
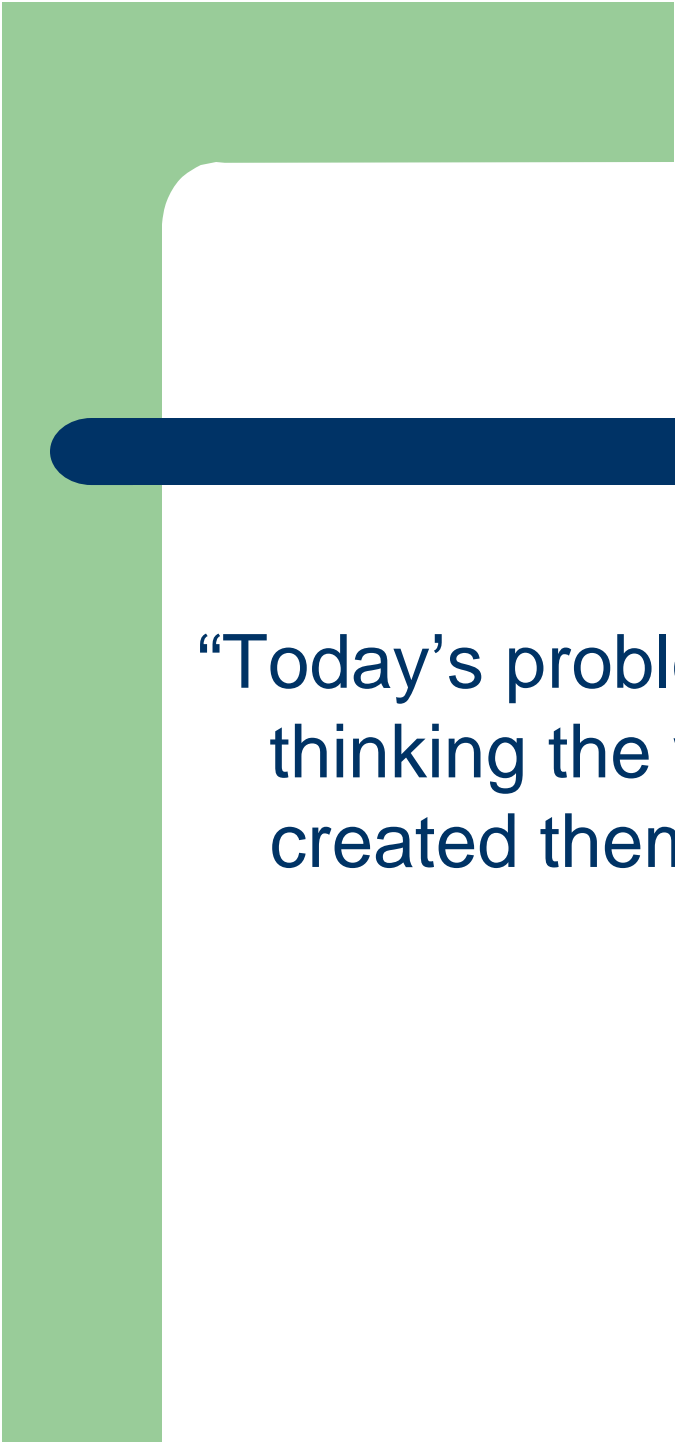




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TOPICS

- Current Highway Trust Fund landscape
- Financing Commission
- Funding and Financing Recommendations
- Status of authorization efforts



“Today’s problems cannot be solved by thinking the way we thought when we created them.”

- Albert Einstein

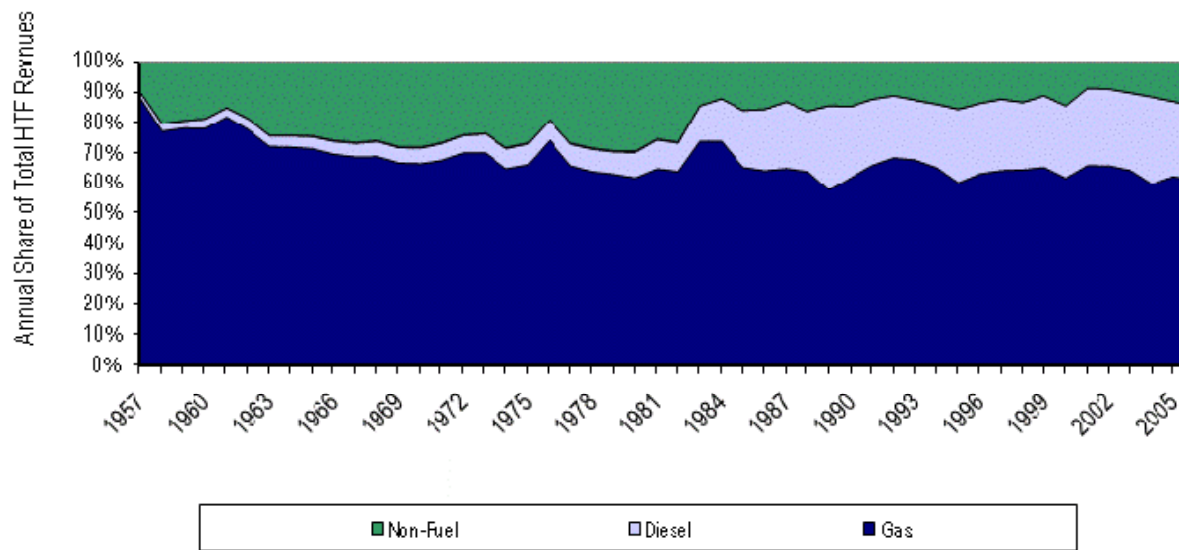
Federal Highway Trust Fund (HTF)

- Established in 1956
- Federal motor fuels and vehicle taxes deposited in HTF
- Budgetary firewalls prevent diversion to non-transportation purposes
- Keeps federal highway use taxes and fees for transportation purposes

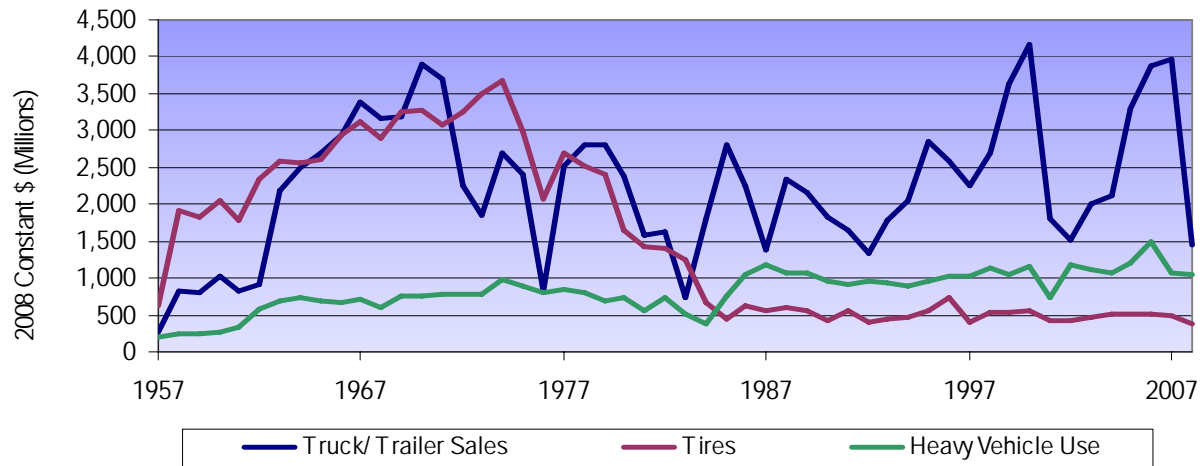
Deposits into HTF

- Federal gasoline taxes
- Federal diesel taxes
- Federal retail tax on truck and trailer sales
- Truck tire tax
- Heavy vehicle use tax

Federal HTF Funding Sources



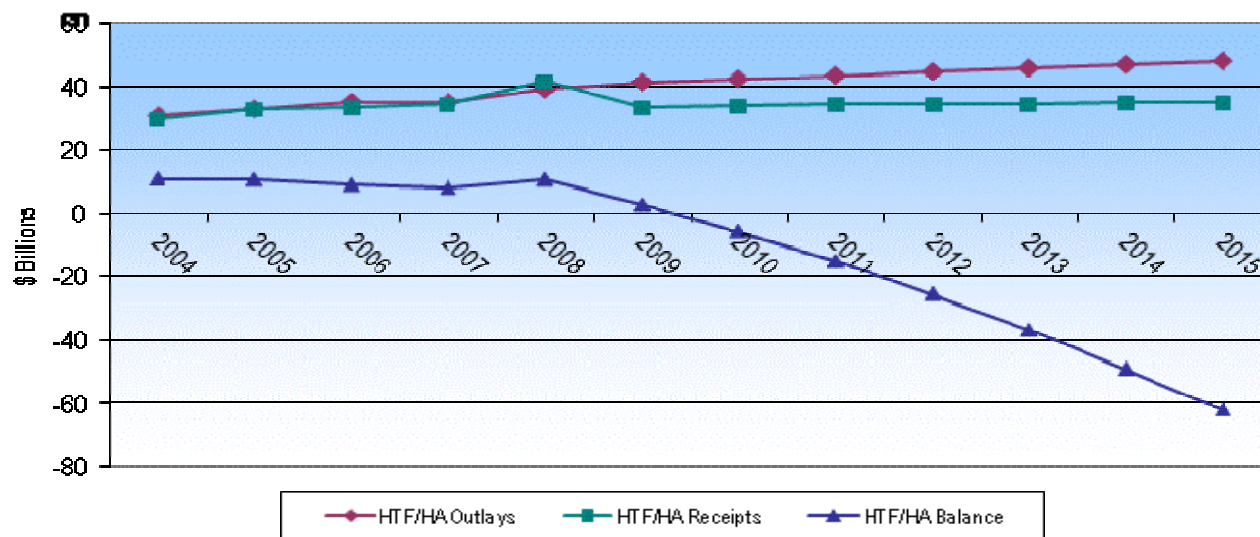
Non-fuel HTF Sources



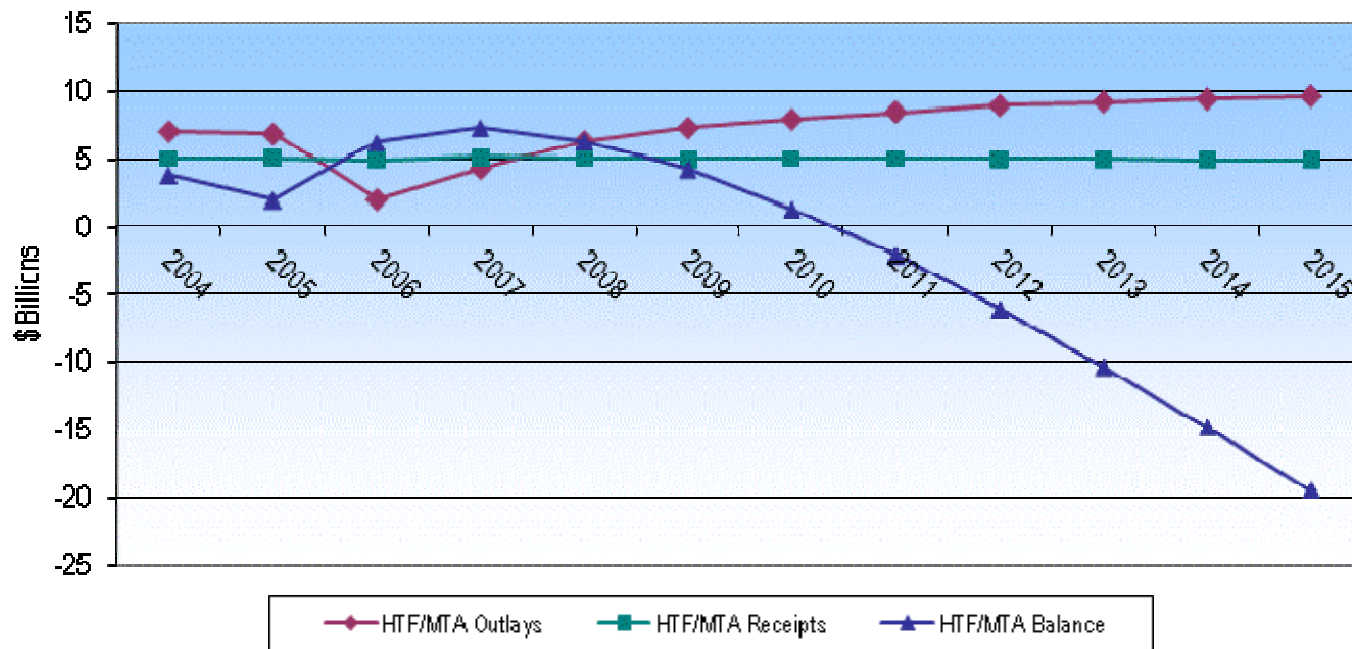
Current financial condition of HTF

- Last year, Congress passed short-term HTF “fix” – transferred \$8 billion to HTF
- Additional “fix” needed for FY 2009
- What happens in 2010?
- President’s budget proposal

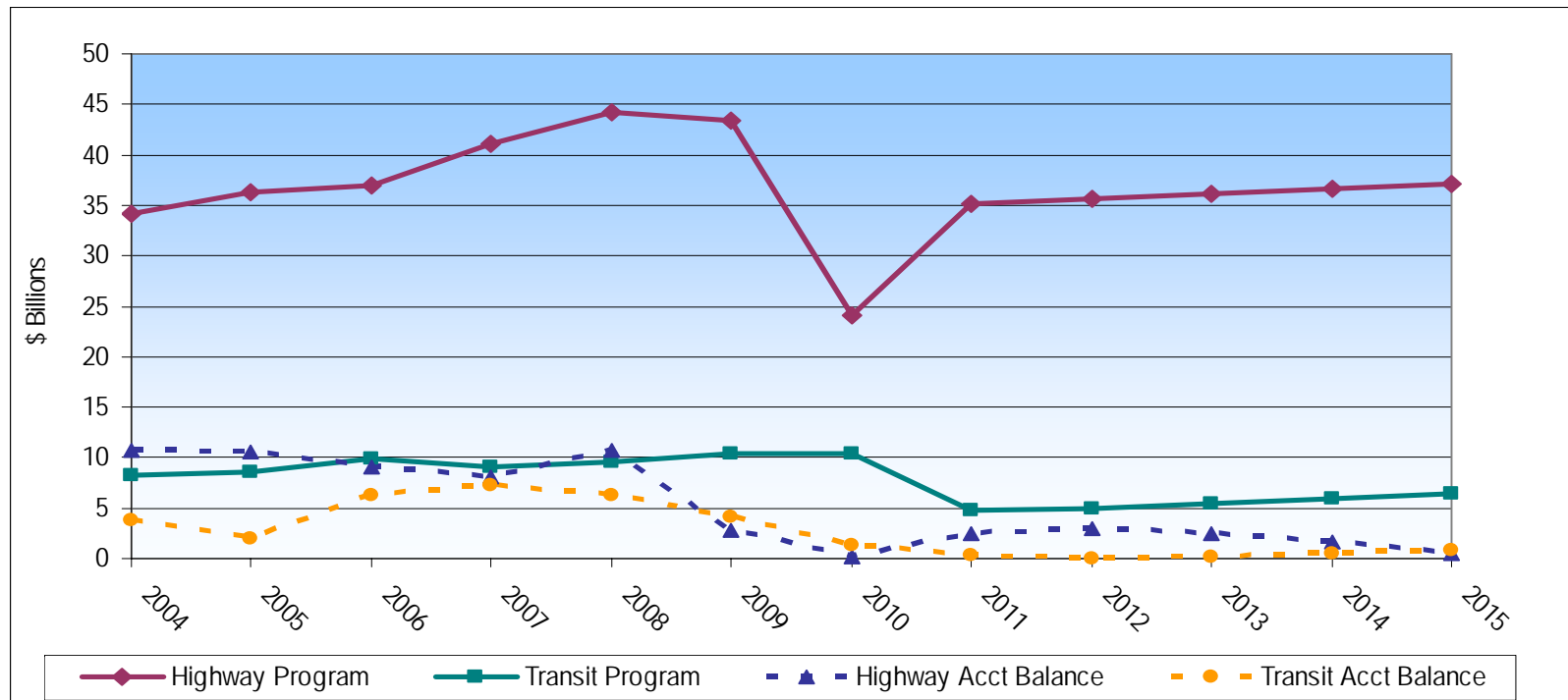
HTF/Highway Account Trends



HTF/Mass Transit Account Trends



Federal Funding Levels Under Current Law



Congress created two commissions

- National Surface Transportation Policy and Revenue Study Commission
- National Surface Transportation Infrastructure Financing Commission

National Surface Transportation Infrastructure Financing Commission

- 15 Commissioners- appointed by Congress or Secretary of Transportation
- Began work in April 2007
- Final report released

Commission required to examine:

- Current Highway Trust Fund (HTF) revenues
- Project how HTF revenues may change
- Alternatives for funding the HTF
- Highway and transit needs for HTF funds
- State “opt-out” program

Three “buckets”

- How much revenue is needed?
- How should this revenue be raised?
- How should this revenue be spent?

Commission approach

- Examined over 40 revenue options
- Used 14 evaluation criteria
 - Revenue potential
 - Implementation and administration
 - Economic efficiency and impacts
 - Equity

Funding vs. Financing

Funding

- Collection of taxes, fees, and other charges and the allocation of these revenues for transportation purposes

Financing

- Leveraging or upfront monetization of revenue streams

Funding recommendations

- Recommendations:
 - 10 cent/gallon gas tax increase
 - 15 cent/gallon diesel tax increase
 - 13 cents to HTF
 - 2 cents to “freight fund”

Funding recommendations

- Index motor fuel taxes to CPI
- Increase Heavy Vehicle Use Tax (HVUT)
- Index HVUT and truck tire tax to CPI

Freight fees

- Freight fee options examined
 - Customs duties and fees
 - Freight waybill tax
 - Weight distance tax
 - Container tax
 - Harbor maintenance tax

Interstate tolling

- Congress should allow tolling of Interstate
 - For new capacity
 - In large metropolitan areas (over 1 million) for congestion relief
- Continue Interstate Reconstruction and Rehabilitation Pilot Program – 3 slots to 5
- Residual revenues from tolling of federal facilities should be used for surface transportation

Financing recommendations

- Increase private activity bond volume cap
- Recapitalize State Infrastructure Banks
- Expand eligible uses and funding of TIFIA program
 - \$300 million for credit assistance
 - \$100 million for pre-feasibility assistance
 - \$600 million for capitol cost gap funding

Vehicle miles traveled fee system (VMT)

- Recommend transition to VMT
- Many policy concerns with VMT
 - Privacy
 - Fraud and compliance
 - Cost of implementation and administration
 - Rural users
 - Point of collection
 - Freight vs. passenger vehicles

VMT continued

- Congress should
 - Use the next authorization period to study issue
 - Establish R&D projects to analyze technology
 - Undertake pilot projects to answer policy questions
 - Include stakeholders and users of transportation system in the R&D, pilot and development process

Additional options

- Bicycle tire tax
- Vehicle inspection fees
- Vehicle registration fees
- Vehicle personal property tax
- Driver's license surcharge
- Vehicle sales tax

Additional options continued

- Windfall profits tax
- Petroleum franchise fee
- Import oil fee
- Carbon tax/cap and trade revenue
- Sales tax on motor fuel
- General sales tax
- Dedicated income tax

Additional options continued

- Cordon pricing
- Federal tax on parking fees
- Tourism tax
- Tobacco, alcohol and gambling taxes
- Federal tax on transit fares

Important considerations at the end of the day.....

- Impacts to national system
- Impacts to different system users
- Compliance and administrative costs
- Rural vs. urban applications
- Protecting the public interest
- Political reality

Status of authorization

- House has drafted legislation
- “Top-tier” issues – funding/financing, congestion, freight movement, public transportation, high speed rail, safety, project delivery, program consolidation and environment
- Finance – Ways and Means will be more engaged

Timetable

- House working towards Committee action in September
- House wants to complete action this year
- Senate process is lagging behind

What are the obstacles to increased funding?

- Economy
- Lack of coherent message
- Climate change debate
- Too many are looking for easy way out

To extend or not extend

- Senate proposes program extension
- New Administration supports extension and program “reforms”
- Extensions will be painful
- Perils of a General Fund program

Path Forward

- Need to better engage business community and public
- Need a national transportation policy
- Need a bi-partisan solution
- Need to recognize intergovernmental relationships
- Modal fights will only ensure failure
- Need to demonstrate reform to users and taxpayers

Conclusion

Ancient wisdom says that when you discover you are riding a dead horse, the best strategy is to dismount.

Too often, in government, we try other strategies – such as:

Cont'd

- Buy a stronger whip
- Change riders
- Appoint a committee to study the horse
- Arrange a visit to other sites to see how they ride dead horses
- Provide additional funding to increase the horse's performance
- Study alternative uses for dead horses....and

My personal favorite.....

- Promote the dead horse to a supervisory position

Patience and Wisdom



Report

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