

Transportation Funding Challenges



Planning for Greater Akron

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Overview

- Background
- Current Fiscal Situation
 - Spending
 - Revenue
- Staff Recommendation
- Next Steps

Background

- Transportation Revenue Sources
 - Fuel Taxes
 - License & Vehicle Registration Fees
 - Sales Taxes
- Federal Level (USDOT)
 - Highway Trust Fund – roads and transit
 - Allocated to State DOTs, MPOs, RTAs, local govts
- State Level (ODOT)
 - Fuel taxes & general revenue funds

Fuel Taxes

- Federal Gasoline Tax
 - How much? 18.4 cents/gallon
 - Last Raised? 1993
 - \$1.75 billion in revenue per penny
- State Gasoline Tax
 - How much? 28 cents/gallon
 - Last Raised? 2006
 - \$57 million in revenue per penny

Federal Gasoline Tax

- Numerous federal transportation programs
 - 18.4 cents per gallon
 - 15.44 cents goes to roads & bridges
 - 2.86 cents goes to public transit (capital costs only)
- Tax has been static for 17 years
 - Federal revenues have plummeted in real dollars
 - Tax is not indexed to inflation

State Gasoline Tax

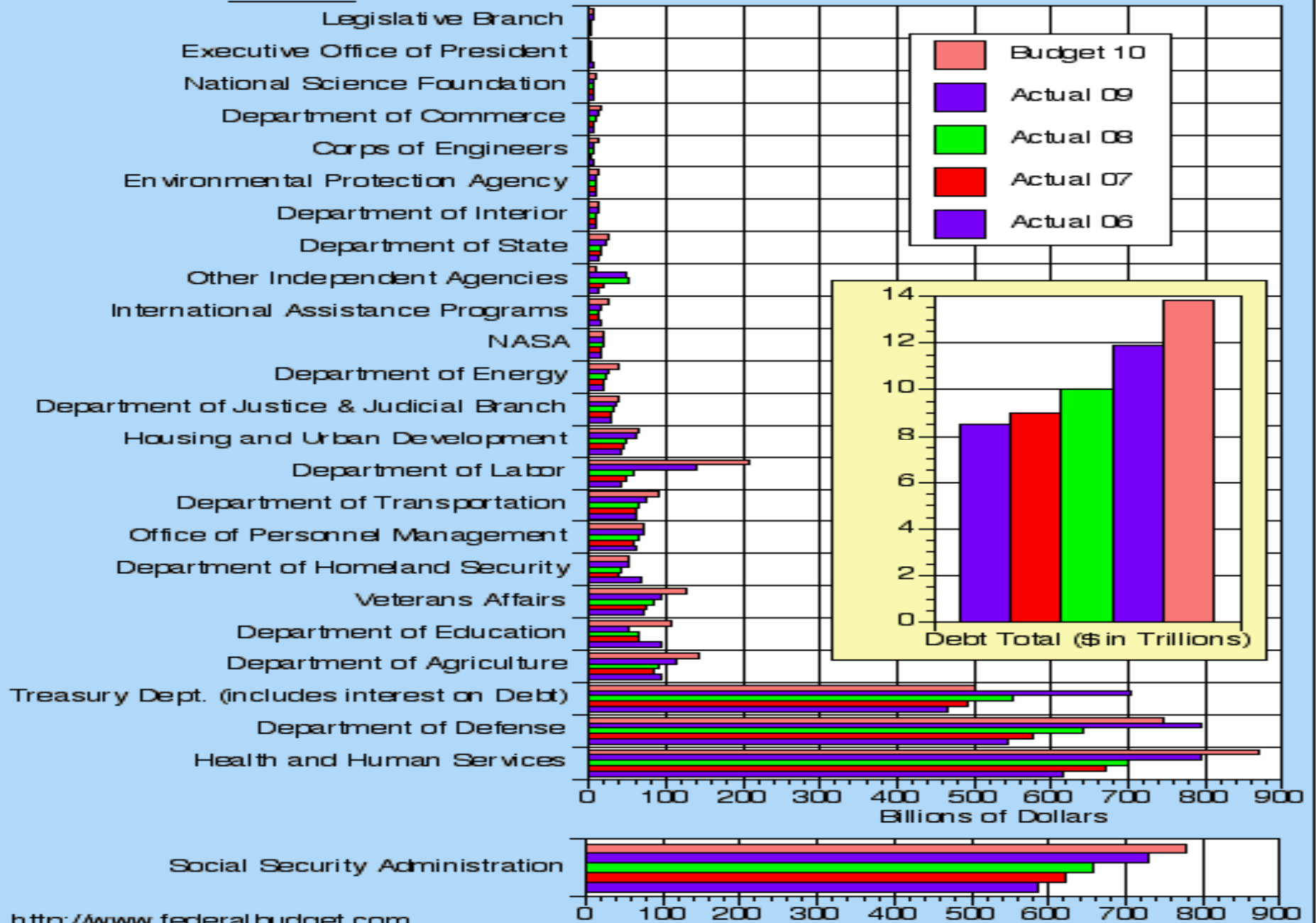
- Roads & Bridges only – preservation, safety, expansion
 - 28 cents per gallon
- State Funding Issues
 - Transportation revenues have declined
 - Critical projects have been delayed (e.g. Central Interchange)
 - TRAC has drastically cut spending

Current Situation

- Existing system of funding is unsustainable
 - Highway Trust Fund is broke
 - HIRE Act - \$19.5 billion transfer from general fund
 - ODOT has cut its construction program
 - \$1.5 billion deficit possible by 2017
 - RTAs are in the red
 - Service cuts are commonplace
- Two options
 - Cut spending
 - Increase revenue

How Congress Spends Your Money

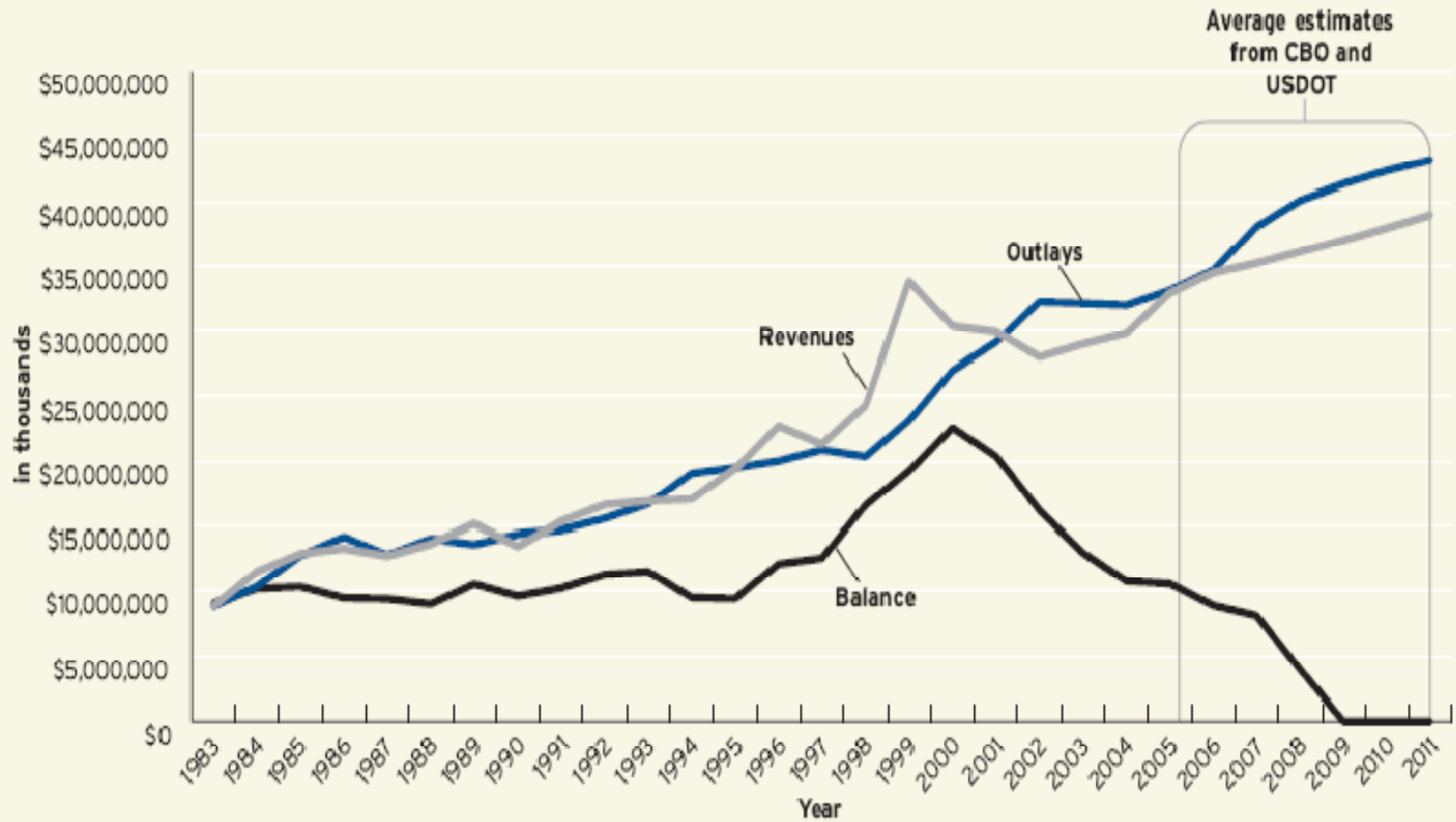
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Cutting Spending

- Reduced funding means:
 - Local governments will have to tighten belts further
 - Bridges and roads will continue to deteriorate and become unsafe
 - Transit systems will not be able to help low-income riders
- Highway Trust Fund
 - First major default since established in 1956
 - Augmented with general fund revenue (borrowed from China)
 - CBO has estimated \$234 billion funding gap by 2015

The balance of the Highway Account of the Federal Transportation Trust Fund is falling



Source: Federal Highway Administration, Highway Statistics Series Table FE-210, Fiscal Years 1957-2005, plus CBO and USDOT estimates

Increasing Revenue

- What we know:
 - Nation needs better infrastructure
 - Infrastructure creates jobs and improves economic competitiveness
 - Infrastructure costs money
 - Money comes from fuel taxes
 - Existing tax revenues are inadequate
 - Fuel taxes should be raised

Political Impediments

- New Federal Transportation Bill (in 201?)
 - Cannot be enacted without increased revenue
 - Administration and Congress resistant to raising taxes
 - At odds with most transportation experts
 - Congressional panel recommends \$0.10 increase
 - U.S. Chamber of Commerce and American Trucking Association endorse fuel tax increase
- 2010 is an election year
 - Raising tax is not politically palatable. . .
 - . . .but it IS in the public interest

Public Perception

- The average person has no idea:
 - What the gas tax is (dollar-wise)
 - How it is used
 - When it was last raised
- Building America's Future poll
 - 60% believe gas tax is raised every year
 - 55% believe infrastructure is unreliable and outdated
 - 62% believe funding decisions are based more on "politics" than public good
- Most would support increase if we explained why

Doing Nothing

- Not a feasible alternative
 - Local governments need federal assistance
 - Public needs safe roads and bridges
- General fund transfers are a bad idea
 - Doesn't solve the problem
 - Undermines “user-pay” principal
 - Threatens loss of contract authority (unravels TIP)
 - Transportation funds become an open target for other government programs (entitlements, defense, etc.)

What Should We Do?

- Increase Federal Gas Tax
 - By at least \$0.10 per gallon (around \$20B per year)
 - Index fuel tax to inflation
 - Allow federal funds to be used for transit operating expenses
- Reevaluate State Gas Tax
 - Consider eventual increase
 - Allow state gas tax dollars to be used by ODOT for all modes of transportation (1947 prohibition)
 - Provide reliable state funding source for transit

What Should We Do?

- Pass New Federal Transportation Bill in 2011
 - Define national transportation goals and priorities
 - Current federal policy is schizophrenic
 - There is no national transportation plan
 - 30% of federal funds go to building new highways
 - At the same time, \$8 billion is going to high speed rail
 - We need a new paradigm for planning and funding our transportation system
 - No significant change since 1956

Next Steps

- Pass Resolution at August meeting
 - Support raising federal gas tax
 - Stress importance of reliable revenue stream for local governments and RTAs
 - Encourage flexibility in federal and state programs
- Staff and Member follow-up
 - Work with federal and state lawmakers
 - Educate the public and constituents about issue