

*Midwest Transportation Consortium Seminar  
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# *Transportation Funding:*

## **A State Perspective**

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# *Transportation Funding*

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- Focus on Federal Funding Issues
  - Transportation Systems
  - Financing Transportation Infrastructure
  - Federal Transportation Reauthorization
  - Future Federal Transportation Finance

# *1. Transportation Systems*

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- Highway:
  - Local, state and federal governmental agencies own nearly all of the nation's 4 million miles of road
    - Local - 77%; State – 20%; Federal – 3%
  - Private operations:
    - Motor carriers provide commercial freight
    - Private vehicles and bus service

# *1. Transportation Systems*

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- Public Transit
  - Use existing highway system and rail system
  - Primarily local transit systems for bus and fixed rail facilities
- Airports:
  - Local Airport Authorities own airports
  - Commercial and charter airlines provide air service

# *1. Transportation Systems*

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- **Railroads**
  - Private companies own track and provide rail freight service
  - Passenger service from state/local/federal
- **Waterways**
  - Federal jurisdiction over waterways and locks and dams
  - Private barge companies provide commercial service

# *1. Transportation Systems*

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- Ownership and operation of transportation systems has remained relatively constant.
  - Highways
  - Aviation
  - Public Transit
  - Rail passenger – Amtrak
  - Waterways

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Now that we have the Transportation  
Systems .....

How do we pay for the operations,  
maintenance and improvements ?

## *2. Financing Transportation Infrastructure*

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- Financing is from a combination of Public and Private sources that varies depending on the transportation system
- Largest component - “USER CHARGES”



## *2. Financing Transportation Infrastructure*

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- Highways:
  - Local: Property taxes, special assessments, tolls, bonds, transfers of state funds and transfers of federal funds.
  - State: Fuel taxes, general revenues, registration fees, use taxes, bonds, transfers of federal funds.
  - Federal: Fuel taxes, commercial truck taxes
  - Federal Highway Trust Fund –  
Highway Account

## *2. Financing Transportation Infrastructure*

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- Transit:
  - Local: General funds, property taxes, user fees
  - State: General funds
  - Federal: General funds, federal fuel tax
  - Federal Highway Trust Fund –  
Mass Transit Account

## *2. Financing Transportation Infrastructure*

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- Aviation:
  - Local: General funds, property taxes, other user fees
  - State: Fuel taxes; general funds; use taxes
  - Federal: Fuel taxes, ticket taxes
  - Federal Airport and Airway Trust Fund

## *2. Financing Transportation Infrastructure*

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- **Railroad:**
  - Infrastructure the responsibility of the private railroad companies
  - State and Local: May contribute to track indirectly through assistance to Amtrak
  - Federal: General funds and support for Amtrak
  - No trust fund

## *2. Financing Transportation Infrastructure*

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- Waterway:
  - Federal: barge fuel tax and general funds
  - Federal Inland Waterways Trust Fund

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Now that the Funding has been collected from the user ....

How are the public funds converted into transportation improvements ?

### *3. Federal Transportation Reauthorization*

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- Federal Transportation Funding
- Two step process
  - Reauthorization
    - Multi-year program direction and funding
  - Appropriations
    - Annual obligation limitations

### *3. Federal Transportation Reauthorization*

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- Reauthorization of the federal-aid transportation programs is used to:
  - Review national transportation and modal policies
  - Establish specific program and activities
  - Evaluate and modify the respective roles of the various governmental jurisdictions
  - Provide the level of federal financial assistance



### *3. Federal Transportation Reauthorization*

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- Aviation:
  - Program was reauthorized in 2003 – VISION 100
  - Revenues in the Aviation Trust Fund for aviation programs
  - Funding for Airport Improvements, General Aviation, Essential Air Service and Small Community Commercial Air Service and Airport security
  - Funding decisions primarily between the FAA and the airport authority

## *3. Federal Transportation Reauthorization*

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- **Railroad:**
  - Railroad/highway grade crossing
    - Incorporated in Surface Transportation Reauthorization bill
  - Rail freight assistance
    - Federal maintenance tax credits now provided for shortline/ regional railroads
  - Amtrak
    - Currently operating on an Annual basis

### *3. Federal Transportation Reauthorization*

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- **Waterway:**
  - Water Resource Development Act (WRDA)
  - Identifies the priorities for the construction and maintenance of locks and dams and other inland waterway improvements

### *3. Federal Transp. Reauthorization Highway and Transit (History)*

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- 1950's
  - Began construction of the Interstate System
  - Through a series of reauthorizations established the federal-aid highway program and federal-aid system
  - Focus was connecting the nation with a system of state and local highways
  - “Federally assisted state highway program”

### *3. Federal Transp. Reauthorization Highway and Transit (History)*

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- 1982 – (Highway)
  - Reauthorization expanded beyond the traditional “Highway Bill”
  - Continued a focus on the construction of the Interstate System, Interstate 4R, Primary, Secondary, Urban, Bridge, Safety and Planning
  - Established “Demonstration Projects” to direct funding to specific projects identified in the bill – 10 projects totaling \$389 million.

### *3. Federal Transp. Reauthorization Highway and Transit (History)*

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- 1982 – (Transit)
  - Brought in Urban Mass Transit programs and funding
  - Capital funding for New Fixed Guideway (rail) Commuter Projects, Modernization of Existing Fixed Guideway Projects and Bus and Bus-related facilities
  - Formula funds for Urban and Rural Transit Assistance
  - Established the Mass Transit Account in the HTF

### *3. Federal Transp. Reauthorization Highway and Transit (History)*

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- 1982 – (continued)
  - Created the Gasohol subsidy to promote ethanol
  - Minimum Allocation for highway programs was established at 85%
  - Increased gas and diesel tax revenues from 4 cents to 9 cents per gallon

### *3. Federal Transp. Reauthorization Highway and Transit (History)*

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- 1991 – Intermodal Surface Transportation Efficiency Act
  - Major restructuring of the core programs
  - Interstate Maintenance, National Highway System, Surface Transportation Program, Bridge, Congestion Mitigation and Air Quality, Planning, 90% Minimum Allocation



### *3. Federal Transp. Reauthorization Highway and Transit (History)*

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1987

Interstate

Primary

Urban

Secondary

Bridge

1991

Interstate

National Highway System

Surface Transportation Program  
(TE and Safety)

Bridge

### *3. Federal Transp. Reauthorization Highway and Transit (History)*

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1987

Planning

1991

Planning:

Enhanced MPO Planning

Statewide Planning Process

Statewide Transp. Plan

Statewide Transp. Program

### *3. Federal Transp. Reauthorization Highway and Transit (History)*

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1987

85% Min. Alloc.

1991

Equity Adjustments:

90% Minimum Alloc.

Donor State Bonus

Reimbursement

Hold Harmless

90% of Payments

### *3. Federal Transp. Reauthorization Highway and Transit (History)*

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#### 1991 - New Programs

Congestion Mitigation and Air Quality Program

Scenic Byways Program

National Recreational Trails Program

National High-Speed Ground Transportation

### *3. Federal Transp. Reauthorization Highway and Transit (History)*

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- 1991 – ISTEA
  - Transit remains basically the same
  - Increased emphasis on local participation, environmental mitigation, intermodal transportation and planning
  - Increased revenue: Fuel tax increase

### *3. Federal Transp. Reauthorization Highway and Transit (History)*

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- 1997 – Transportation Efficiency Act for the 21<sup>st</sup> Century (TEA 21)
  - Maintained core program structure and emphasis areas created in ISTEA
  - Increased the number of categorical programs and set-asides.

### *3. Federal Transp. Reauthorization Highway and Transit (History)*

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- 1997 – TEA 21

New Programs:

- National Corridor Planning and Development
- Coordinated Border Infrastructure
- National Historic Covered Bridge Preservation
- Transportation and Community and System Preservation Pilot

### *3. Federal Transp. Reauthorization Highway and Transit (History)*

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- 1997 – TEA 21

New Safety Programs – Incentive Grants:

- Seat belt use
- .08 BAC
- Occupant seat belt use
- Child passenger protection
- Enact “tough repeat offender” laws
- Enact “open container” laws
- Improve safety data collection



### *3. Federal Transp. Reauthorization Highway and Transit (History)*

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- 1997 – TEA 21
  - Significant increase in “demonstration / earmarked” projects
  - Minimum Guarantee Program increased to 90.5%
  - Increased Revenues: Deficit tax now credited to the Highway Trust Fund

### *3. Federal Transp. Reauthorization Highway and Transit*

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- 2005 – TEA-21 expired September 30, 2003
- Congress and the Administration have been unable to reach agreement on a reauthorization bill
  - Funding – How much is available
  - Funding – How it will be used
  - Funding – How it will be distributed among the States
- Highway and Transit Programs are continuing with extensions of TEA 21 – currently through May 31

### *3. Federal Transp. Reauthorization Highway and Transit*

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- 2005 – House introduced bill on Feb. 9 - H.R.3  
Senate plan to reintroduce bill within a couple of weeks

Expect to see:

- Funding levels that do not meet identified needs
- More categorical programs – further subdividing the funding
- Disagreement over the distribution of funds among the states.

### *3. Federal Transp. Reauthorization Highway and Transit*

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- 2005 -- TEA LU (H.R.3)

New Programs Continue:

- Highway Safety Improvement Program
- Construction of Ferry Boats and Facilities
- Projects of National and Regional Significance
- Freight Intermodal Connectors (Sec 1303)
- High Risk Rural Safety Improvement Program (Sec. 1403)
- Dedicated Truck Lanes

### *3. Federal Transp. Reauthorization Highway and Transit*

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- 2005 -- TEA LU (H.R.3)

New Programs Continue:

- Pedestrian and Cyclist Equity (Sec. 1120)
  - Safe Routes to School
  - Non-Motorized Pilot
- Highways for Life Program
- A Congestion Relief set-aside (Sec. 1201)
- Commonwealth of Puerto Rico Highway Program

### *3. Federal Transp. Reauthorization Highway and Transit*

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- 2005 -- TEA LU (H.R.3)

A large number of Commissions and grants to various organizations for studies

- Wildlife Vehicle Collision Reduction Study  
National Commission on Future of Interstate Highway System
- Bicycle and Pedestrian Safety Grants (Sec. 1123)
- Road Safety (Sec. 1123)

### *3. Federal Transp. Reauthorization Highway and Transit*

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- 2005 -- TEA LU (H.R.3)
  - Funding levels above what the House passed last year but still below Senate passed bill
  - Demonstration projects to be determined
  - Minimum Guarantee to reach 95% by 2009 !!!
  - When will a bill be enacted ??????

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Now that we see what has happened to federal-aid transportation programs ....

What do we want for the future ?



## *4. Future Federal Transportation Reauthorization*

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- There are a number of issues that must be discussed for future reauthorizations:
  - Revenue Options
  - Program Structure and Project Eligibility
  - Jurisdiction and Roles

## *4. Future Federal Transportation Reauthorization*

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- Revenue options -
  - Revenue available through the Highway Trust Fund and existing level of General Funds is not adequate to meet the documented highway and transit needs.
  - User fees

## *4. Future Federal Transportation Reauthorization*

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- Revenue options -
  - Fuel Tax:
    - Should remain the core of the Highway Trust Fund.
    - Administrative procedures already in place.
    - Has lost purchasing power - not effectiveness.
  - Fuel Tax Myths:
    - Fuel economy will erode revenues - NO
    - Alternative fuels and hybrid vehicles will erode revenues - NO

## *4. Future Federal Transportation Reauthorization*

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- Revenue options -
  - Bonding
    - An state and local funding option – not a federal option.
  - Tolls and Congestion Pricing
    - An option for specific situations and special circumstances
    - A state and local funding option – not a federal option

## *4. Future Federal Transportation Reauthorization*

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- Program Structure and Project Eligibility -
  - Program categories and projects have expanded so that the Federal Program is everything to everyone
  - The current programs are funding projects that include federal funds for: sidewalks, local parking garages, recreational bike and pedestrian trails, local city streets, air conditioning in buildings, museums, .....

## *4. Future Federal Transportation Reauthorization*

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- Program Structure and Project Eligibility -
  - Federal aid should be directed to projects that are truly of national/regional importance. State and local governments should fund state and local projects.
  - Apportionment and allocation of federal funds is too focused on the Highway Minimum Guarantee or Minimum Return of Highway Trust Fund Contributions.

## *4. Future Federal Transportation Reauthorization*

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- Program Structure and Project Eligibility –
  - Focus on Core National Programs
  - Safety Component
  - Minimum Return

## *4. Future Federal Transportation Reauthorization*

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- Jurisdiction and Roles
  - Identify who is responsible for infrastructure and activity.
  - Avoid unnecessary requirements, overly prescriptive regulations and processes and duplication
  - Leading to a focused Federal-aid Program and a return of responsibility and funding .....



## 4. *Future Federal Transportation Reauthorization*

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..... to the state and local governments – also known as ***Devolution or Turnback***

- Highway –

- Focus on the National Highway System – approximately 170,000 miles
- With a few exceptions that may include high cost bridges, safety and a minimum guarantee
- Remaining program returned to state and local responsibility

## *4. Future Federal Transportation Reauthorization*

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- Transit –
  - Primarily a state and local responsibility
  - Minimum Return would financially benefit Iowa
  - There will continue to be controversy over the National role in providing public transit services New York or Washington DC's Metro.

## *4. Future Federal Transportation Reauthorization*

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### Devolution or Turnback:

- Reduce federal user fees
  - Provide an opportunity for states to increase user fees to maintain program
- Reduce federal involvement to a much smaller system
  - Focus or restrict the federal role.

## *4. Future Federal Transportation Reauthorization*

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- **Obstacles**

- Historically it is very difficult to eliminate federal programs or activities
- Congressional interest in transportation funding
- Federal agencies concern over their reduced role and authority
- Interest groups would have to deal with individual states and local governments

# *Transportation Funding*

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- Conclusion

- Federal-aid programs have become too cumbersome – trying to be all things to all people.
- Viewed by many people as “free money”
- Time to focus the federal-aid programs on our “National Priorities”

# *Transportation Funding*

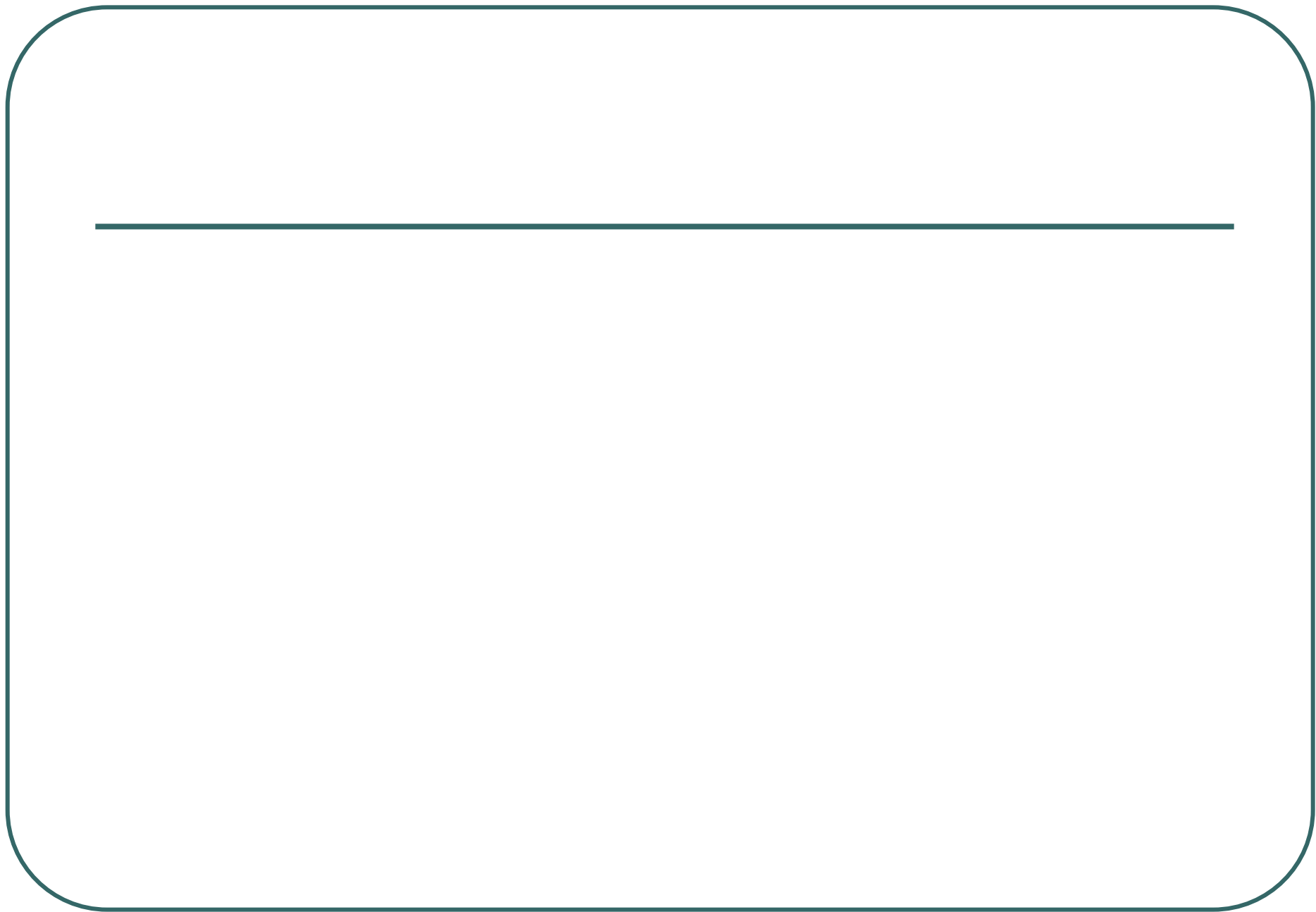
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**Questions ?????**

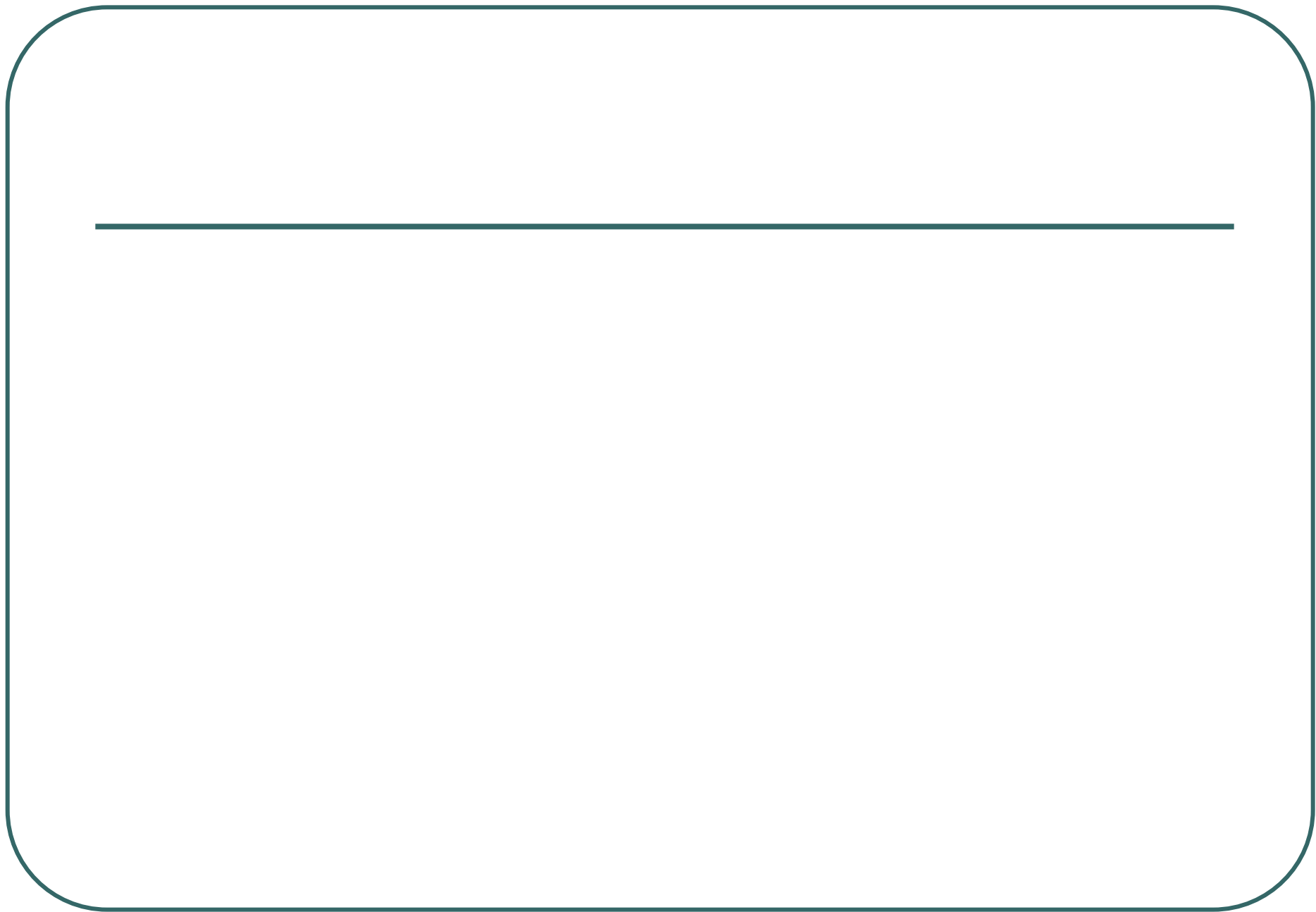
# *Transportation Funding*

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**Thank You**







# Earmarks

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- 1982 – 10 projects - \$389 million
- 1987 – 131 projects –
- 1991 -

# Highways

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- Interstate
  - Other National Highway System routes
    - Federal Aid highways