TRANSPORTATION FUNDING AND THE U.S. HIGHWAY TRUST FUND

Implications for Metropolitan Transportation Planning and Regional Growth
U.S. Highway Trust Fund (HTF)

- The U.S. Highway Trust Fund was created by Congress in 1956.
- Purposely separated *motor fuel tax* revenue from the U.S. General Fund.
- Purposely dedicated those revenues for transportation – true user fee.
- In 1983 one-cent was diverted to fund Transit.
- Predictable and reliable revenue resource.
The Trust Fund’s Importance

- Enables the use of multi-year “contract authority,” allows meaningful long-range planning and to contract for multi-year projects
- Viable means for supporting state-level and transit agency debt obligations used to finance long-term assets
- HTF was able to meet the financial obligations until 2008
What Happened?

Revenue from motor fuel and excise taxes are not keeping up for a number of reasons:

1. Decline in car and truck travel as a result of the recession
2. More fuel efficient and alternative fueled cars including hybrids and electric vehicles
3. Exemption of ethanol from motor fuel tax
4. The motor vehicle fuel tax hasn’t been raised since 1993 – not even adjusted for inflation
Some Causative Factors

**FUEL EFFICIENCY**

Fuel efficiency is beneficial, but not for highway funding. It reduces revenue for maintenance and does nothing to allay congestion even though fuel efficient cars cause the same wear and tear and congestion as their less efficient counterparts.

**INFLATION**

There are a lot of influences at play with a flat motor fuels tax, most notably inflation. The 20 cents that was deemed an appropriate investment in 1991 translates to 9.2 cents in today’s value.
Monthly Motor Fuel Tax Paid by the Average Driver by Year in 2010 Dollars
The Reality

• Real highway spending per mile traveled has fallen by nearly 50 percent since the federal Highway Trust Fund was established in the late 1950s.

• Total combined highway and transit spending as a share of gross domestic product (GDP) has fallen by about 25 percent in the same period to 1.5 percent of GDP today.

• Because it is not adjusted for inflation, the federal gas tax has experienced a cumulative loss in purchasing power of 33 percent since 1993—the last time the federal gas tax was increased.
Highway Trust Fund: Receipts and Outlays Discrepancy

Note: 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.
A Large and Widening Gap Between Federal Revenues and Investment Needs, 2010 – 2035

Federal Investment Needed to Improve System

Cumulative Gap 2010–15
$400 Billion

Cumulative Gap 2010–35
$2.3 Trillion

HTF Revenues—Baseline Forecast
Receipts, Outlays, and Balances of the Highway Account

(Billions of dollars)

End-of-Year Balance or Shortfall

Source: Congressional Budget Office.

Note: Estimates are based on CBO's May 2013 baseline projections.
Highway Account

http://www.dot.gov/highway-trust-fund-ticker
Transit Account


Mass Transit Account of the Highway Trust Fund

1/ Graph reflects actual data through 12/27/13 and end-of-month projections for the remainder of the fiscal year.
2/ Total receipt and outlay projections are based on FY 2014 Mid-Session Review assumptions. Projected monthly receipt and outlay rates are based on historic averages.

Source: FTA
Short Term Implications

• Gas tax and Federal funding are at crisis

• Based on current spending and revenue trends, the U.S.D.O.T. estimates the Highway Trust Fund will encounter a shortfall before the end of this Federal Fiscal Year 2014 (Oct 1, 2014)

• Without Congressional action, FHWA funded projects that are scheduled to be let to contract in the 4th quarter (July-Sept) of this year may have to be deferred

• NYSDOT and the GBNRTC would have to consult on modifications and amendments to reduce programming in the Transportation Improvement Program (TIP)
Financing Is a Significant Issue

- Current project funding approach does not support needs here or nationally
- Sustainable finance strategies essential to success
- Metropolitan Transportation Plan quantifying resources needed to maintain existing infrastructure
- Implementation of transformative initiatives needed to create and accommodate future growth