Transportation Funding Challenges

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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

AGENCY
- Legislative Branch
- Executive Office of President
- National Science Foundation
- Department of Commerce
- Corps of Engineers
- Environmental Protection Agency
- Department of Interior
- Department of State
- Other Independent Agencies
- International Assistance Programs
- NASA
- Department of Energy
- Department of Justice & Judicial Branch
- Housing and Urban Development
- Department of Labor
- Department of Transportation
- Office of Personnel Management
- Department of Homeland Security
- Veterans Affairs
- Department of Education
- Department of Agriculture
- Treasury Dept. (includes interest on Debt)
- Department of Defense
- Health and Human Services
- Social Security Administration

http://www.federalbudget.com
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