



NATIONAL COUNCIL OF COUNTY ASSOCIATION
EXECUTIVES
PRESIDENTS & EXECUTIVE DIRECTORS MEETING
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Outlook for the Federal Highway Trust Fund

Janet Oakley

Director of Policy and Government Relations

American Association of State Highway and Transportation Officials (AASHTO)



Surface transportation has long relied on user fees.

“It'll be paid for by those of us who use the system, and it will cost the average car owner only about \$30 a year. That's less than the cost of a couple of shock absorbers. Most important of all, it'll cost far less to act now than it would to delay until further damage is done.”

President Reagan, November 23, 1982

“And the proposal was, as we called it, a "users fee" to differentiate [that] this is not a tax for general revenues.”

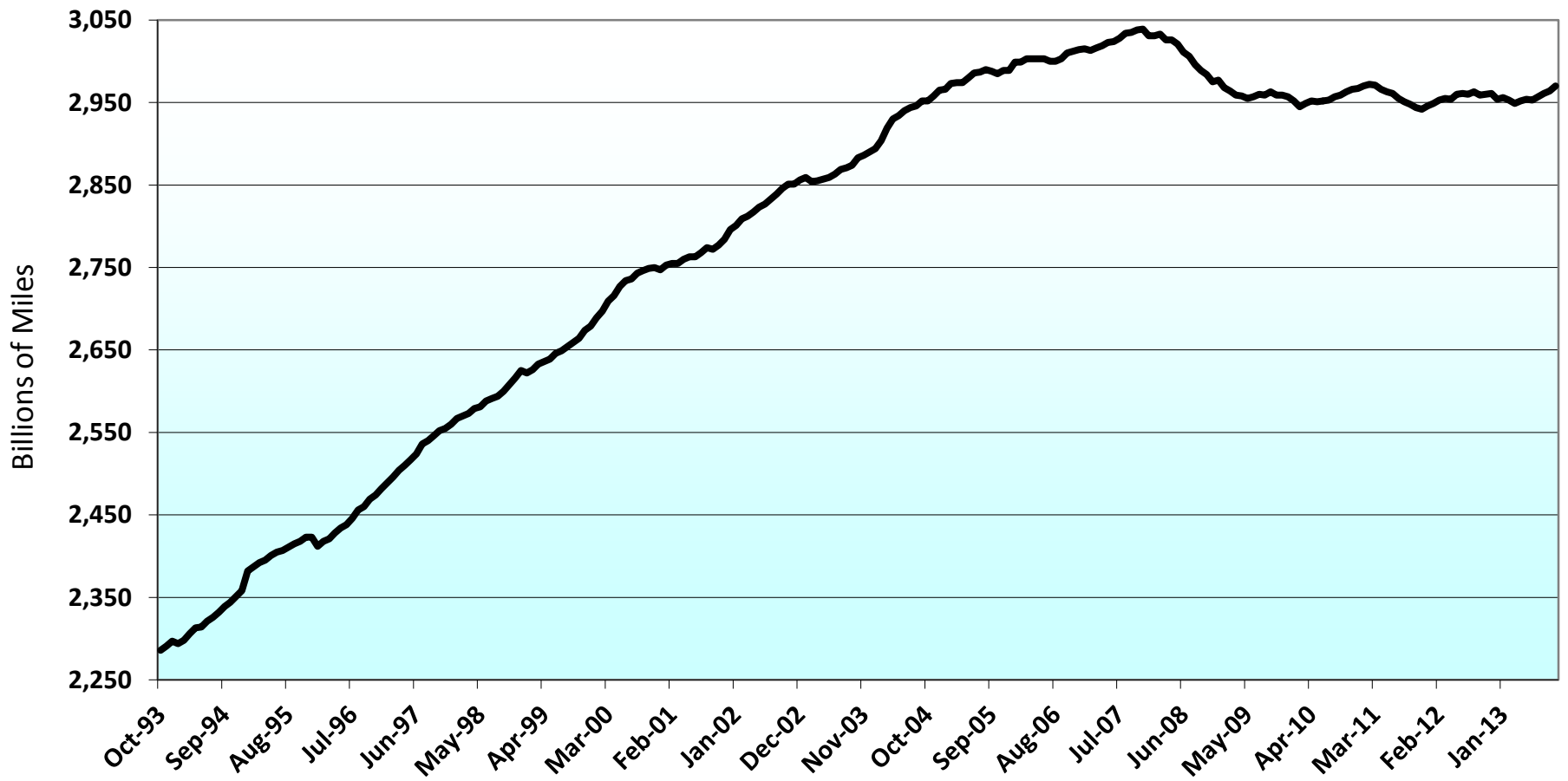
President Reagan, January 5, 1983



HTF Headwinds:

#1. Americans aren't driving as much.

Vehicle Miles Traveled - October 1993 to October 2013
(Moving 12 Month Total)

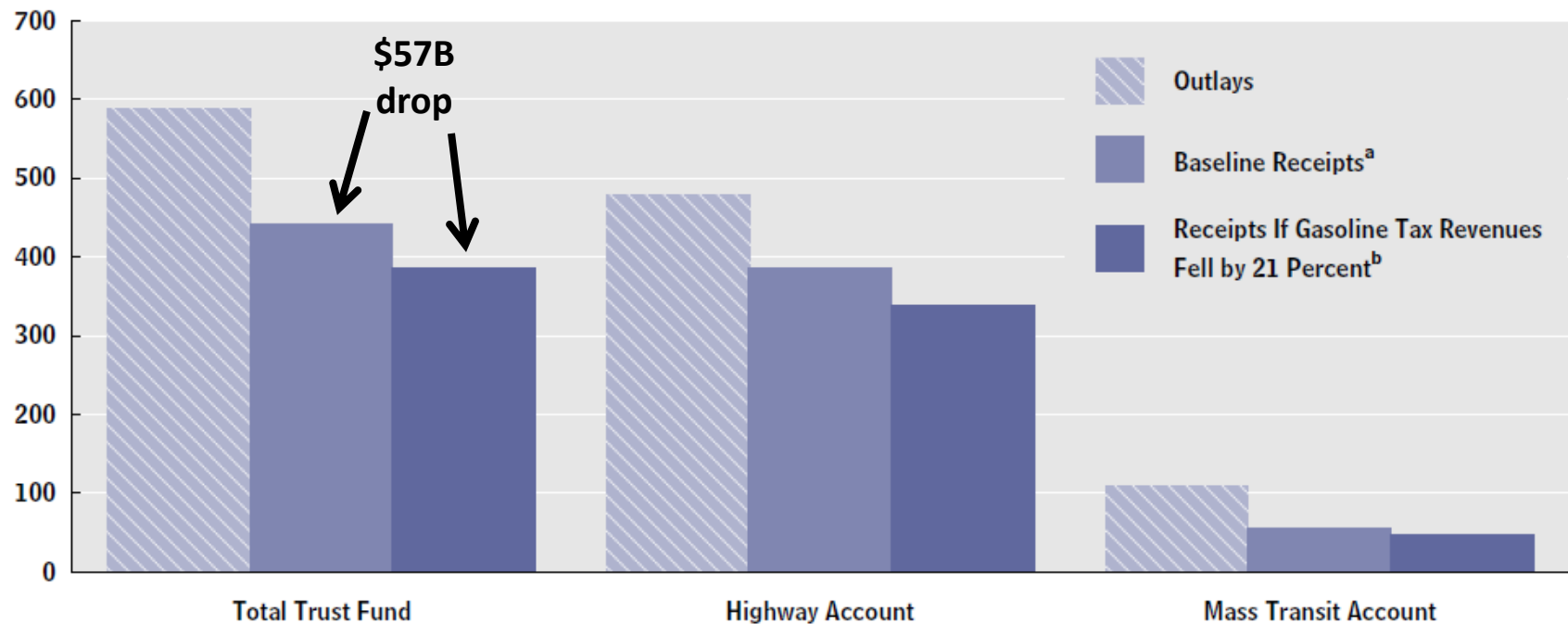


HTF Headwinds:

#3. Alternative fuel vehicles will further erode future HTF receipts.

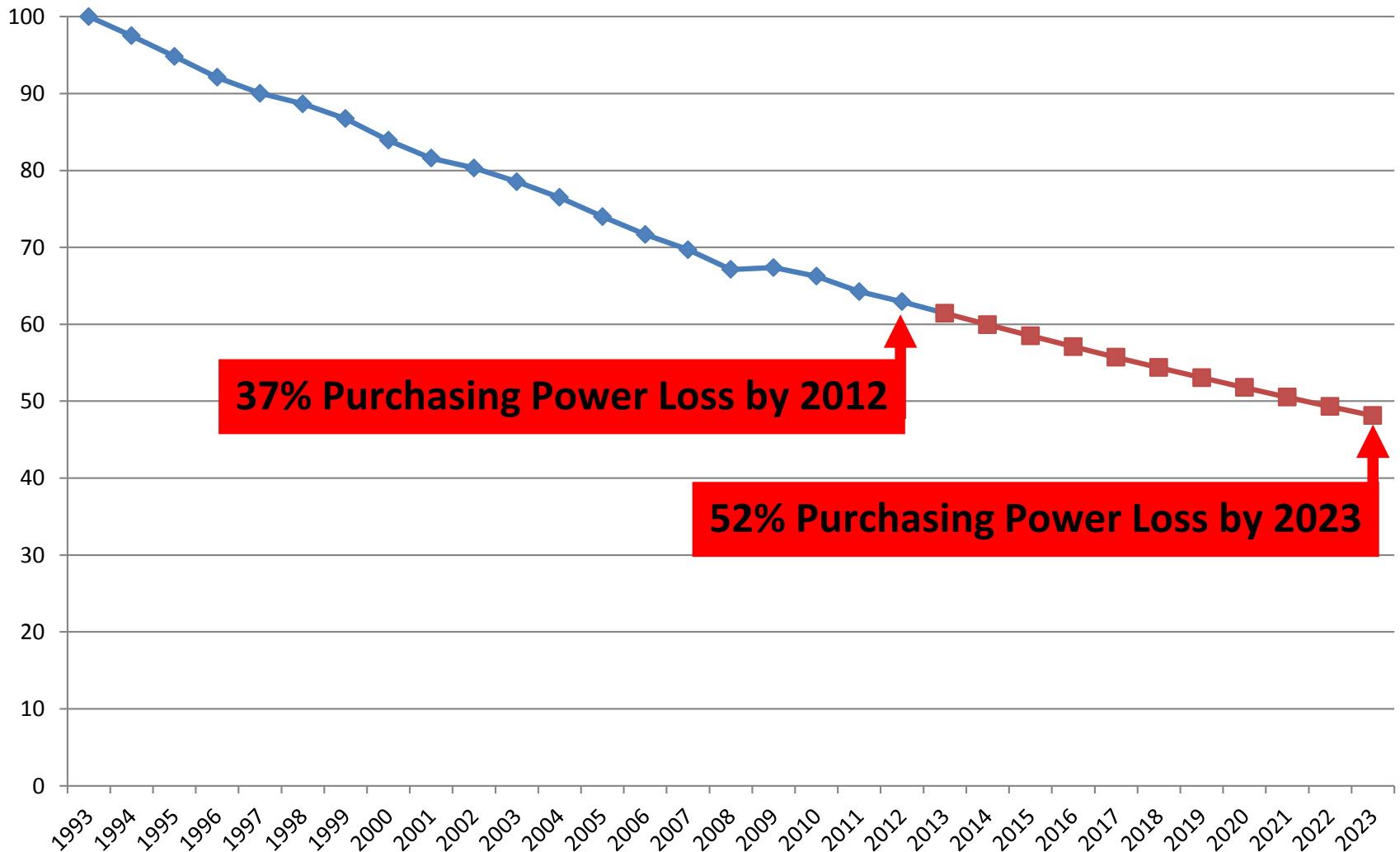
Projected Outlays and Receipts of the Highway Trust Fund, by Account, 2012 to 2022

(Billions of dollars)



HTF Headwinds:

#2. Gas tax has lost its purchasing power.



Like prior bills, MAP-21 relies on the Highway Trust Fund—the backbone of Federal surface transportation funding since 1956.



Motor fuel taxes have typically comprised 89% of Highway Trust Fund revenues. But they face an uncertain long-term future.



General Fund transfers have avoided the HTF “fiscal cliff.”

- FY 2008: \$8 billion General Fund transfer to HTF
- FY 2009: \$7 billion General Fund transfer to HTF
- FY 2010: \$19.5 billion General Fund transfer to the Highway Trust Fund
- FY 2012: \$2.4 billion Leaking Underground Storage Tank Trust Fund transfer to HTF*
- FY 2013: \$5.9 billion General Fund transfer to HTF**
- FY 2014: \$11.7 billion General Fund transfer to HTF**

**Total General Fund transfers to Highway Trust Fund:
\$52.1 billion since 2008**



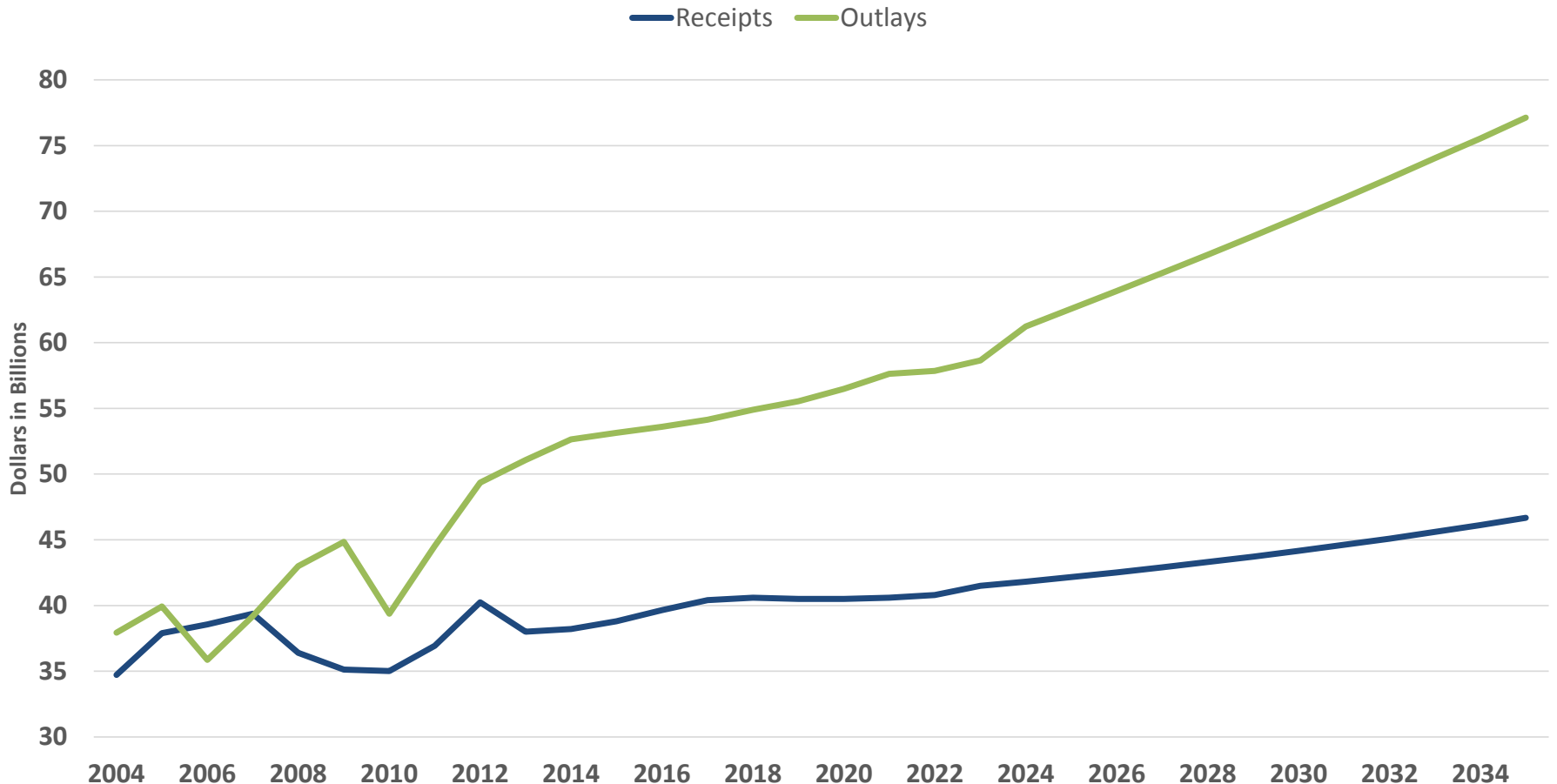
* This is not a transfer from General Fund as a portion of HTF receipts are normally deposited into Leaking Underground Storage Tank Trust Fund.

** Amount transferred after budgetary sequester.

Outlays outpace receipts:

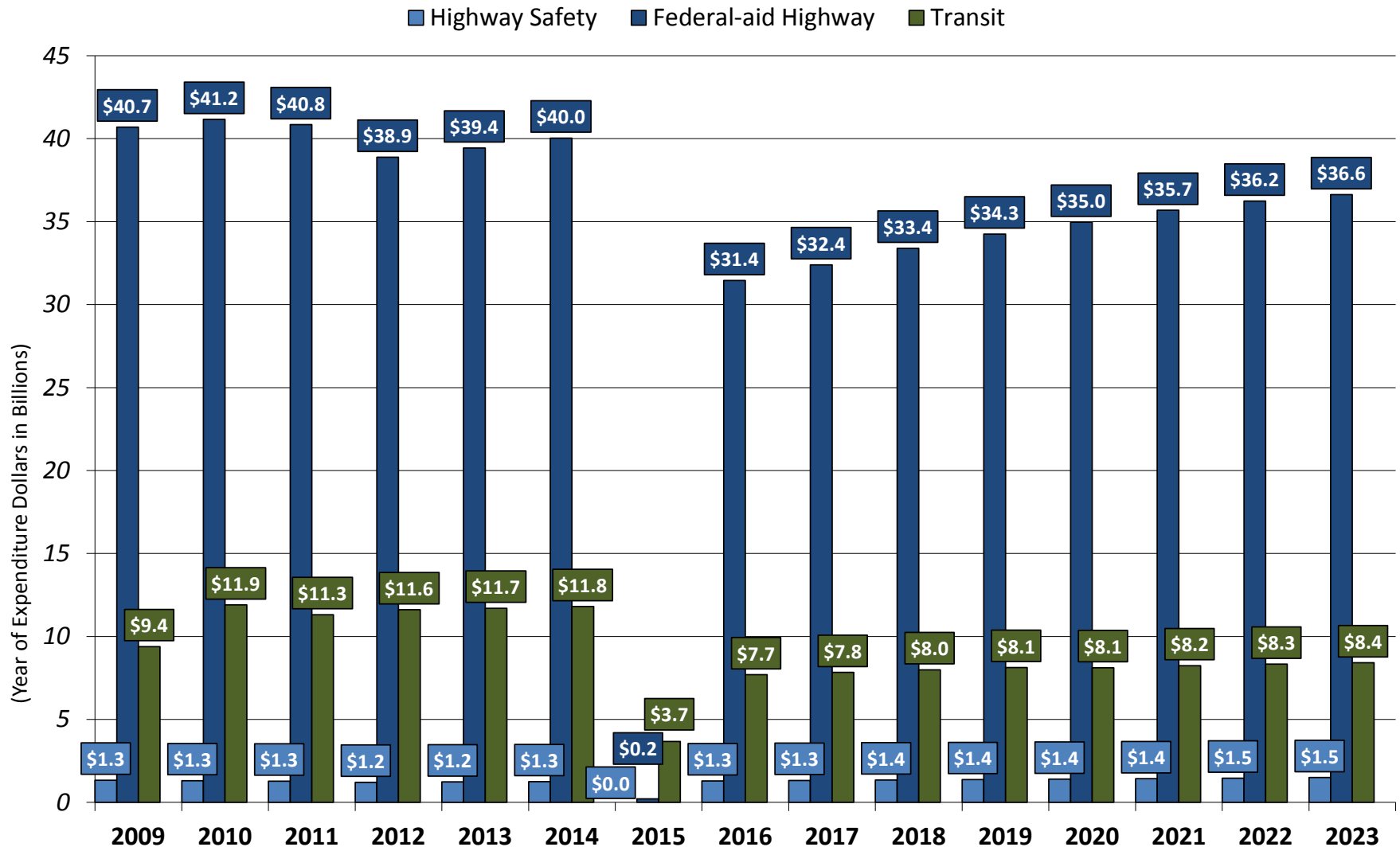
About \$15 billion per year and more for a foreseeable future.

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.

The cliff: Federal highway obligations fall nearly 100% in FY 2015 without new revenue.



Technically feasible revenue options

Matrix of Illustrative Surface Transportation Revenue Options

(all revenue estimates in \$ millions)

Funding Mechanisms	Mechanism Yield 2014	Illustrative Rate	Revenues 2014	Average Revenues 2015-2020	Total Revenues 2015-2020
Container Tax	\$1.00 per TEU = \$ 421	\$15.00	\$ 6,317	\$ 6,893	\$ 41,361
Customs Revenues (Partial Dedication)	1.0% of Receipts = \$ 357	1.0%	\$ 357	\$ 408	\$ 2,451
Drivers License Surcharge (Annual)	\$1.00 Surcharge = \$ 222	\$5.00	\$ 1,109	\$ 1,154	\$ 6,926
Excise Tax on Diesel (Increase)	1¢ per Gallon = \$ 399	15.0¢	\$ 5,983	\$ 6,480	\$ 38,877
Excise Tax on Diesel (Indexing)	n/a		\$ 440	\$ 1,031	\$ 6,183
Excise Tax on Gasoline (Increase)	1¢ per Gallon = \$ 1,282	10.0¢	\$ 12,823	\$ 13,367	\$ 80,202
Excise Tax on Gasoline (Indexing)	n/a		\$ 1,046	\$ 2,384	\$ 14,303
Freight Bill - All Modes	1.0% of Sales = \$ 8,318	1.0%	\$ 8,318	\$ 9,236	\$ 55,415
Freight Bill - Truck Only	1.0% of Sales = \$ 7,221	1.0%	\$ 7,221	\$ 8,018	\$ 48,110
Freight Charge - All Modes (Ton)	1¢ per Ton = \$ 180	25.0¢	\$ 4,492	\$ 4,988	\$ 29,929
Freight Charge - All Modes (Ton-Mile)	1¢ per Ton-mile = \$ 47,530	0.5¢	\$ 23,765	\$ 26,389	\$ 158,334
Freight Charge - Truck Only (Ton)	1¢ per Ton = \$ 124	25.0¢	\$ 3,098	\$ 3,440	\$ 20,641
Freight Charge - Truck Only (Ton-Mile)	1¢ per Ton-mile = \$ 13,911	0.5¢	\$ 6,956	\$ 7,724	\$ 46,342
Harbor Maintenance Tax (Increase)	0.1% Tax = \$ 1,331	0.5%	\$ 6,657	\$ 7,264	\$ 43,584
Heavy Vehicle Use Tax (Increase)	100% Increase = \$ 852	15.0%	\$ 128	\$ 163	\$ 977
Imported Oil Tax	\$1.00 per Barrel = \$ 3,528	\$1.00	\$ 3,528	\$ 3,528	\$ 21,171
Income Tax - Business (Partial Dedication)	0.1% of Current Taxes = \$ 440	1.0%	\$ 4,396	\$ 4,847	\$ 29,082
Income Tax - Personal (Partial Dedication)	0.1% of Current Taxes = \$ 1,508	1.0%	\$ 15,084	\$ 18,393	\$ 110,356
Oil, Gas, Minerals Lease - Rent, Bonus, and Other Income (Partial Dedication)	1.0% of GF Revenues = \$ 15	50.0%	\$ 750	\$ 750	\$ 4,500
Oil, Gas, Minerals Lease - Royalties (Partial Dedication)	1.0% of GF revenues = \$ 55	50.0%	\$ 2,750	\$ 2,750	\$ 16,500
Registration Fee on Light Duty Vehicles (Annual)	\$1.00 Fee = \$ 259	\$10.00	\$ 2,594	\$ 2,731	\$ 16,387
Registration Fee on Trucks (Annual)	\$1.00 Fee = \$ 9	\$15.00	\$ 131	\$ 133	\$ 797
Sales Tax on Auto-related Parts and Services	1.0% of Sales = \$ 2,567	1.0%	\$ 2,567	\$ 2,883	\$ 17,299
Sales Tax on Fuel - Diesel	1.0% of Sales = \$ 1,253	11.0%	\$ 13,782	\$ 15,839	\$ 95,033
Sales Tax on Fuel - Gasoline	1.0% of Sales = \$ 3,711	8.0%	\$ 29,686	\$ 31,126	\$ 186,753
Sales Tax on New and Used Light Duty Vehicles	1.0% of Sales = \$ 2,619	1.0%	\$ 2,619	\$ 2,619	\$ 15,715
Sales Tax on New Light Duty Vehicles	1.0% of Sales = \$ 1,625	1.0%	\$ 1,625	\$ 1,625	\$ 9,752
Sales Tax on Trucks and Trailers (Increase)	1.0% of Sales = \$ 268	5.0%	\$ 1,340	\$ 1,677	\$ 10,062
Tire Tax on Light Duty Vehicles	\$1.00 Fee = \$ 195	\$3.00	\$ 584	\$ 615	\$ 3,687
Tire Tax on Trucks (Increase)	100% Increase = \$ 434	10.0%	\$ 43	\$ 54	\$ 326
Vehicle Miles Traveled Fee on Light Duty Vehicles (All Miles)	1¢ per VMT = \$ 26,891	2.0¢	\$ 53,781	\$ 55,852	\$ 335,111

Illustratively, shoring up HTF would not present an unreasonable burden.

- Average household pays \$46 in federal and state gas tax per month. This is less than per monthly cost of:
 - Electricity and gas: \$160
 - Cell phone: \$161
 - Cable and internet access: \$124
- For example, a 10-cent increase in the federal gas tax translates to \$1.15 more for the average driver per week—an action that would fix the Highway Trust Fund shortfall



State and Local Governments are Addressing the Transportation Revenue Challenge



Governor Mead signs Wyoming fuel tax increase into law



Governor Corbett signs \$2.3 billion Pennsylvania transportation bill



2013 State Transportation Revenue Measures

In 2013 State of the State Messages 32 of 50 Governors focused on the need for transportation infrastructure investment

- **Raising fuel taxes:** California, Maryland, Massachusetts, Vermont, Wyoming
- **Directing gas tax proceeds or oil and gas revenues to transportation uses:** Texas
- **Reducing gas tax, but increasing other taxes for a net increase for transportation:** Pennsylvania, Virginia
- **State sales tax toward transportation:** Arkansas, Virginia
- **Sales taxes on fuel, or other variable taxes/fees:** District of Columbia, Maryland, Massachusetts, Pennsylvania, Virginia, Vermont
- **Vehicle registration fees:** Pennsylvania, Virginia,

2013 State Transportation Revenue Measures

- **Vehicle Miles Traveled (VMT) Fee:** Oregon
- **Framework to study a VMT fee:** Washington
- **Special fees or taxes for electric or alternative fuel vehicles:** Virginia, Washington, Indiana, North Carolina, West Virginia
- **2013 State and Local Transportation Funding Ballot Measures** – 25 Of 29 measures approved [86%] with a total value of \$716 million



Some common themes behind state success stories

- 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



Looking Ahead

Key Near Term Milestones

- **Early 2014:** Continued implementation of MAP-21; Reauthorization discussions to continue, including potential development of legislation
- **January 15:** Current Continuing Resolution expires
- **Early February 2014:** President's budget proposal for FY 2015
- **February 7:** Debt ceiling suspension is lifted
- **April 2014:** FY 2015 budget resolution is developed
- **Sep 30, 2014:** Expiration of MAP-21
- **Oct 1, 2014:** New authorization or extension of MAP-21
- **Summer 2014 to Spring 2015:** Highway Trust Fund shortfall reached if no new revenues found

