

# **THE SOUTH CENTRAL ASSEMBLY FOR EFFECTIVE GOVERNMENT**

## **Transportation Funding Summit**

**Jack Basso**

**September 29, 2006**



# Transportation Summit



## Objectives

- IDENTIFY THE NATIONAL TRANSPORTATION FUNDING ISSUES
- DESCRIBE NEW FUNDING TOOLS
- IDENTIFY THE NATIONAL ISSUES IMPACTING FUTURE TRANSPORTATION FUNDING

# SAFETEA-LU



- **Record level funding:**
  - \$295 billion contract authority
  - \$286.5 billion obligation limitation
    - \$241 billion highways
    - \$52.3 billion public transportation
- **New provisions to expand financing options**

# SAFETEA-LU



- The act provides record level investment
- We face a problem with revenue
- We will need to address the issue
- The National Commission will make recommendations in July, 2007

# Federal Project Finance Tools for Surface Transportation Infrastructure



Marketable  
Revenue-Based  
Projects

## State Infrastructure Banks (SIBs)

- Loans
- Guarantees
- Interest Rate Buy-downs

Revenue  
Projects  
Requiring  
Credit Assistance

## Transportation Infrastructure Finance and Innovation Act (TIFIA)

- Loans
- Guarantees
- Lines of Credit

## Grant Management

- Flexible Matches
- Donations
- Federal-Federal Matches
- Toll Credits

Traditional  
Non-Revenue  
Transportation Projects

## GARVEE Bonds

- Federal Aid for Debt Service

Public Private Partnerships

# Innovative Finance



## ■ TIFIA

- Loans
- loan guarantees
- lines of credit
  
- Good for major projects with revenue streams
- Provides patient capital

# Innovative Finance



- **State Infrastructure Banks (SIBs)**
- **Purpose: Assist projects that have a source of revenue, but need:**
  - **Short-term financial assistance (e.g., a local government waiting for its own revenues to come in)**
  - **Long-term financing (e.g., a park-and-ride lot that will have parking revenues to pay off the loan)**
- **Repayments go back to state for use in future**
- **Source of repayments can be Federal or non-Federal**

# Innovative Finance



## Tolling provisions

- Interstate Reconstruction
- Interstate System Construction
- Value Pricing Pilot
- Express Lane Demos

# Transportation Funding Summit



- The economy has become international
- Mega trends include high fuel prices soaring freight traffic and population and travel growth
- We have seen these mega trends become reality particularly in fuel costs

# ***THE FUTURE OF TRANSPORTATION FINANCE***



- We are at the same point as 1956
- All transportation needs will dramatically expand over the next twenty years
- Some examples:
  - Freight doubles over the next fifteen years
  - VMT continues to grow
  - Surface transportation networks become more aged
  - The Interstate System turns fifty this year
  - Our population is aging presenting new transportation challenges

# ***THE FUTURE OF TRANSPORTATION FINANCE***



**The Goal: The need to grow and modernize the transport system**

**What are the barriers?**

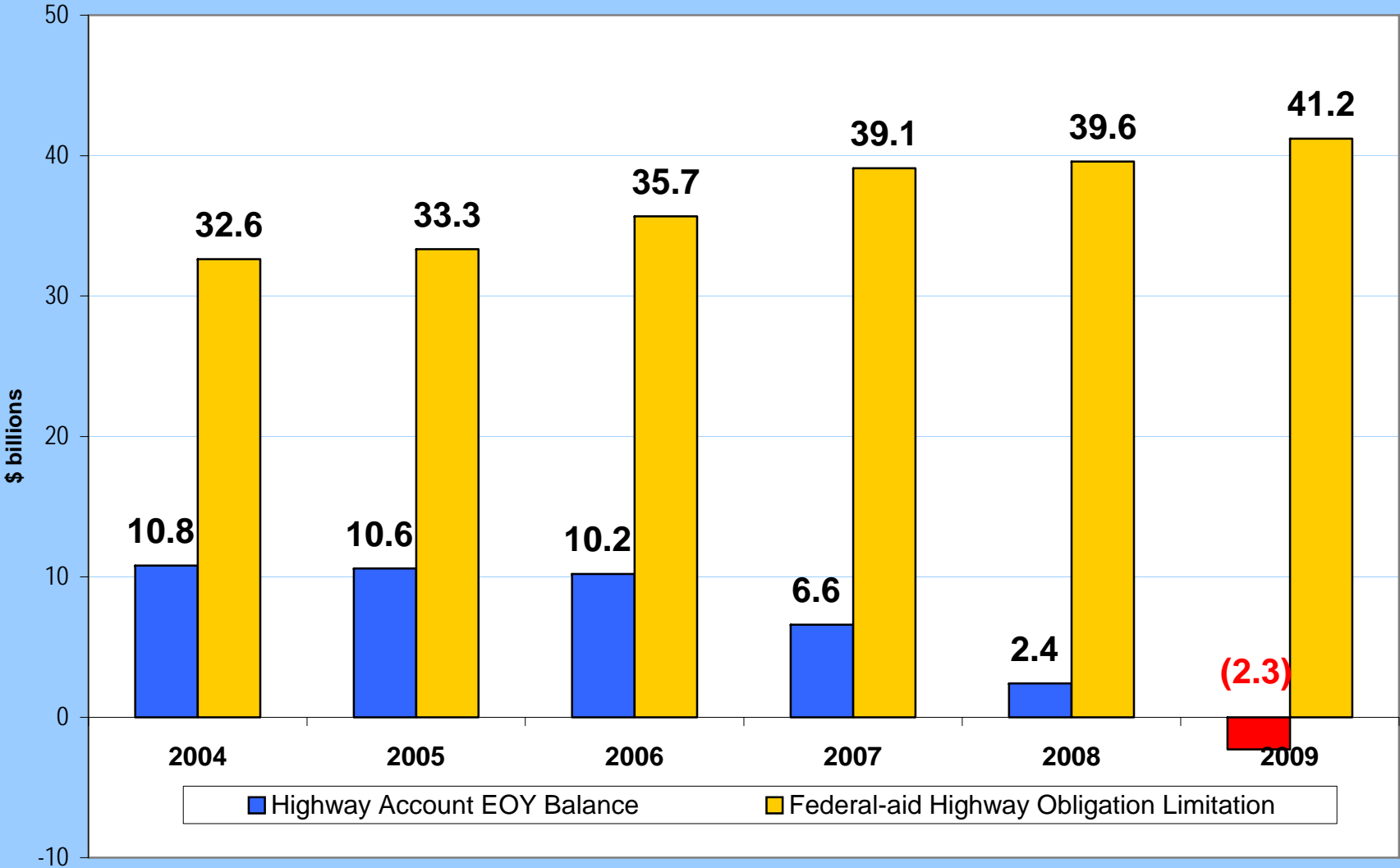
- 1. The need for a clear vision of transportation for the future**
- 2. National/Federal Funding Gap**
- 3. Highway Trust Fund Faces Deficit**
- 4. Short-Term Revenue Solutions Needed**
- 5. Mid-Term Transition Solutions Needed**
- 6. Enhanced Long-Term Revenue Solutions Needed**

# ***OUTLOOK FOR THE FEDERAL PROGRAM/Status of the HTF***

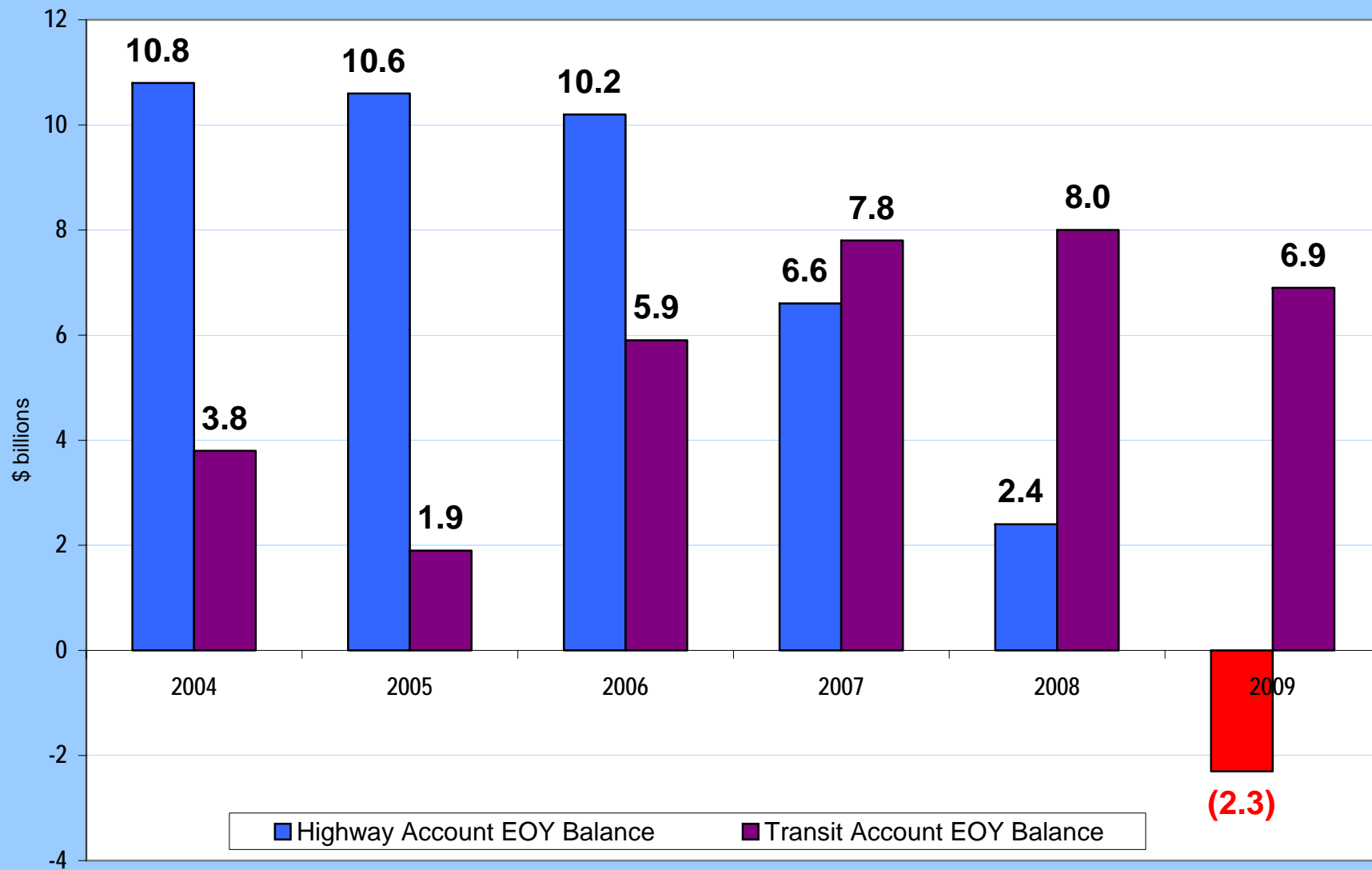


- **HIGHWAY TRUST FUND DEFICIT BY AS EARLY AS 2009**
- **THE DEFICIT COULD LEAD TO THE NEED TO REDUCE THE PROGRAM LEVEL EVEN BEFORE THE END OF SAFETEA-LU**
- **CREATES SERIOUS CONCERNS FOR THE PROGRAM'S ABILITY TO ADDRESS NEEDS**

# Highway Account Balance vs. FAHP Obligation Limitation



## Highway and Transit Account Balances

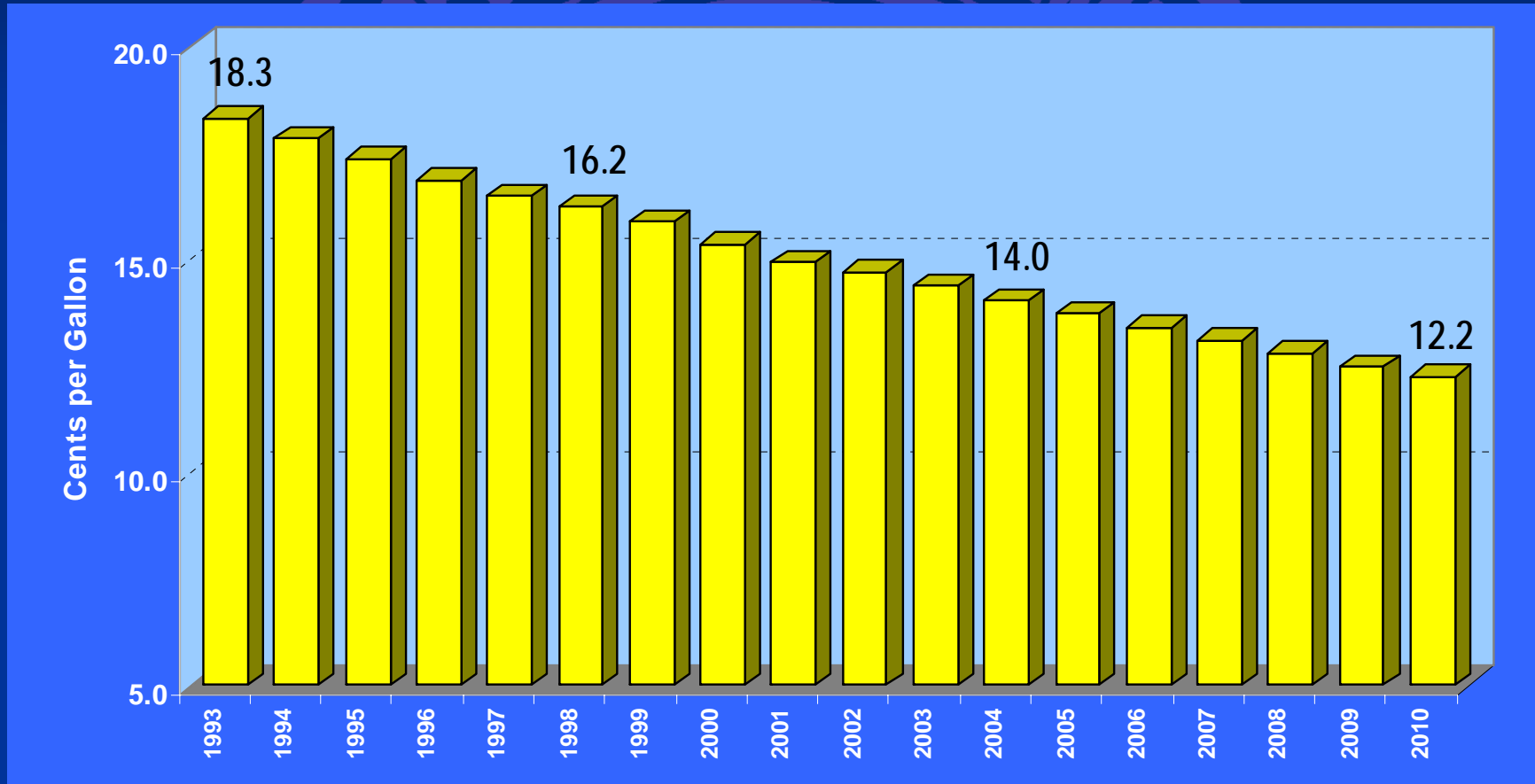


# Funding Options



- **Action could be required soon**
- **US Chamber Report recommendations**
  - Indexing fuel taxes – Federal and State
  - Closing exemptions to the HTF
  - Crediting interest to the HTF
  - Dedicating Customs revenues
  - Innovative financing tools
  - Private participation

# Gas Tax Purchasing Power Erosion



Courtesy of William R. Buechner  
Vice President, Economics and Research  
American Road & Transportation Builders Association

# Mid-Term Funding Potential



- Technology will provide for new methods of collection.
- Tolls will fill important gaps for funding.
- Innovative financing accelerates investment.
- Political will essential.

# Long-Term Funding Issues



- **Key question: how do we replace Trust Fund income as the gas tax declines as a revenue source?**
- **Other proposals are in the offing**
  - Commission to study future of revenue sources to the Highway Trust Fund
  - State-by-state experiments underway
  - We need to recognize the need for change and embrace it

# Beyond the Funding Issues



- The key to the future of the Federal program is found in the past.
- All transportation needs will dramatically expand over the next twenty years.
- Lack of vision is weakening arguments for increased investment.

# Next Generation Legislation



- Needs-resources gap
- Transportation – economy linkage
  - International competitiveness
  - Economic Security
  - Quality of life
- Exploding increases in freight movements
- Dramatic increases in VMT and year over year increases in congestion
- Aging
  - Infrastructure
  - Population

# Clear Goals & Barriers



- The Goal: an integrated, modernized transportation system that addresses the movement of people and freight in the most efficient manner.
- What are the barriers?
  - Clear vision
  - Unified support
  - Political will
  - Firefighting versus long-term planning

# Summary of Challenges



## VISION

### Now (!)

- Highway Trust Fund  
May be short

### Sooner

- Gas tax growth rates decline

### Later

- Gas tax receipts decline



# Questions?

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