” - \$20 billion
 - “Infrastructure Financing Program” - \$20 billion
 - “Federal Capital Financing Fund” - \$10 billion
- Eligible infrastructure classes: transportation, electrical grid, broadband, hydropower, drinking water, sewer, flood control, and brownfield/superfund site redevelopment.



Infrastructure Proposal Rural Infrastructure Program

- \$40 billion for block grants to governors based on undetermined “rural formula” incorporation such factors as:
 - Rural lane miles
 - Rural population
- \$10 billion for “Rural Performance Grants”
 - Requires “Rural Infrastructure Investment Plan”
- Other asset classes eligible



What the President’s Infrastructure Proposal Does Not Address

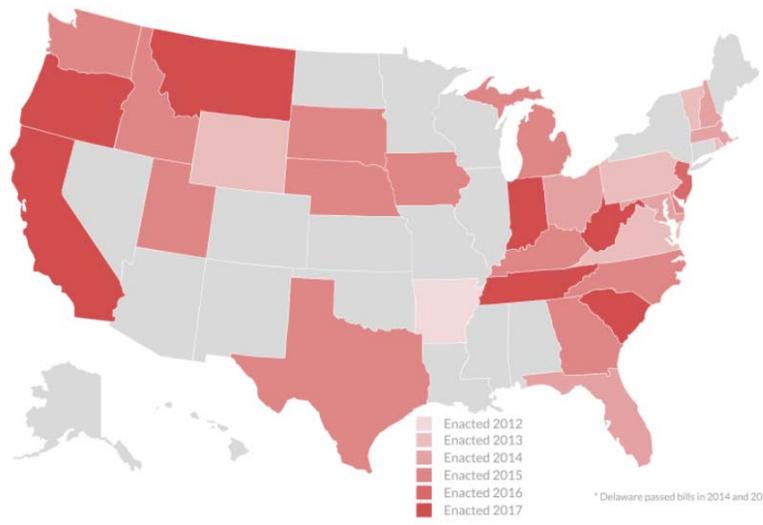
- Sustainability of the Highway Trust Fund
- Prioritization of formula-based funding over discretionary funding
- Limitations of private participation
- “Pay-for”



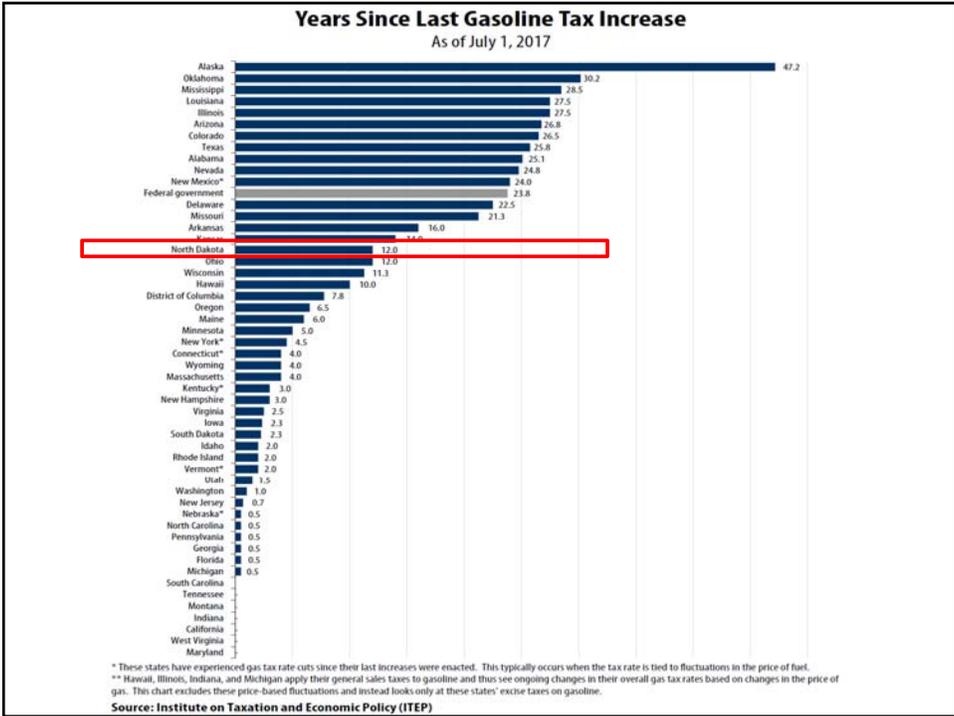
STATE EFFORTS TO INCREASE TRANSPORTATION INVESTMENT



Successful state plans to raise additional transportation revenue, 2012-



Source: Transportation for America



RELATIVE STATE EXPENDITURES ON ROADWAYS

State Revenue per Mile (\$/mi)

- 30. Kansas
- 31. Idaho
- 32. Georgia
- 33. Nebraska
- 34. Nevada
- 35. Louisiana
- 36. Tennessee
- 37. North Dakota
- 38. Mississippi
- 39. Maine
- 40. Arkansas
- 41. Wyoming
- 42. Virginia
- 43. New Mexico
- 44. Kentucky
- 45. South Dakota
- 46. Montana
- 47. Missouri
- 48. North Carolina
- 49. South Carolina
- 50. West Virginia

State Revenue Sources For Transportation

- **Fuel taxes** (all states + DC + PR); 20 index; largest single source of highway funds used by half the states
- **Sales taxes on fuel, or other taxes on distributors or suppliers** (15 states + PR)
- **Motor vehicle or rental car sales taxes** (29 states)
- **Vehicle registration, license or title fees** (48 states + PR)
- **Vehicle or truck weight fees** (37 states)
- **Tolls** (28 states + PR, plus non-state toll entities)
- **General funds** (35 states + DC; Vt. on occasion)
- **Interest income** (37 states + DC + PR)
- **Other** (40 states + DC + PR)



Source: National Conference of State Legislatures

Variable vs. Fixed Taxes

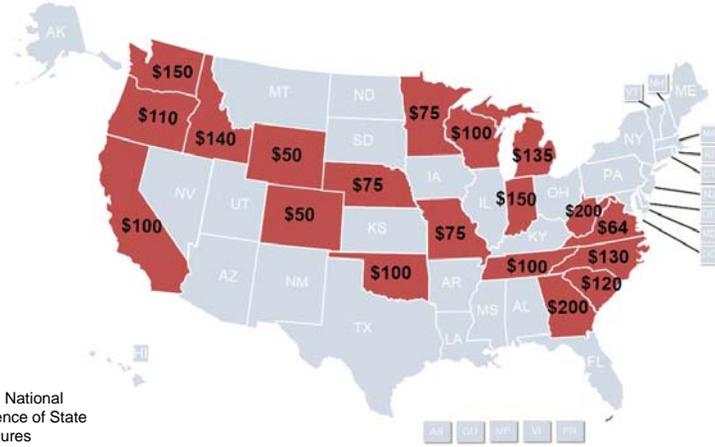
- **20 states**, representing 57% of population, now index their state MFT

2013 - Aggressive Indexing	•MA, MD, PA, VA, VT & DC
2014 - Mild Indexing	•RI & NH indexed; MA voters repeal indexing provisions
2015 - Mixed Bag	•GA, NC, and UT indexed •IA, ID, NE, SD and WA kept fixed increase
2016 - Minimal Action	• New Jersey indexed with restraints
2017 - Split Approaches	•CA, IN, UT and WV enhanced existing indexing mechanism •MT, OR, SC and TN implemented fixed increases.

Source: National Conference of State Legislatures



ELECTRIC VEHICLE FEES

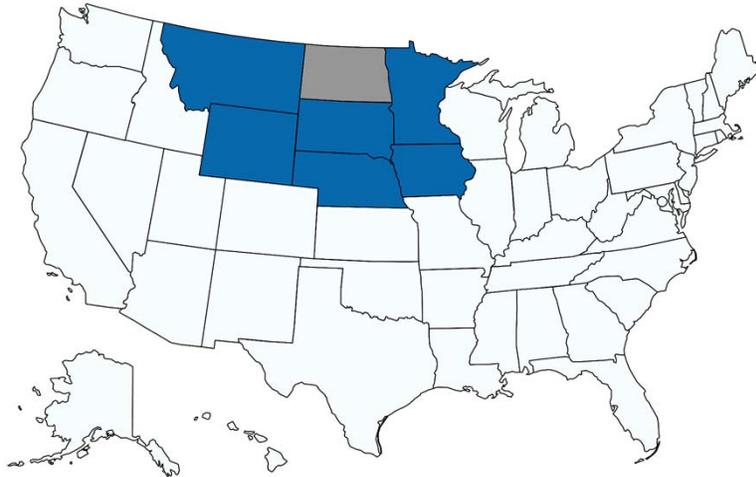


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STATE FUNDING HIGHLIGHTS

- **Montana** - HB 0473 (2017) will raise \$27 Million/year (increased gas tax 6 cents/gal; diesel tax 2 cents/gal incrementally by 2023)
- **South Dakota** - SB 1 (2015) will raise \$40.5 Million/year (increased motor fuels tax by 6 cents/gal (to 28 cents/gal), increased vehicle sales tax and vehicle registration and weight fees)
- **Wyoming** - Act 38 (2013) will raise \$70 Million/year (increased gas tax by ten cents/gal)



STATE FUNDING HIGHLIGHTS

- **Nebraska** - LB 610 (2015) will raise \$76 Million/year (increased gas tax by 6 cents/gal over four years to a total of 31.6 cents/gal)
- **Iowa** - SF 257 (2015) will raise \$215 Million/year (increased fuel taxes by 10 cents/gal, increased vehicle permit fees)
- **Minnesota** - Imposed \$75 EV fee in 2017.



OTHER STATE FUNDING HIGHLIGHTS

Georgia: indexes motor fuel tax for vehicle fuel efficiency and CPI; hotel/motel fee; heavy vehicle impact fee; alt fuel vehicle fee

North Carolina: indexes motor fuel tax for population growth and CPI

Oregon: new sales tax on bicycles; registration fees determined by fuel efficiency; gas tax increase; payroll tax

Virginia: replaced gas tax with motor fuel sales tax at the rack; registration fees raised

West Virginia: flat rate and variable rate on wholesale price of fuel (with a price floor)

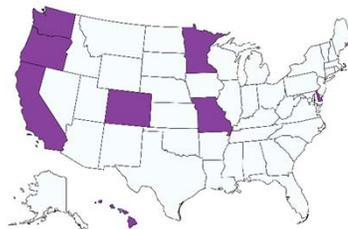


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ALTERNATIVE REVENUES PILOT PROGRAMS

- Surface Transportation System Funding Alternatives Program in the FAST Act
- Goal: Demonstrate user-based alternative revenue mechanisms that utilize a user fee structure to maintain the long-term solvency of the Highway Trust Fund
- \$95 million over 5 years
 - \$14.2 million to 8 states in 2016
 - \$15.5 million to 6 states in 2017
 - \$20 million annually 2018-2020



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STATE FINANCING TOOLS

Tools that borrow against or leverage state revenues for surface transportation projects:

- **General obligation or revenue bonds** (44 states + DC + PR)
- **GARVEE bonds** (33 states + DC + PR)
- **Private Activity Bonds (PABs)** (6 states)
- **TIFIA federal credit assistance** (12 states + PR)
- **State Infrastructure Banks (SIBs)** (34 states + PR)
- **Design-build** (authorized in 38 states + PR)
- **Public-private partnerships (PPPs)** (enabling legislation in 33 states + PR)



54 STATE REVENUE SOURCES

- | | | | |
|----------------------------------------------------------|----------------------------------------------------|-----------------------------------------------|------------------------------------------------------|
| <input type="checkbox"/> Fuel Taxes | <input type="checkbox"/> Excise Taxes | <input type="checkbox"/> Weight-distance Tax | <input type="checkbox"/> Service Concessions |
| <input type="checkbox"/> Sales Taxes on Fuel | <input type="checkbox"/> Board Funding Obligations | <input type="checkbox"/> Fines | <input type="checkbox"/> Loan Repayment |
| <input type="checkbox"/> Vehicle or Rental Car Sales Tax | <input type="checkbox"/> Ad Valorem Taxes | <input type="checkbox"/> Corporate Taxes | <input type="checkbox"/> Loan Fees |
| <input type="checkbox"/> Vehicle Registration | <input type="checkbox"/> Sales Tax | <input type="checkbox"/> Container Fees | <input type="checkbox"/> Private Contributions |
| <input type="checkbox"/> Weight Fees | <input type="checkbox"/> Congestion Pricing | <input type="checkbox"/> Land Sales | <input type="checkbox"/> Tobacco Tax |
| <input type="checkbox"/> Traffic Camera Fees | <input type="checkbox"/> Oil Company Taxes | <input type="checkbox"/> Advertising Revenue | <input type="checkbox"/> Mass-Transit Tax |
| <input type="checkbox"/> Tolls | <input type="checkbox"/> Fares | <input type="checkbox"/> Service Payments | <input type="checkbox"/> VMT Fees |
| <input type="checkbox"/> General Funds | <input type="checkbox"/> Documentary Stamp Revenue | <input type="checkbox"/> Contractor's Tax | <input type="checkbox"/> Highway Litter Control Fund |
| <input type="checkbox"/> Interest Income | <input type="checkbox"/> Logo Signing | <input type="checkbox"/> Oil Tax | <input type="checkbox"/> Mineral Royalties |
| <input type="checkbox"/> Inspection Fees | <input type="checkbox"/> Situs Tax | <input type="checkbox"/> Rail Regulation Fees | <input type="checkbox"/> Short-term Lease/Borrowing |
| <input type="checkbox"/> Advertising | <input type="checkbox"/> Rail Service Fees | <input type="checkbox"/> Investment Income | <input type="checkbox"/> Public space Revenue |
| <input type="checkbox"/> Impact Fees | <input type="checkbox"/> Toll Road Leases | <input type="checkbox"/> Trail-mile Tax | <input type="checkbox"/> Parking Meters |
| <input type="checkbox"/> License or Permit Fees | <input type="checkbox"/> Use Tax | <input type="checkbox"/> Surcharge Fees | |
| <input type="checkbox"/> State Lottery | | <input type="checkbox"/> Payroll Tax | |
| | | <input type="checkbox"/> Right-of-way | |



COMMON THEMES BEHIND STATE SUCCESS STORIES

- Transportation problems are clearly demonstrated and relatable to public
- Benefits of proposed investment are clear
- Broad coalition of support beyond self-interest
- Commitment to accountability and performance, aka “reform”
- Strong political leadership



MAKING THE VALUE PROPOSITION



Question: How much does the typical driver pay in gas tax in a year?

Probably six thousand, seven thousand dollars a year

Answer: \$293 in federal and state gas taxes per year per vehicle



QUESTIONS AND DISCUSSION

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