Innovative Funding and Financing Tools for Transportation

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“MAP-21 is a five-year policy bill with two years of funding.”
TRANSPORTATION REVENUE OPTIONS AND STATE FUNDING INITIATIVES

- Federal Highway Trust Fund conditions and estimates
- Review of transportation revenue and financing options
- State revenue initiatives to fund transportation
Vehicle Miles Traveled - April 2003 to April 2013
(Moving 12 Month Total)
PURCHASING POWER LOSS OF GAS TAX DUE TO INFLATION

Historical CPI-U vs Estimated CPI-U Based on 18-year Average from 1993-2011

- 37% Purchasing Power Loss by 2012
- 52% Purchasing Power Loss by 2023
IMPACT OF REDUCED HTF RECEIPTS FROM CAFE STANDARDS

Projected Outlays and Receipts of the Highway Trust Fund, by Account, 2012 to 2022

(Billions of dollars)

$57B drop

Outlays
Baseline Receipts\(^a\)
Receipts If Gasoline Tax Revenues Fell by 21 Percent\(^b\)

Total Trust Fund
Highway Account
Mass Transit Account

Source: Congressional Budget Office
CASH TRANSFERS TO HIGHWAY TRUST FUND TO MAINTAIN CURRENT FUNDING

- 15 September 2008: $8.017 billion General Fund transfer to HTF
- 7 August 2009: $7 billion General Fund transfer to HTF
- 18 March 2010: $19.5 billion General Fund transfer to the Highway Trust Fund
- 6 July 2012: $2.4 billion Leaking Underground Storage Tank Trust Fund transfer to HTF
- FY 2013: $6.2 billion General Fund transfer to HTF
- FY 2014: $12.6 billion General Fund transfer to HTF (scheduled)
- Total General Fund transfers to Highway Trust Fund: $53.3 billion since 2008
Highway Trust Fund Receipts and Outlays Discrepancy

- Excludes $8.017 billion transfer from General Fund to Highway Account of HTF in September 2008; $7 billion transfer from General Fund to Highway Account of HTF in August 2009; $19.5 billion transfer from General Fund to Highway and Mass Transit Accounts of HTF in March 2010; $2.4 billion transfer from Leaking Underground Storage Tank Trust Fund to HTF in July 2012; $6.2 billion transfer from General Fund to Highway Account of HTF in FY 2013; $10.4 billion transfer from General Fund to Highway Account of HTF in FY 2014; $2.2 billion transfer from General Fund to Mass Transit Account of HTF in FY 2014.

Average gap of $15.6 billion per year between FY 2015 and FY 2023

$53.3B in GF transfers to HTF

Excludes $8.017 billion transfer from General Fund to Highway Account of HTF in September 2008; $7 billion transfer from General Fund to Highway Account of HTF in August 2009; $19.5 billion transfer from General Fund to Highway and Mass Transit Accounts of HTF in March 2010; $2.4 billion transfer from Leaking Underground Storage Tank Trust Fund to HTF in July 2012; $6.2 billion transfer from General Fund to Highway Account of HTF in FY 2013; $10.4 billion transfer from General Fund to Highway Account of HTF in FY 2014; $2.2 billion transfer from General Fund to Mass Transit Account of HTF in FY 2014.
Assumes a minimum balance of $4 billion for the Highway Account and $1 billion for the Mass Transit Account.

ESTIMATED FEDERAL HIGHWAY AND TRANSIT PROGRAM FUNDING LEVEL WITH NO NET NEW REVENUES TO HTF
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## Matrix of Illustrative Surface Transportation Revenue Options

*(all revenue estimates in $ millions)*

<table>
<thead>
<tr>
<th>Funding Mechanisms</th>
<th>Mechanism Yield</th>
<th>Illustrative Revenues</th>
<th>Avg Revenues</th>
<th>Total Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Rate 2014</td>
<td>2014</td>
<td>2015-2020</td>
</tr>
<tr>
<td>Container Tax</td>
<td>$1 per TEU=</td>
<td>$421</td>
<td>$15.00</td>
<td>$6,317</td>
</tr>
<tr>
<td>Customs Revenues (Partial Dedication)</td>
<td>1% of Receipts =</td>
<td>$357</td>
<td>1.0%</td>
<td>$357</td>
</tr>
<tr>
<td>Drivers License Surcharge (Annual)</td>
<td>$1.00 Surcharge =</td>
<td>$222</td>
<td>5.00</td>
<td>$1,109</td>
</tr>
<tr>
<td>Excise Tax on Diesel (Increase)</td>
<td>1c/gal =</td>
<td>$399</td>
<td>15.0c</td>
<td>$5,983</td>
</tr>
<tr>
<td>Excise Tax on Diesel (Indexing)</td>
<td>n/a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excise Tax on Gas (Increase)</td>
<td>1c/gal =</td>
<td>$1,282</td>
<td>10.0c</td>
<td>$12,823</td>
</tr>
<tr>
<td>Excise Tax on Gas (Indexing)</td>
<td>n/a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freight Bill - All Modes</td>
<td>1% of Sales =</td>
<td>$8,318</td>
<td>1.0%</td>
<td>$8,318</td>
</tr>
<tr>
<td>Freight Bill - Truck Only</td>
<td>1% of Sales =</td>
<td>$7,221</td>
<td>1.0%</td>
<td>$7,221</td>
</tr>
<tr>
<td>Freight Charge - All Modes (Ton)</td>
<td>1c/ton =</td>
<td>$180</td>
<td>25.0c</td>
<td>$4,492</td>
</tr>
<tr>
<td>Freight Charge - All Modes (Ton-Mile)</td>
<td>1c/ton-mile =</td>
<td>$47,530</td>
<td>0.5c</td>
<td>$23,765</td>
</tr>
<tr>
<td>Freight Charge - Truck Only (Ton)</td>
<td>1c/ton =</td>
<td>$124</td>
<td>25.0c</td>
<td>$3,098</td>
</tr>
<tr>
<td>Freight Charge - Truck Only (Ton-Mile)</td>
<td>1c/ton-mile =</td>
<td>$13,911</td>
<td>0.5c</td>
<td>$6,956</td>
</tr>
<tr>
<td>Harbor Maintenence Tax (Increase)</td>
<td>0.1% Tax =</td>
<td>$1,331</td>
<td>0.5%</td>
<td>$6,657</td>
</tr>
<tr>
<td>Heavy Vehicle Use Tax (Increase)</td>
<td>100% Increase =</td>
<td>$852</td>
<td>15.0%</td>
<td>$128</td>
</tr>
<tr>
<td>Imported Oil Tax</td>
<td>$1.00/Bbls =</td>
<td>$3,528</td>
<td>$1.00</td>
<td>$3,528</td>
</tr>
<tr>
<td>Income Tax - Business (Partial Dedication)</td>
<td>0.1% of current taxes =</td>
<td>$440</td>
<td>1.0%</td>
<td>$4,396</td>
</tr>
<tr>
<td>Income Tax - Personal (Partial Dedication)</td>
<td>0.1% of current taxes =</td>
<td>$1,508</td>
<td>1.0%</td>
<td>$15,084</td>
</tr>
<tr>
<td>Registration Fee on Light Duty Vehicles (Annual)</td>
<td>$1.00 Fee =</td>
<td>$259</td>
<td>$10.00</td>
<td>$2,594</td>
</tr>
<tr>
<td>Registration Fee on Trucks (Annual)</td>
<td>$1.00 Fee =</td>
<td>$9</td>
<td>$15.00</td>
<td>$131</td>
</tr>
<tr>
<td>Sales Tax on Auto-related Parts and Services</td>
<td>1.0% of Sales =</td>
<td>$2,567</td>
<td>1.0%</td>
<td>$2,567</td>
</tr>
<tr>
<td>Sales Tax on Fuel - Diesel</td>
<td>1.0% of Sales =</td>
<td>$2,567</td>
<td>1.0%</td>
<td>$2,567</td>
</tr>
<tr>
<td>Sales Tax on Fuel - Gas</td>
<td>1.0% of Sales =</td>
<td>$3,981</td>
<td>7.5%</td>
<td>$33,466</td>
</tr>
<tr>
<td>Sales Tax on New and Used Light Duty Vehicles</td>
<td>1.0% of Sales =</td>
<td>$2,619</td>
<td>1.0%</td>
<td>$2,619</td>
</tr>
<tr>
<td>Sales Tax on New Light Duty Vehicles</td>
<td>1.0% of Sales =</td>
<td>$1,625</td>
<td>1.0%</td>
<td>$1,625</td>
</tr>
<tr>
<td>Sales Tax on Trucks and Trailers (Increase)</td>
<td>1% of Sales =</td>
<td>$268</td>
<td>5.0%</td>
<td>$1,340</td>
</tr>
<tr>
<td>Tire Tax on Light Duty Vehicles</td>
<td>$1.00 Fee =</td>
<td>$195</td>
<td>$3.00</td>
<td>$584</td>
</tr>
<tr>
<td>Tire Tax on Trucks (Increase)</td>
<td>100% Increase =</td>
<td>$434</td>
<td>10.0%</td>
<td>$43</td>
</tr>
<tr>
<td>Vehicle Miles Traveled Fee on Light Duty Vehicles (All Miles)</td>
<td>1c/VMT =</td>
<td>$26,891</td>
<td>2.0%</td>
<td>$53,781</td>
</tr>
</tbody>
</table>
State revenue sources for roads, bridges, rail and transit:

- **Fuel taxes** (all states + DC + PR); 6 index; largest single source of highway funds used by half the states
- **Sales taxes on fuel, or other taxes on distributors or suppliers** (14 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** (24 states + PR, plus non-state toll entities)
- **General funds** (34 states + DC; Vt. on occasion)
- **Interest income** (37 states + DC + PR)
- **Other** (40 states + DC + PR)
TRANSPORTATION FINANCING UTILIZATION BY STATES

• 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)
  - Public-private partnerships (PPPs or P3s) (authorized in 33 states + PR)
  - Design-build (authorized in 38 states + PR)

Source: National Conference of State Legislatures.
TRANSPORTATION REVENUE OPTIONS AND STATE FUNDING INITIATIVES

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STATES ARE SEEING SUCCESS

Governor signs Wyoming fuel tax increase into law
RECENT STATE TRANSPORTATION FUNDING PROPOSALS
(Successes in underline)

• **Raising fuel taxes**: California, Idaho, Indiana, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Hampshire, Pennsylvania, Utah, Vermont, West Virginia, Wisconsin, Wyoming

• **Directing gas tax proceeds to direct transportation uses**: Indiana, Texas

• **Reducing gas tax, but increasing other taxes for a net increase for transportation**: Pennsylvania, Virginia
RECENT STATE TRANSPORTATION FUNDING PROPOSALS
(Successes in underline)

- **State sales tax toward transportation**: Arkansas, Idaho, Virginia, West Virginia
- **Sales taxes on fuel, or other variable taxes/fees**: District of Columbia, Idaho, Illinois, Indiana, Maryland, Massachusetts, Michigan, Minnesota, Pennsylvania, South Carolina, Utah, Virginia, West Virginia, Wisconsin
- **Vehicle registration fees**: Idaho, Michigan, New Hampshire, Pennsylvania, Texas, Virginia, Wisconsin
RECENT STATE TRANSPORTATION FUNDING PROPOSALS
(Successes in underline)

- Vehicle Miles Traveled Fee (VMT) pilot projects: Oregon
- Framework to study a VMT fee: Arizona, Florida, Washington, Wisconsin
- Special fees or taxes for electric or alternative fuel vehicles: Arizona, Virginia, Washington, West Virginia

Source: National Conference of State Legislatures.
THEMES FOR SUCCESS

- Needs are reasonable and relatable to the public
- Potential benefits of investment are clear
- Political leadership from the executive branch
- Broad coalition of supporters beyond self-interested groups
AASHTO’S REAUTHORIZATION STRATEGY

• **Engagement:** State DOT leaders to educate Congressional members and staff on value of federal investment

• **Support:** Assiduously help Congressional committees to get their job done

• **Flexibility:** “All options are on the table”: Remain agile to take advantage of window of opportunity
Questions?