NATIONAL PERSPECTIVE ON FUNDING AND FINANCE POLICY

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American Association of State Highway and Transportation Officials
All Levels of Government Fund Highways and Transit
Average annual own-source spending by level of government, 2008-12

Federal
$54 billion
25%

State
$84 billion
40%

Local
$75 billion
35%

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

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

For illustrative purposes, this scenario assumes maintenance of a “minimum prudence balance” of $4 billion in the Highway Account and $1 billion in the Mass Transit Account.

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:
THE INFRASTRUCTURE PROPOSAL

Infrastructure Proposal Overview

• $200 billion over 10 years ($20 billion/year) leveraged to $1.5 trillion
  o “Infrastructure Incentives Program” - $100 billion
  o “Rural Infrastructure Program” - $50 billion
  o “Transformative Projects Program” - $20 billion
  o “Infrastructure Financing Program” - $20 billion
  o “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

<table>
<thead>
<tr>
<th>State Revenue per Mile ($/mi)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30. Kansas</td>
</tr>
<tr>
<td>31. Idaho</td>
</tr>
<tr>
<td>32. Georgia</td>
</tr>
<tr>
<td>33. Nebraska</td>
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<tr>
<td>34. Nevada</td>
</tr>
<tr>
<td>35. Louisiana</td>
</tr>
<tr>
<td>36. Tennessee</td>
</tr>
<tr>
<td><strong>37. North Dakota</strong></td>
</tr>
<tr>
<td>38. Mississippi</td>
</tr>
<tr>
<td>39. Maine</td>
</tr>
<tr>
<td>40. Arkansas</td>
</tr>
<tr>
<td>41. Wyoming</td>
</tr>
<tr>
<td>42. Virginia</td>
</tr>
<tr>
<td>43. New Mexico</td>
</tr>
<tr>
<td>44. Kentucky</td>
</tr>
<tr>
<td>45. South Dakota</td>
</tr>
<tr>
<td>46. Montana</td>
</tr>
<tr>
<td>47. Missouri</td>
</tr>
<tr>
<td>48. North Carolina</td>
</tr>
<tr>
<td>49. South Carolina</td>
</tr>
<tr>
<td>50. West Virginia</td>
</tr>
</tbody>
</table>

* These states have experienced gas tax rate decreases since their last increases were enacted. This typically occurs when the tax rate is tied to the fluctuations in the price of fuel.
** These states have increased their general sales tax to pay for road improvements, and therefore their gas tax rates have been reduced.

Source: Institute on Taxation and Economic Policy (ITEP)
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

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>Aggressive Indexing</td>
</tr>
<tr>
<td></td>
<td>- MA, MD, PA, VA, VT &amp; DC</td>
</tr>
<tr>
<td>2014</td>
<td>Mild Indexing</td>
</tr>
<tr>
<td></td>
<td>- RI &amp; NH indexed; MA voters repeal indexing provisions</td>
</tr>
<tr>
<td>2015</td>
<td>Mixed Bag</td>
</tr>
<tr>
<td></td>
<td>- GA, NC, and UT indexed</td>
</tr>
<tr>
<td></td>
<td>- IA, ID, NE, SD and WA kept fixed increase</td>
</tr>
<tr>
<td>2016</td>
<td>Minimal Action</td>
</tr>
<tr>
<td></td>
<td>- New Jersey indexed with restraints</td>
</tr>
</tbody>
</table>

Source: National Conference of State Legislatures
ELECTRIC VEHICLE FEES

Source: National Conference of State Legislatures
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)

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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)

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
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

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

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

Probably six thousand, seven thousand dollars a year
QUESTIONS AND DISCUSSION

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