


SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Economic Stimulus What's on the Horizon?



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What is AASHTO?

- A nonprofit association founded in 1914
- Members include:
 - DOTs of the 50 States, DC, and PR
 - 35 Associate Members from Federal, State, and Local agencies and other countries
- Covers all five transportation modes: Highways, Rail, Transit, Air, and Water
- Advocate for effective national transportation-related policies
- Provide technical services
 - Standards, software, publications, centers of excellence, laboratory and product assessments

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Presentation Objectives

- Update on state spending levels
- Impact of economic stimulus on transportation investment
- Current surface transportation funding, including the Federal Highway Trust Fund conditions
- AASHTO's funding framework for the future
- Update on current program extension and surface transportation reauthorization


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Economic Recovery



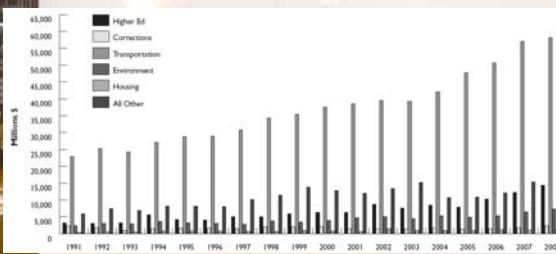
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Capital Expenditures, 1991-2008



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Source: National Association of State Budget Officers

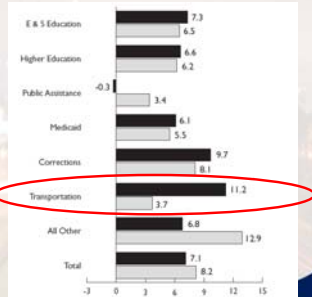
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Percent Change from Previous Fiscal Year

- Transportation saw a greater decrease from 2007 to 2008 than any other major category of spending

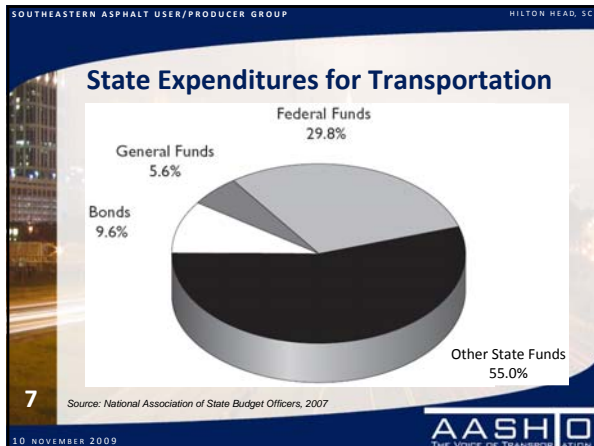


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Source: National Association of State Budget Officers

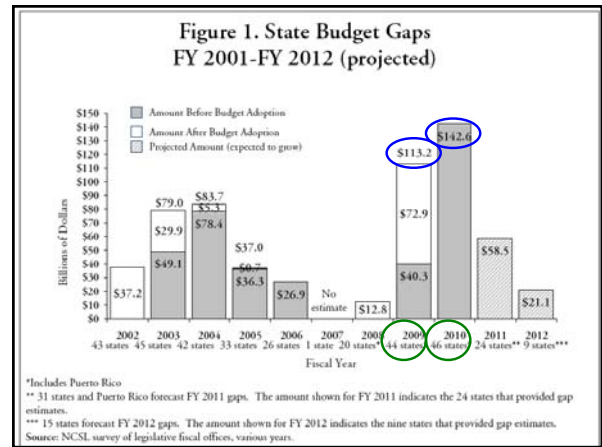
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- ## Reduced State Spending in Recent Years
- FY 2008 – \$1,516 billion total spending from general funds, federal funds, other state funds, and bonds
 - \$122.8 billion for transportation
 - FY 2009 – Overall state spending reduced by \$31.6 billion
 - FY 2010 – Another 2.5 percent reduction expected
- 8 Source: National Association of State Budget Officers
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- ## Transportation Spending Cuts in 19 States in FY 2010
- Arizona
 - California
 - Delaware
 - Georgia
 - Idaho
 - Illinois
 - Louisiana
 - Massachusetts
 - Maine
 - Michigan
 - Minnesota
 - North Carolina
 - New Jersey
 - New York
 - South Carolina
 - Utah
 - Virginia
 - West Virginia
 - Washington
- 9 Source: National Association of State Budget Officers
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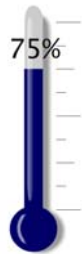
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- ## American Recovery and Reinvestment Act of 2009 (ARRA)
- ### Overall Features
- \$48.1 billion to USDOT
 - 100 percent Federal share
 - Maintenance of effort required
 - Periodic reporting of economic impact of stimulus spending
 - \$1.5 billion in TIGER discretionary grants (Up to \$200 million for TIFIA credit assistance)
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- ## ARRA Provisions
- ### Highways
- \$27.5 billion total
 - 50% must be obligated in 120 days excluding sub-allocated amount
 - Priority to projects that...
 - Can be completed in 3 years
 - Are located in economically distressed areas
- ### Transit
- \$8.4 billion total
 - 50% must be obligated in 120 days
- ### Passenger Rail
- Unprecedented \$8 billion for intercity passenger and high-speed rail
 - \$1.3 billion for Amtrak
- ### Aviation
- \$1.3 billion total
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Status of ARRA Implementation

- \$19.985 billion of funding obligated by the states as of November 2, 2009
- This represents 75% of funds available, supporting 8,394 projects
- 12.3% of the funding (\$3.3 billion) has been spent
- Almost 70% of projects have been pavement improvement or pavement widening projects



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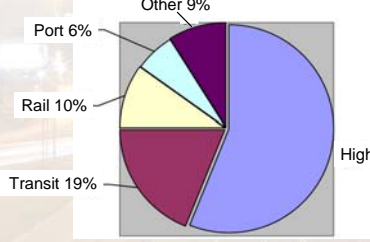
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Status of ARRA Implementation

- USDOT received \$56.6 billion in project funding requests (1,380 applications) for \$1.5 billion TIGER discretionary grant program



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ARRA and State Spending in FY 2009 as Reported by NCSL

- Three states—Alabama, Kentucky and Washington—would have experienced year-over-year spending declines in FY 2009 if not for the ARRA funds.
- Many states say they are looking at a cliff in 2011 because they know ARRA funding will be gone, and they do not expect state revenue performance to rebound strongly enough to make up the difference.

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Economic Recovery

Key Point

- Economic recovery plan cannot be a substitute for long-term investment goals that must be articulated and implemented in the transportation authorization

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Current Trends and Challenges



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Transportation Needs

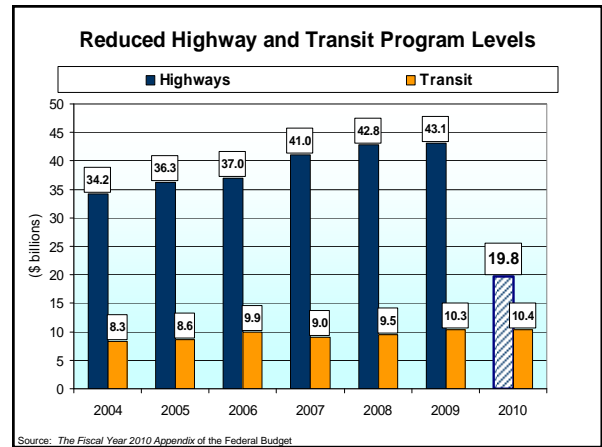
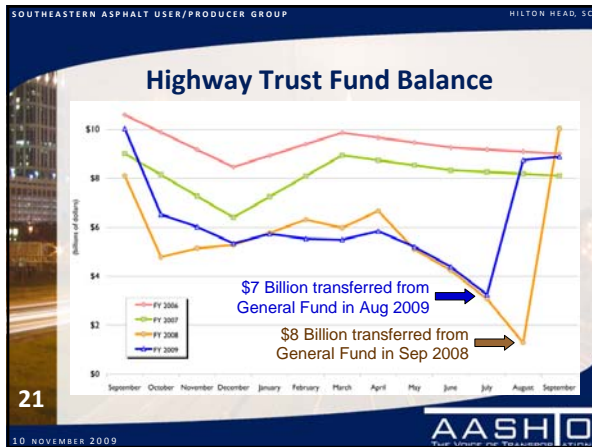
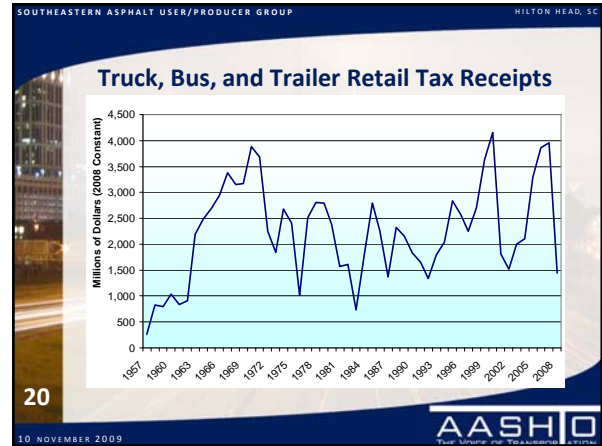
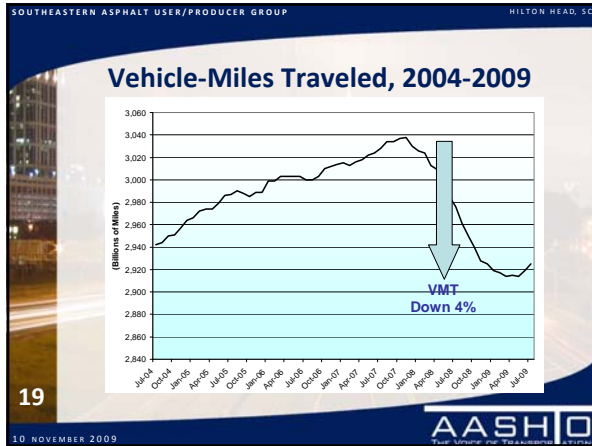
- Nationally, meeting only about 1/3 of roughly \$200 billion required each year to maintain and improve the system



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AASHTO's Legislative Recommendations

- Federal government must continue to play a **strong role** in investing and maintaining an integrated and multimodal national surface transportation system
- States and local governments should be provided with **maximum flexibility** to use federal revenues from existing core sources to meet systemic transportation needs
- We need to **restore purchasing power** by making sure the impact of inflation on commodities and construction costs must be addressed in setting investment levels

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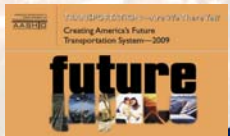
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AASHTO's Legislative Recommendations

- Adopt a long-range approach to funding the surface transportation system that gradually moves away from dependence on the current motor fuels tax to a **distance-based direct user fee** such as a fee on vehicle miles traveled
- **Eliminate or drastically limit earmarking** in federal transportation programs



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Proposed Program Funding Levels

Potential Program Name	TOTAL (6 yrs)
Preservation and Renewal	\$210.00
Highway Freight (Based on Existing Revenues)	\$18.00
Highway Safety Improvement Program	\$19.50
Operations	\$18.00
Transportation System Improvement/Congestion Reduction	\$83.25
Environment Program	\$26.25
Highways (Total of above)	\$375.00
Transit	\$93.00
Freight (New Revenues Outside HTF)	\$42.00
Intercity Passenger Rail	\$34.50
GRAND TOTAL	\$544.50

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Sample Funding Options

Sample Funding Mechanisms	Mechanism Yield (2010)	Illustr. Rate	Avg Annual Revenues 2010-2015
VMT Fee (Cars Only)	1¢/VMT = \$ 17,298	1.0¢	\$ 17,616
VMT Fee (All light duty vehicles)	1¢/VMT = \$ 27,610	1.0¢	\$ 28,682
Carbon Tax or Cap And Trade Auction Proceeds	1¢/gal or equiv = \$ 553	30.0¢	\$ 17,250
Diesel Tax Increase Plus Indexing	1¢/gal = \$ 411	13.0¢	\$ 5,976
Existing Highway Trust Fund Sources			\$ 42,569
Gas Tax Increase Plus Indexing	1¢/gal = \$ 1,380	10.0¢	\$ 15,082
Index Existing Highway Trust Fund Sources			\$ 3,032
Sales Tax on Motor Fuels	1.0% of Sales = \$ 6,136	2.5%	\$ 15,658
Ton Freight Charge -- Truck Only	1¢/ton = \$ 111	10.0¢	\$ 1,242
Ton-Mile Freight Charge -- Truck Only	1¢/ton-mile = \$ 12,516	0.1¢	\$ 1,394
US Freight Bill -- Truck Only	1% of Sales = \$ 6,497	1.0%	\$ 7,237
Sales Tax on New Cars/Trucks	1% of Sales = \$ 4,853	2.0%	\$ 10,812
Sales Tax on New and Used Cars/Trucks	1% of Sales = \$ 9,012	2.0%	\$ 20,077

Note: \$ in millions

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Proposed Surface Transportation Authorization Act of 2009

Funding

- \$450 billion (\$500 billion including High Speed Rail)
- \$337.4 billion in Highway investment
 - \$100 billion for Capital Asset Improvement (NHS, IM, Bridge)
 - \$ 50 billion for Metropolitan Mobility and Access
 - \$ 25 billion for Projects of National Significance
 - \$162.4 billion for other FHWA-administered programs (e.g., Highway Safety, Surface Transportation, CMAQ, Freight, etc.)
- \$99.8 billion transit
- \$50 billion high speed rail corridors
- \$12.6 billion Motor Carrier Safety

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Proposed Surface Transportation Authorization Act of 2009

- Major categories of funding are included
- However:
 - No specific breakdowns by category
 - No formulas or runs that would show state shares or return on contributions
 - No revenue section in the bill yet

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Current Situation

- The good news: a high priority given to infrastructure by the new Administration
 - The creation of a new law is underway and we have excellent Congressional leadership
- The bad news: The Highway Trust Fund has gone broke
 - There is no support for increasing user fees
 - There are many competing goals at the national level

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Current Situation

- Before SAFETEA-LU expired:
 - Obama Administration proposed an 18-month extension with a \$20 billion transfer from General Fund to Highway Trust Fund
 - The House proposed a 3-month extension (HR 3617) that maintained FY 2009 spending levels
 - The Senate proposed an 18-month extension (S 1498) similar to the Administration proposal

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Current Situation

- The Result? No one could agree, so we got a 30-day “continuing resolution”
 - Keeps government open, but at reduced funding level
- Now on our 2nd Continuing Resolution (HR 2996)
 - Duration: 1½ months (through December 18, 2009)
 - Provides FY 2009 POST-rescission spending level – 33 percent less than HR 3617 or \$2.03 billion per month
 - No restoration of rescinded \$8.708 billion contract authority

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Current Situation

- There is great uncertainty right now
- It is important to pass the six-year authorization bill soon, as state DOTs and contractors depend on long-term investment time horizons
- Any action should not reverse the progress made through the stimulus legislation

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Thank You

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