NEW YORK STATE ASSOCIATION OF METROPOLITAN PLANNING ORGANIZATIONS

BRIEFING PAPER
TRANSPORTATION FUNDING and the U.S. HIGHWAY TRUST FUND

The U.S. Highway Trust Fund (HTF) was created by Congress in 1956 as a means to separate motor fuel tax revenue from the U.S. General Fund, and to use those revenues to fund the Federal share of highway construction costs. The HTF was able to meet the financial obligations imposed on it by Congressional appropriations and permitted contract authority until 2008.

REVENUE SHORTFALL

In 2008, the HTF experienced its first revenue shortfall, because revenue from motor fuel and excise taxes were not keeping up as a result of 3 factors:

- Decline in car and truck travel as a result of the recession
- More fuel efficient and alternative fueled cars including hybrids and electric vehicles
- Exemption of ethanol from motor fuel tax

The first two factors translate into less fuel being sold; despite economic recovery, these trends are continuing. Congress has been unwilling to either increase the tax rate, or index it to inflation. Instead, they have chosen to transfer money from the U.S. General Fund to the HTF. Since 2008, a total of $41 billion has been transferred.

Looking forward, current projections by USDOT are that the HTF will be unable to meet highway obligations in September, prior to the close of the 2014 Federal fiscal year. The Mass Transit Account is forecast to stay solvent until 2015. The Highway Trust Fund tracker (http://www.dot.gov/highway-trust-fund-ticker) shows the fund has about $8.5 billion left, which includes $9.7 billion that was transferred from the U.S. General Fund at the beginning of the fiscal year in October. The Congressional Budget Office has projected current trends, which show that by 2020 the Highway Account will have a cumulative deficit of $61B and the Mass Transit Account $21B if there are no changes.

SHORT TERM IMPLICATIONS

Without action by Congress, FHWA funded projects that are scheduled to be let to contract in the 4th quarter (July-Sept) of Federal fiscal year 2014 may have to be deferred. NYSDOT and the MPOs would have to consult on modifications and amendments to the Transportation Improvement Programs. This would require discussions at MPO Policy Committee tables on the best way to proceed with reduced resources. With a shift in the planning process to Performance-based Planning and Programming and a focus on outcomes, there will be a concern about not meeting desired objectives.

LONG TERM IMPLICATIONS

Congress and the Administration are faced with stark choices on funding the FHWA and FTA programs. This could be addressed when the surface transportation program is reauthorized; MAP-21 expires on September 30, 2014. Choices include:

- Increasing the motor fuel taxes, which has not been done for more than 20 years. There have been a number of proposals over the past decade to increase the tax, and also impose indexing.
- Replace the motor fuel tax with a vehicle-miles traveled (VMT) tax. This would be more of a true user fee, since it would correlate with use of the roadways rather than fuel consumed. There have been pilot tests of feasibility, and policy studies of equity.
- Reduce the size of the FHWA and FTA programs. This is contrary to the magnitude of needs that far outpace current revenue.
- Rely to a greater extent on what has been called "innovative finance". This essentially can be categorized into loan programs, which are guaranteed and have low interest rates, but do not bring new money to the program; and public-private partnerships, which bring private capital to the program, but are only used for construction or operation of toll facilities that generate revenue for investors.

BACKGROUND

In 1956, concurrent with authorizing the creation and construction of the Interstate Highway System, Congress passed the Highway Revenue Act that created the Highway Trust Fund. The purpose was to separate motor fuel tax receipts from the U.S. General Fund, and to use the money to pay the Federal share of highway construction, particularly for the new Interstates. There was at that time a 3¢/gal tax on gasoline, which was then deposited in the HTF. There have been many programmatic and funding changes to the HTF since then.

The Federal Highway Administration (FHWA) was created in 1966 as the successor to the U.S. Bureau of Public Roads. While the number of programs FHWA administers has grown significantly over the years, the only projects it funds directly are those on federal lands. In all other cases, funds that have been authorized and appropriated by Congress are apportioned to the states. As such, states are managers of the federal-aid program. In general, the federal share of project costs is 80%.

In 1983, the gasoline tax was increased by 5¢ to 9¢/gallon. Of the new funding, 1¢ was directed to a new Mass Transit Account of the HTF, the first time any gas tax money would be used for other than highway and bridge projects. That account funds a portion of the programs of the Federal Transit Administration (FTA). In this case, the money flows directly from FTA to the operators of transit systems, known as Designated Recipients. The federal share is 80% of capital purchases, and 50% of operating assistance for systems where that is an eligible use.

REVENUE SOURCES

The HTF receives revenue from the following sources. Motor fuel taxes account for nearly 90% of receipts.

MOTOR FUELS	
Gasoline	18.4¢/gal*
Gasohol	18.4¢/gal*
Diesel	24.4¢/gal
LPG	13.6¢/gal
LNG	11.9¢/gal
* 0.1¢/gal goes to the Leaking Underground Storage Tank fund for remediation	
OTHER EXCISE and USER FEES	
Trucks and Trailers	12% of retail sale price for trucks > 33,000# GVW; and trailers > 26,000# GVW
Truck tires	9.45¢ for each 10# over 3500# load capacity
Heavy use vehicles (annual fee)	Trucks 55,000–75,000# GVW, $100 plus 22 for each 1,000#>55,000#. Trucks over 75,000# GVW, $550.

HISTORY OF THE FEDERAL GASOLINE TAX				
	Tax	Retail price	Tax % of cost	
1956	3¢/gal	18¢/gal	16.6%	Pres. Eisenhower
1959	4¢/gal	30.5¢/gal	13.1%	Pres. Eisenhower
1983	9¢/gal	$1.24/gal	07.2%	Pres. Reagan
1990	14.1¢/gal	$1.40/gal	10.0%	Pres. Bush
1993	18.4¢/gal	$1.21/gal	15.2%	Pres. Clinton
2013	18.4¢/gal	$3.90/gal	04.7%	
*From 1990 to 1996, a portion of the tax went to the General Fund for deficit reduction				