Update on Federal Transportation Policy

CSG West Annual Meeting

July 28, 2015
Agenda

• What’s at stake
• The DRIVE Act
• The short-term extension
• Criticisms of House & Senate approaches
• Impact of federal uncertainty for states
• State transportation funding efforts 2015

Highway Account of the Highway Trust Fund (Includes FHWA, FMCSA & NHTSA)

1/ Graph reflects actual data through 6/26/15 and end-of-month projections for the remainder of FY 2015.
2/ Total receipt and outlay projections are based on FY 2016 President's Budget Baseline assumptions. Projected monthly receipt and outlay rates are based on historic averages.
3/ Range of anticipated shortfall: Green brackets denote the estimated window of when the anticipated shortfall will occur.
4/ The shaded area represents when the Highway Account balance drops below $4 billion, at which point cash management procedures may become necessary.

Source: FHWA
FY 2014 & FY 2015 Projected Estimates For End-of-Month Cash Balances (as of 06/26/2015) 1/2/3/4/ 
Mass Transit Account of the Highway Trust Fund

1/ Graph reflects actual data through 06/26/15 and end-of-month projections for the remainder of FY 2015. 
2/ Total receipt and outlay projections are based on FY 2016 President's Budget assumptions. Projected monthly receipt and outlay rates are based on historic averages. 
3/ Range of anticipated shortfall: Green brackets denote the estimated window of when the anticipated shortfall will occur. 
4/ The shaded area represents when the Mass Transit Account balance drops below $1 billion, at which point cash management procedures may become necessary. 
Source: FTA
S. 1647, The DRIVE Act

- Authorizes six years of surface transportation programs and policies but provides only three years of funding.
- Maintains the formula program structure and increases amounts each state will receive.
- Prioritizes bridges, Interstate System, National Highway System.
- Establishes a formula-based freight program.
- Provides assistance for major projects through a competitive grant program.
S. 1647, The DRIVE Act

- Extends new user fee to electric vehicles
- Provides flexibility to states to bundle rural road and bridge projects and authorizes funds for nationally significant federal lands and tribal transportation projects.
- Includes new efforts to make the NEPA process more efficient, cut red tape, streamline project delivery and improve collaboration among federal agencies.
- Supports transportation research and focuses program on deployment & innovation.
S. 1647, The DRIVE Act

- Includes provisions to improve transparency on project selection and funding.
- Updates the TIFIA program and provides new options for state and local governments to help them stretch available transportation dollars.
- Increases public transportation funding nearly $2 billion over MAP-21 levels.
- Provides $862 million for Urbanized Area Formula grants to meet increasing demands of public transportation systems and increases funding for rural areas and Indian reservations.
DRIVE Act Offsets

- Extends Trust Fund expenditure authority and related taxes.
- Transfers savings from offsets into trust fund.
- Deposits revenues from civil penalties related to motor vehicle safety in the HTF instead of the General Fund - $350 million.
- Modifies mortgage information reporting requirements - $1.8 billion over 10 years.
- Requires consistency between estate tax value and income tax basis of assets acquired from a decedent - $1.5 billion over 10 years.
DRIVE Act Offsets

• Clarifies 6-year statute of limitations in the case of overstatement of basis - $1.2 billion over 10 years.
• Changes filing due dates of certain tax and information returns - $0.285 billion over 10 years.
• Authorizes revocation or denial of passport in case of certain unpaid taxes - $0.398 billion over 10 years.
• Reforms rules related to qualified tax collection contracts - $2.4 billion over 10 years.
• Allows employers to transfer excess defined-benefit-plan assets to retiree medical accounts and group-term life insurance - $172 million.
DRIVE Act Offsets

• Extends the deposits of TSA fees into the General Fund for two more years - $3.5 billion.
• Indexes customs user fees to inflation - $4 billion.
• Changes the fixed dividend rate paid by the Federal Reserve System - $16.3 billion.
• Provides for drawdown and sale of crude oil from the Strategic Petroleum Reserve - $9 billion.
• Extends guarantees on mortgage-backed securities scheduled to decline in 2021 - $1.9 billion.
DRIVE Act Offsets

• Rescinds unused TARP funds for the Hardest Hit Fund program - $1.7 billion.
• Strikes the requirement that the Office of National Resources Revenue pay interest on overpayments - $300 million.
• Amends the Social Security Act to make certain revisions limiting payment of benefits to fugitive felons - $2.3 billion.
House Republican Highway Patch Offsets

• Require lenders to report more information on outstanding mortgages - $1.8 billion
• Clarify statute of limitations on reassessing certain tax returns - $1.2 billion
• Require estates to report the value of property upon the owner’s death - $1.5 billion
• Adjust tax-filing deadlines for business - $314 million
• Allow employers to transfer excess defined-benefit plan assets to retiree medical accounts and group-term life insurance - $172 million
House Republican Highway Patch Offsets

• Equalize taxes on natural gas fuels - $90 million

• Extend current budget treatment of TSA fees - $3.2 billion
Criticisms of House & Senate Measures

- Strategic Petroleum Reserve as funding source: Critics say it’s “not the petty cash drawer for Congress” and the assumption of an $89 a barrel price for oil is too high.
- Extension of guarantee fees on mortgage-backed securities: Critics say it’s prohibited under a budget point of order passed in May.
- Funding is scraped together from numerous sources that have very little to do with transportation.
- Neither provides a long-term, sustainable funding solution.
Criticisms of DRIVE Act

• **Joshua Schank, Eno Center for Transportation:** “The pay-fors in this bill are embarrassingly unrelated to transportation, increase the fiscal burden on future generations, and do nothing to sustain the program for the long-term.”
Criticisms of House Patch

• Robert Poole, Reason Foundation: “It’s a pathetic exercise in let’s pretend, and a further drift away from the very sound principle of users-pay/users-benefit.”
Federal Uncertainty

- **Arkansas**: 75 projects and $335 million in construction work withdrawn from bid openings this year.

- **Colorado**: Already faces an annual shortfall of $1 billion in terms of projects needed versus current funding levels. The state depends on $500 million annually from the federal highway program, which is at risk.

- **Tennessee**: First state to announce last fall that it would delay projects in 2015 to the tune of $400 million.
State Funding Efforts 2015

• 10 states this year have raised new transportation funds, including three in the Western region.
• Seven states raised gas taxes, including red states like Georgia, Idaho, Nebraska, South Dakota and Utah.
• Several states changed their gas taxes to make them more sustainable or to maintain revenue levels.
• Other states raised fees, increased bonding capacity or took other actions to help fund transportation.
Georgia

- Increased fuel excise taxes by 6.7 cents per gallon.
- Indexed tax rates to average vehicle fleet efficiency and CPI.
- Established new registration fees for EVs and heavy vehicles.
- Established hotel-motel fee.
Idaho

- Raised gas tax by 7 cents
- Increased annual registration fees
- Imposed fees for hybrids and electric cars
- Diverted general fund dollars
- Expected to bring in $94 million annually
Iowa

- Increased fuel taxes by 10 cents per gallon.
- Increased permit fees.
- Expected to raise $215 million annually for city, county and state roads.
Nebraska

• Overrode the governor’s veto.
• Raised the per gallon gas tax by 6 cents over four years.
• Phase-in will begin with a 1.5 cent increase next year.
• Expected to generate $25 million annually (state), $51m (cities).
South Dakota

- Increased motor fuel taxes six cents
- Increased vehicle sales tax by 1 percent
- Expanded authority of counties and townships to consider local option property taxes
- Increased optional county vehicle registration fees
Utah

- Increased gas tax by a 12 percent assessed rate with a 5 cent floor.
- Empowered counties to increase a quarter-cent local sales tax to fund local roads, transit, bike or pedestrian infrastructure.
- Expected to bring in $76 million by 2017.
Washington

- Increased per-gallon gas tax by 11.7 cents, phased in over next two years.
- Allows Seattle’s transit agency to go to voters.
- Applies $100 annual fee on EVs to plug-in hybrids.
Questions?

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