

# ***SAFETEA-LU Reauthorization: HOW WE GOT HERE and Where We Are Headed***

**Jack Basso**

***Chief Operating Officer and Business Development Director  
American Association of State Highway and Transportation Officials  
(AASHTO)***

# Objectives

- To briefly outline the needs for the combined levels of government in surface transportation
- Describe how we got to where we are today
- **To describe the looming funding crisis with the Highway Trust Fund**
- To discuss the outlook for reauthorization

## HOW DID WE GET HERE?

- The Interstate System changed the nation's mobility and economics
- Successive legislation has shaped and reshaped our transportation programs
- Our nation has grown dramatically
- Earmarking has negatively affected the public's perception of the Federal programs
- We have systematically underinvested in our systems and it shows

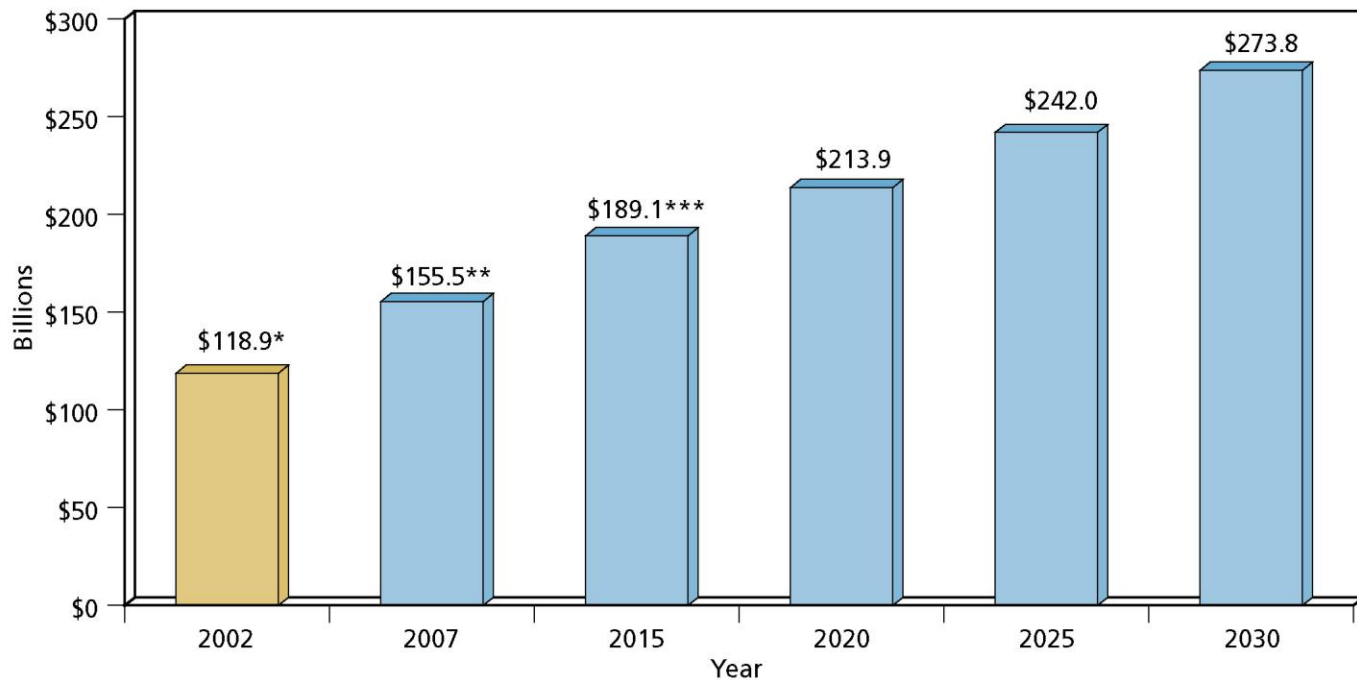
# Challenges Facing U.S. Transportation

Year	Population	Vehicle Miles Traveled
1955	145 million	600 billion
2007	300 million	3 trillion
2055	435 million	7 trillion



# Highway Needs Through 2030

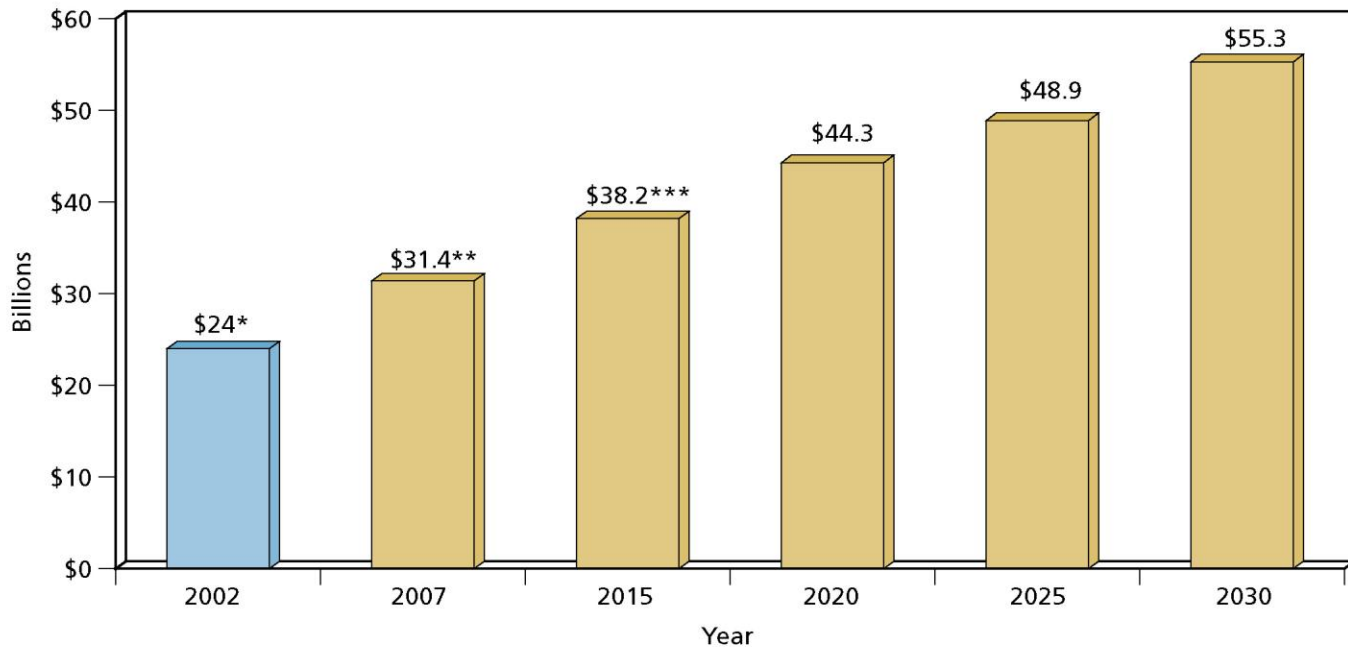
**Figure 5. Highway Needs Increased by the Consumer Price Index\* 2007 Through 2030**



\* The 2002 estimate of \$118.9 billion as the "Cost to Improve" highways is taken from the U.S. DOT's 2004 *Conditions and Performance Report*.  
\*\* The 2007 estimate of \$155.5 billion is based on increases using a combination of the Consumer Price Index and the Producer Price Index for increased construction costs in years 2004 through 2006.  
\*\*\* For the remaining years through 2030, "Cost to Improve" estimates are estimated using the Consumer Price Index.

# Transit Needs Through 2030

Figure 7. Transit Needs Adjusted by the Consumer Price Index\* 2007 Through 2030



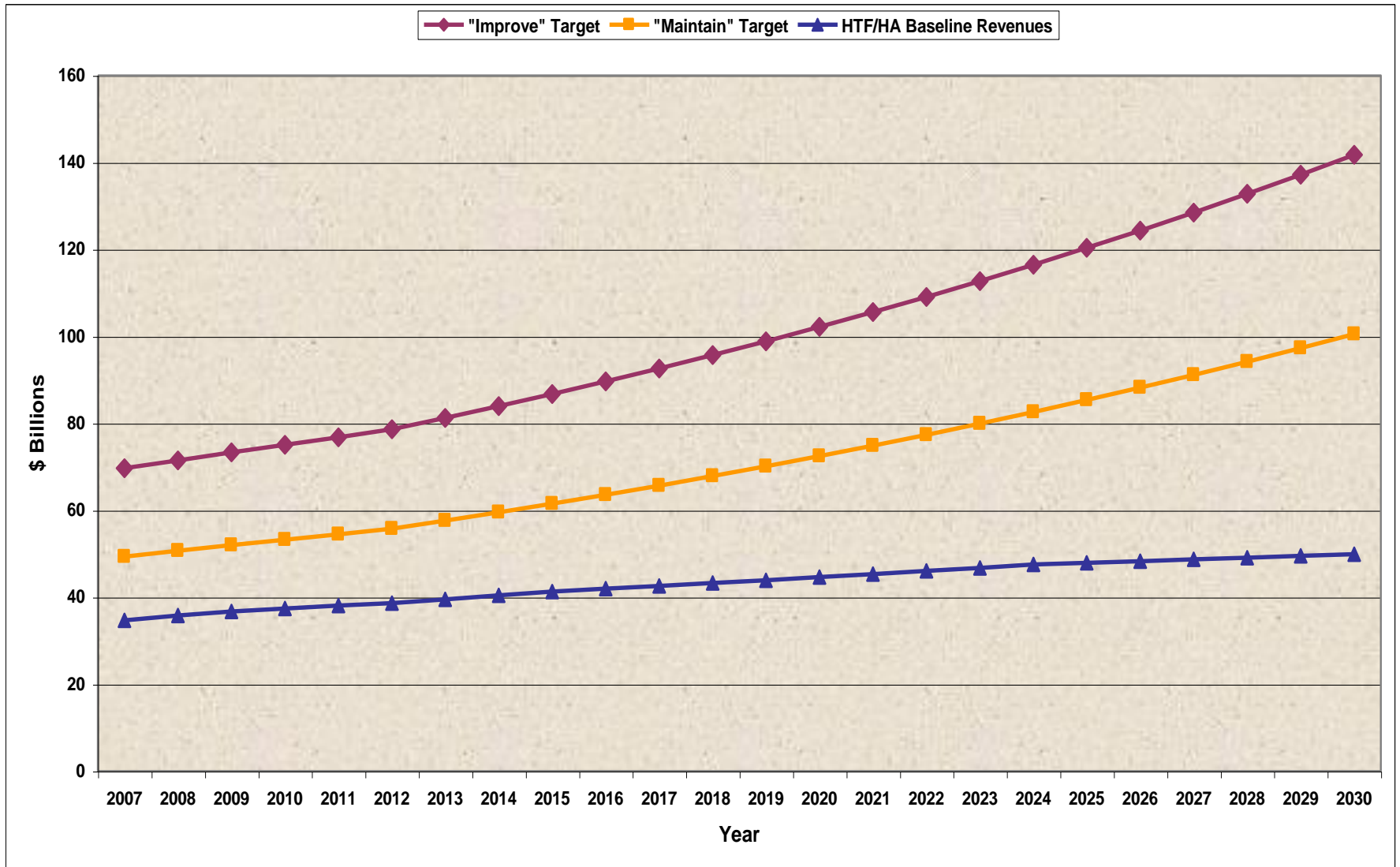
\* The 2002 estimate of \$24 billion as the "Cost to Improve" highways is taken from the U.S. DOT's 2004 *Conditions and Performance Report*.

\*\* The 2007 estimate of \$31.4 billion is based on increases using a combination of the Consumer Price Index and the Producer Price Index for increased construction costs in years 2004 through 2006.

\*\*\* For the remaining years through 2030, "Cost to Improve" estimates are estimated using the Consumer Price Index.

# "Federal Share" of Highway Investment (assumed to be 45% of total needs)

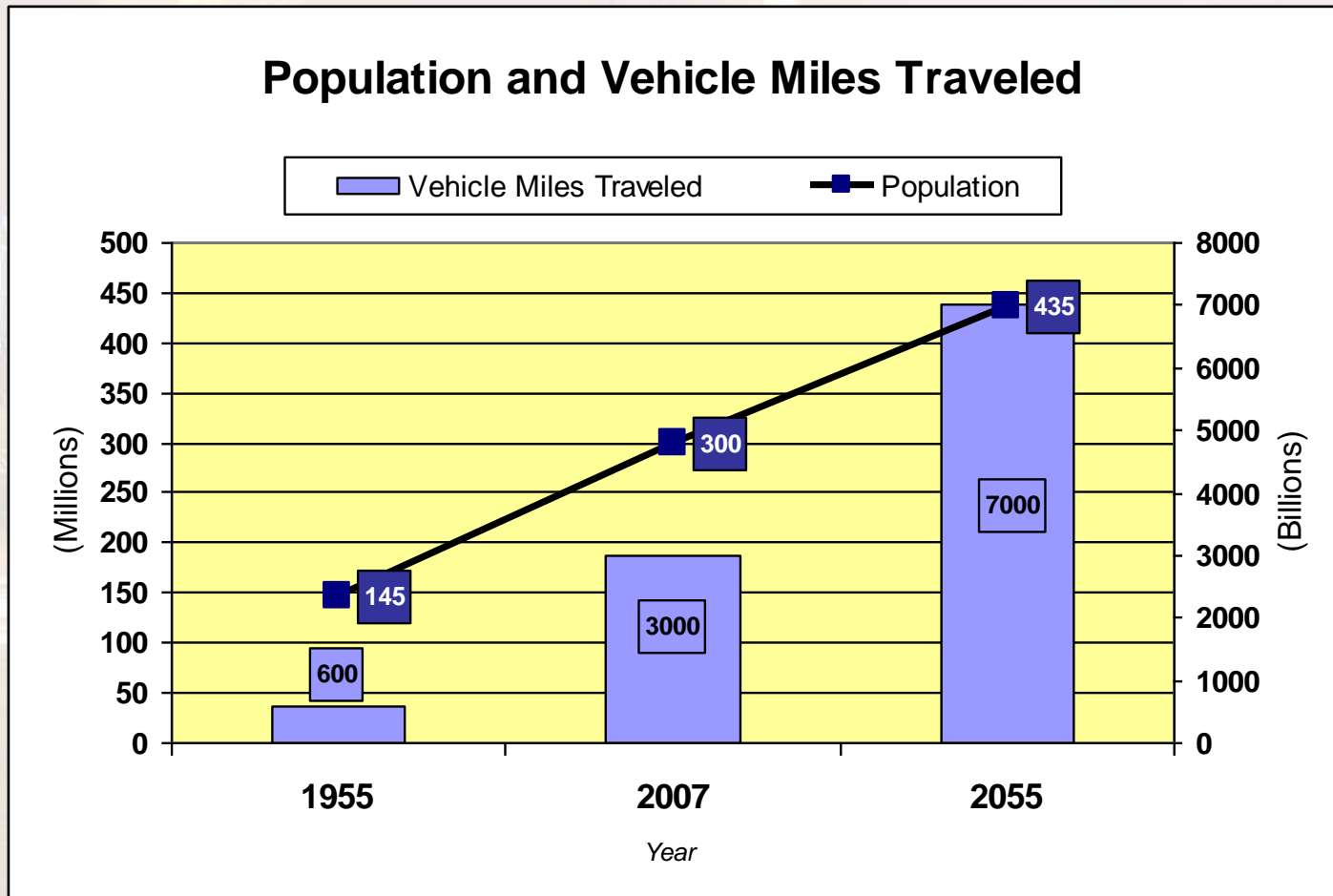
Current Law HTF/HA Revenues extended through 2030



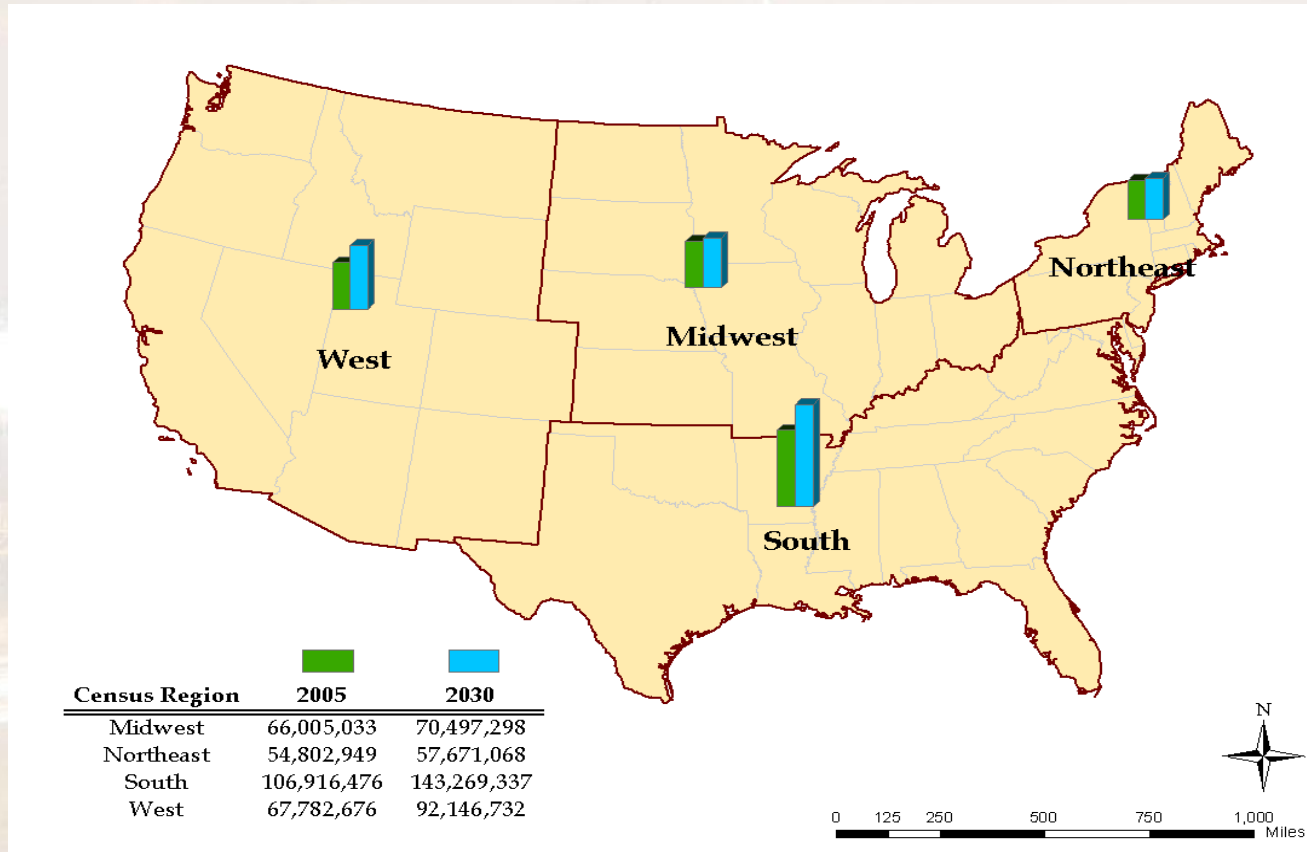
Note: Annual Revenue / VMT growth assumed to slow from 2.2% in 2007 to 0.7% by 2030.

Note: Nominal Federal gasoline tax rate assumed to remain at 18.4 cents through 2030.

# U.S. Transportation Faces Challenges



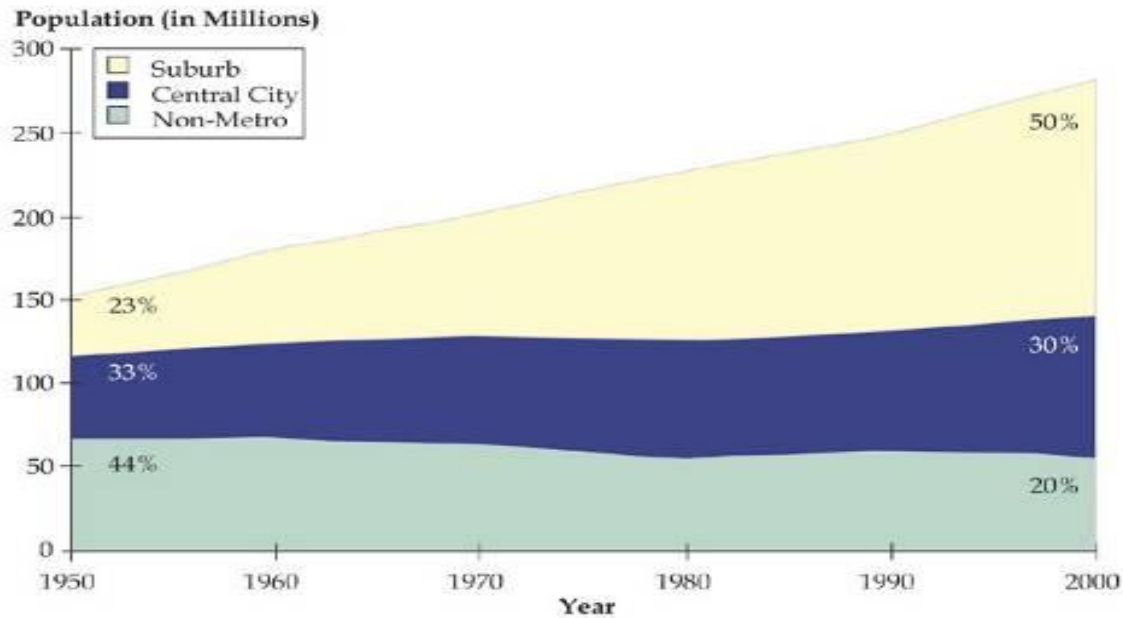
# Regional Growth



**88% of growth to concentrate in the South and West**

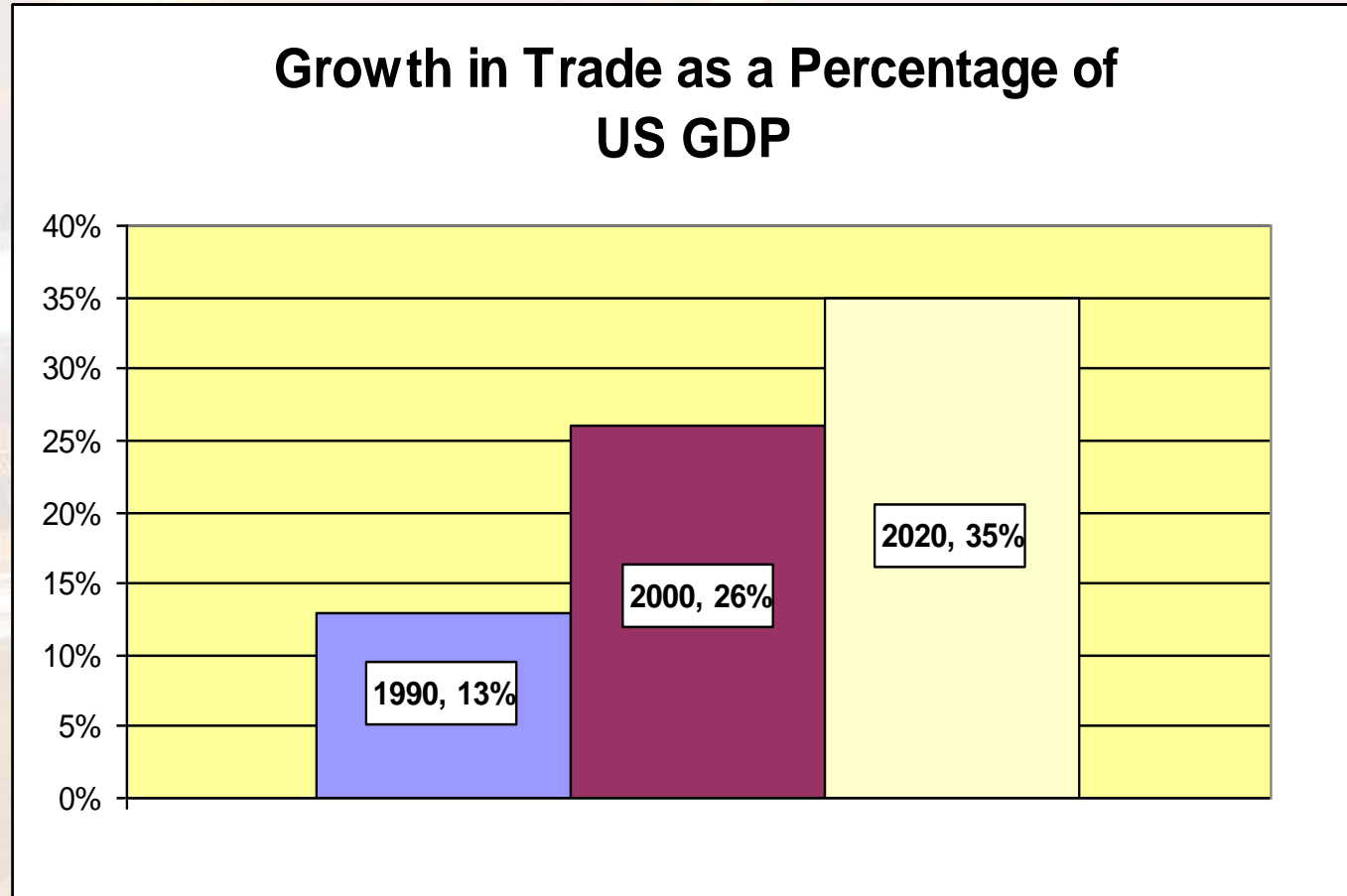
# Metropolitan Growth

**Figure 4.7 Long-Term Population Trends by Major Geographic Areas: Suburbs, Central Cities, and Non-Metropolitan, 1950-2000**



**80% of growth concentrated in metropolitan areas**

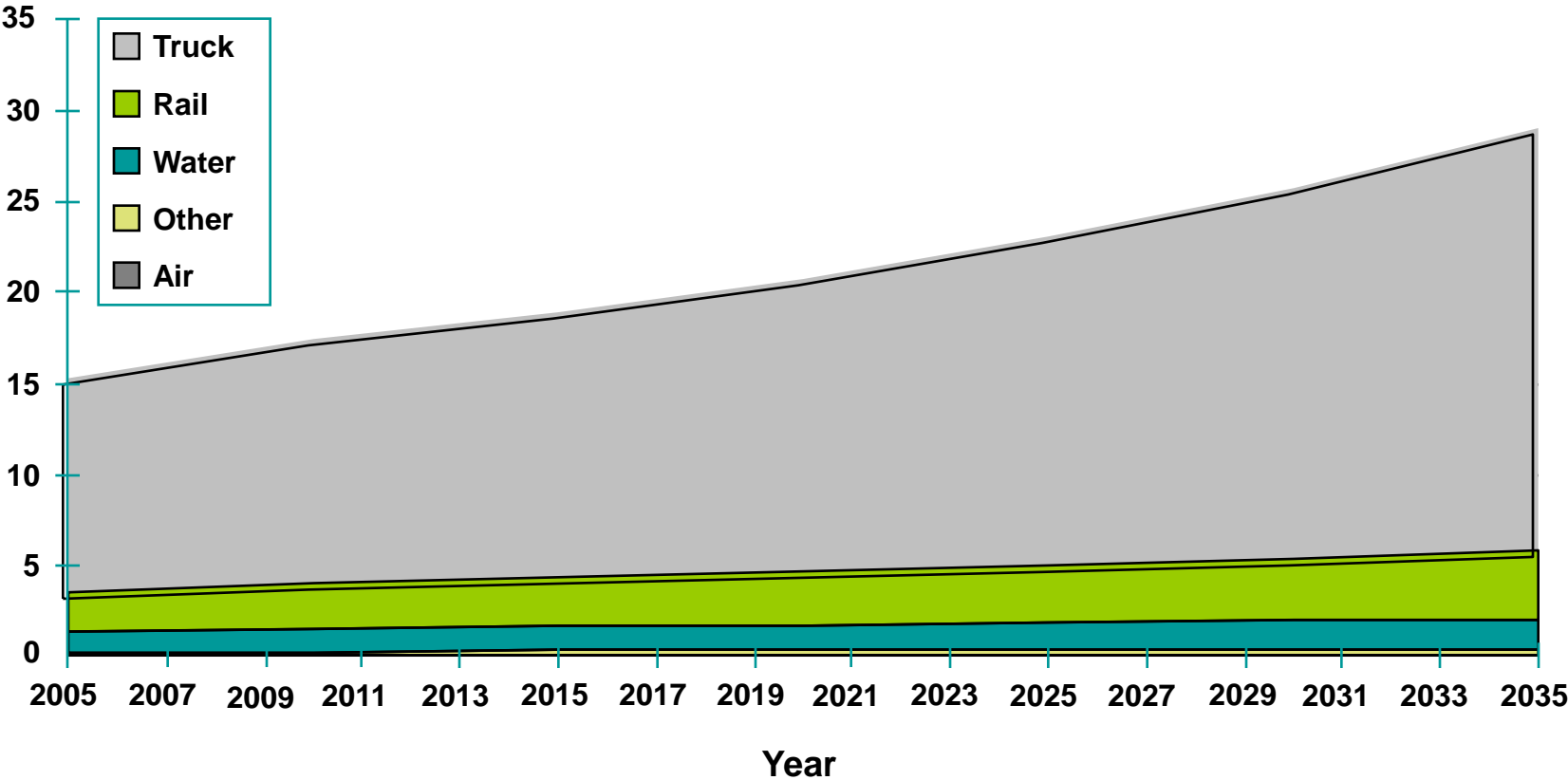
# Growth in Trade as Percentage of Economy



# Freight Double by 2035

## *Yes, Double!!*

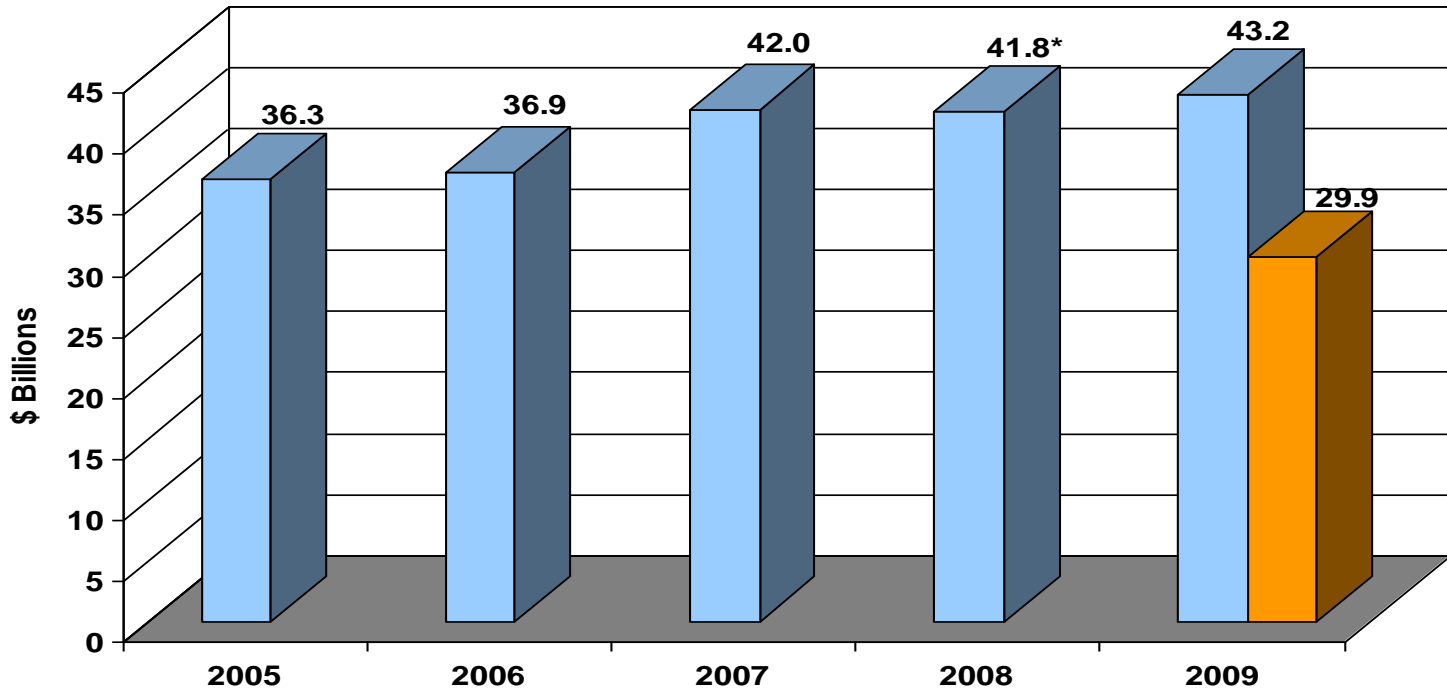
Net Tons (in Billions)



Source: Global Insight 2004 TRANSEARCH data and economic forecasts.

# Problem 1: An Immediate Funding Crisis

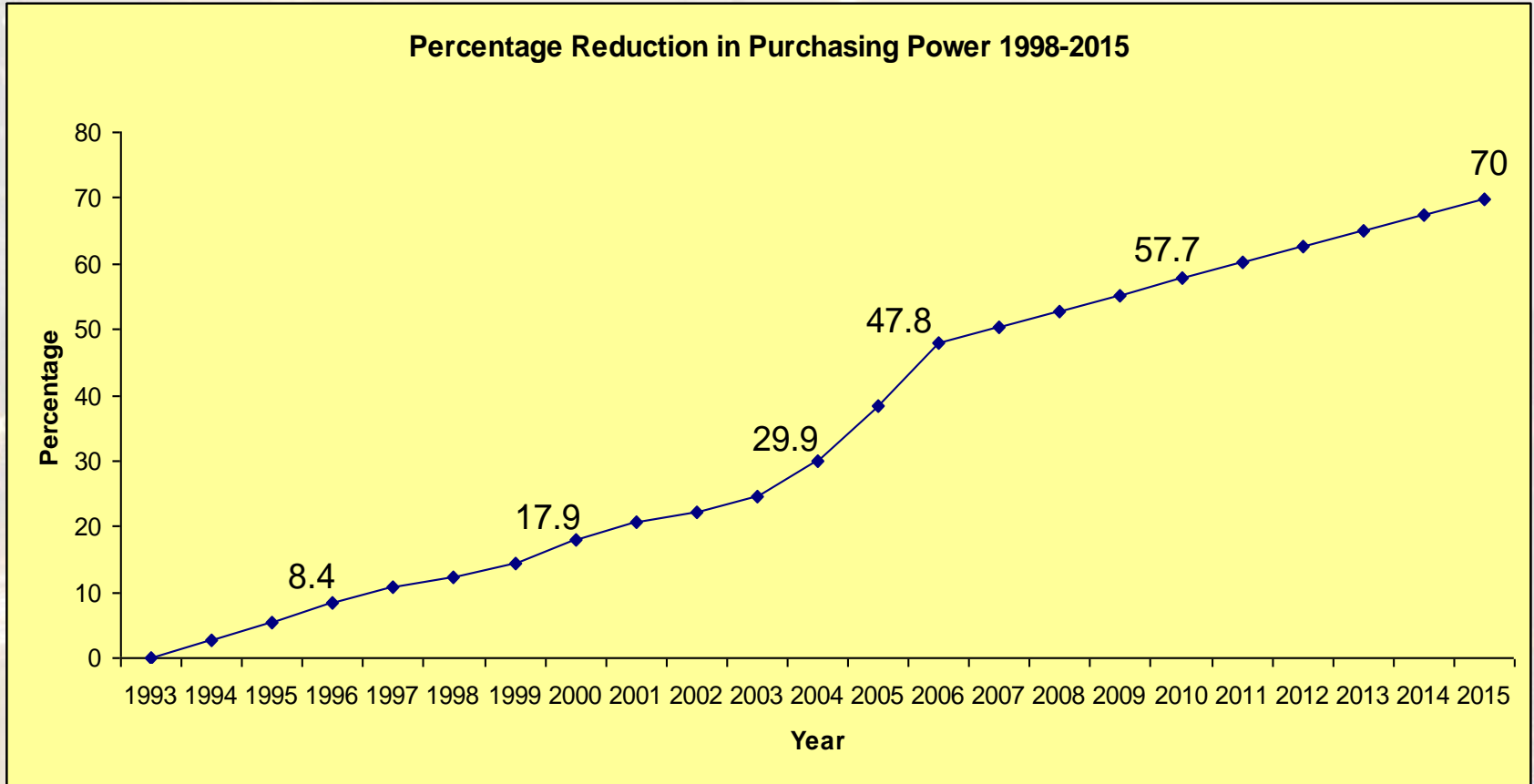
## \$13.2 Billion Cut in Federal Highway Program Obligations if Congress Takes No Corrective Action



\*Obligation level proposed in the President's 2008 budget request, which includes a suspension of \$631 million in RABA funding.

■ SAFETEA-LU Extended to 2009 ■ Highway Program Reduction

# Impact of Inflation



# Funding

- Gas tax remains viable for 20 years
- Take immediate action to keep the HTF solvent
- Increase gas tax 5 to 8 cents over the next five years
- Index after 5 years to inflation
- Increase truck sales taxes proportionately
- Create a ticket tax for transit to supplement HTF and GF revenue

# Funding

- Enhance Freight Investment
  - Tax Credits
  - Customs Fees
  - Federal Freight Fee
- Intercity Passenger Rail
  - Ticket Taxes
  - Highway User Revenues
  - General Funds
  - \$5 billion Funding Level Per Year

# Funding

- Long-Term (beyond 2025): Develop Alternatives to the Fuel Tax
  - Possible options include mileage-based user fees
  - Require a major study of options in the next reauthorization
- Surface Transportation Trust Fund
  - Replaces the Highway Trust Fund as we know it
  - Retains firewalls and guarantees
  - Capital costs is the driver of distributions

# The Future

- The short-term will rely on current methods
- The political will is not there currently for substantial additional funding
- **There is a critical need for a commission and they have reported**
- New technology will make possible new revenue collections
- State and locals will play an ever-increasing role in revenue growth

# Revenue Picture

- Highway Trust Fund revenues are **NOT** declining
  - 1995-2005: \$22 billion to \$38 billion
  - 2005-2015: \$38 billion to \$47 billion
- Fuel tax is still viable
- But purchasing power eroding
- Spending has exceeded income

# Highway Trust Fund Options to Increase Revenues

## Highway Program Level Made Possible by 2021

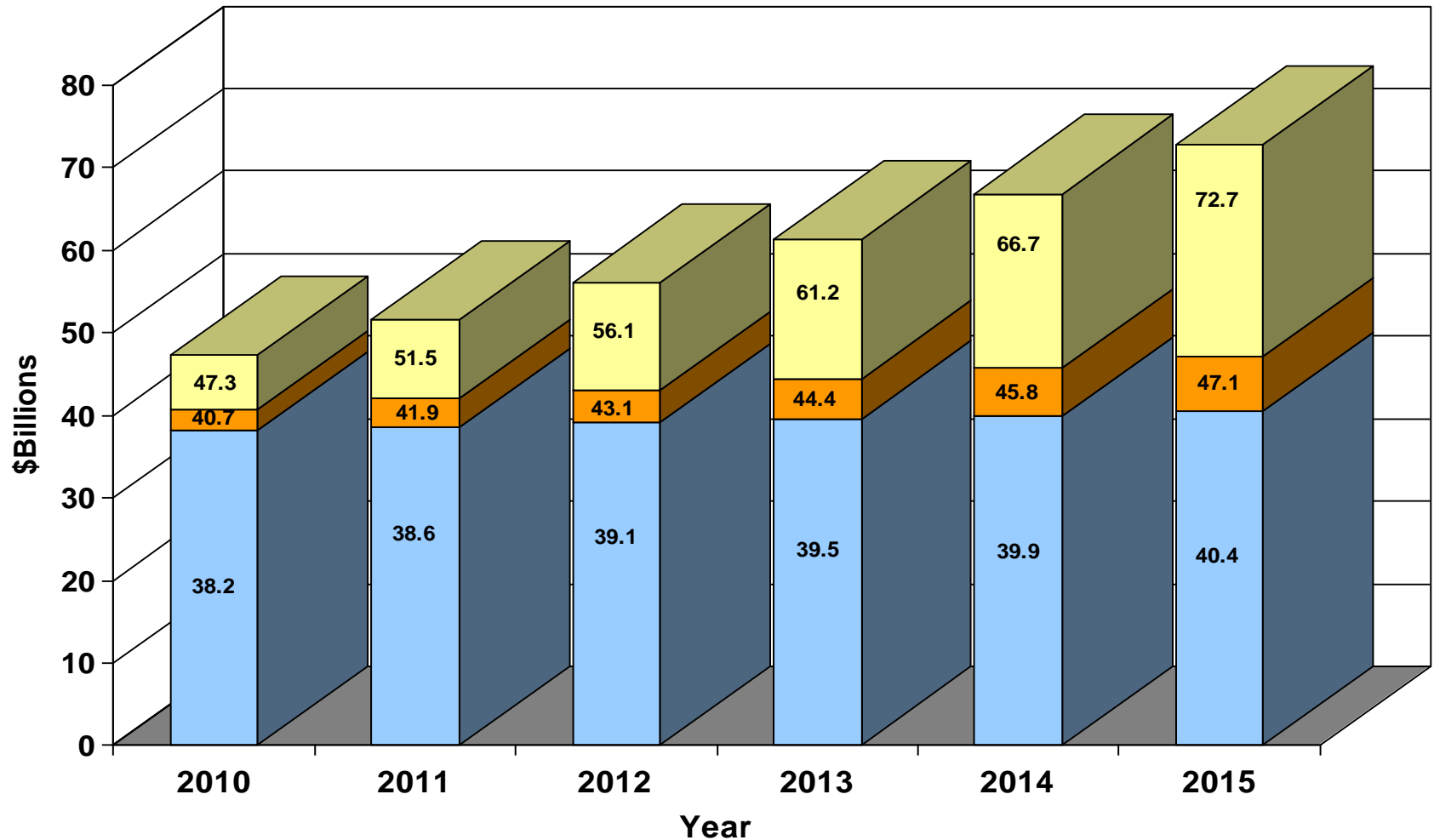
- **10 Cent Rate Increase** **\$75 billion**
- **10 Cent Rate Increase, Indexed to CPI** **\$82 billion**
- **Five Percent Sales Tax on Gas** **\$85 billion**  
**(if fuel prices increase 4% annually)**
- **14.2 Percent Sales Tax on Gas** **\$95 billion**  
**in lieu of 28.4 Cent Gas Tax**  
**(if fuel prices increase 4% annually)**

# Federal Highway Program Possible:

*with 3-Cent Fuels Tax Adjustment in 2009*

*with Additional 7-Cent Adjustment Through 2015 or Equivalent*

■ Reduced Program (No Action) ■ Funding with 3 Cents 2009 ■ Funding with Additional 7 Cents



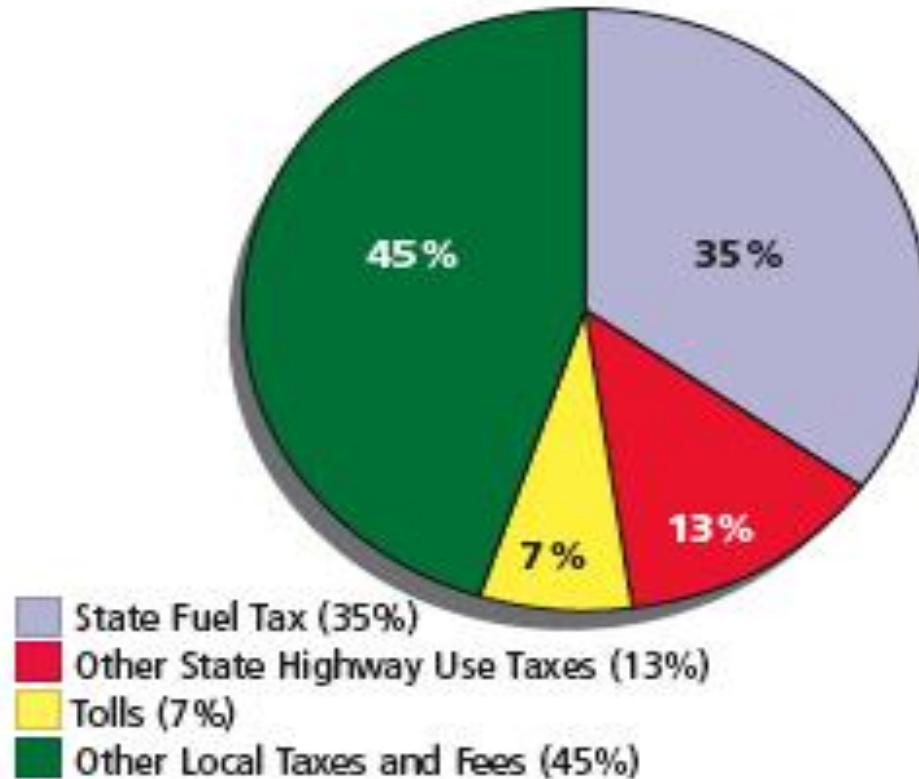
# All Levels of Government Must Continue to Fund Their Share

## National Capital Investment in Highways (billions)

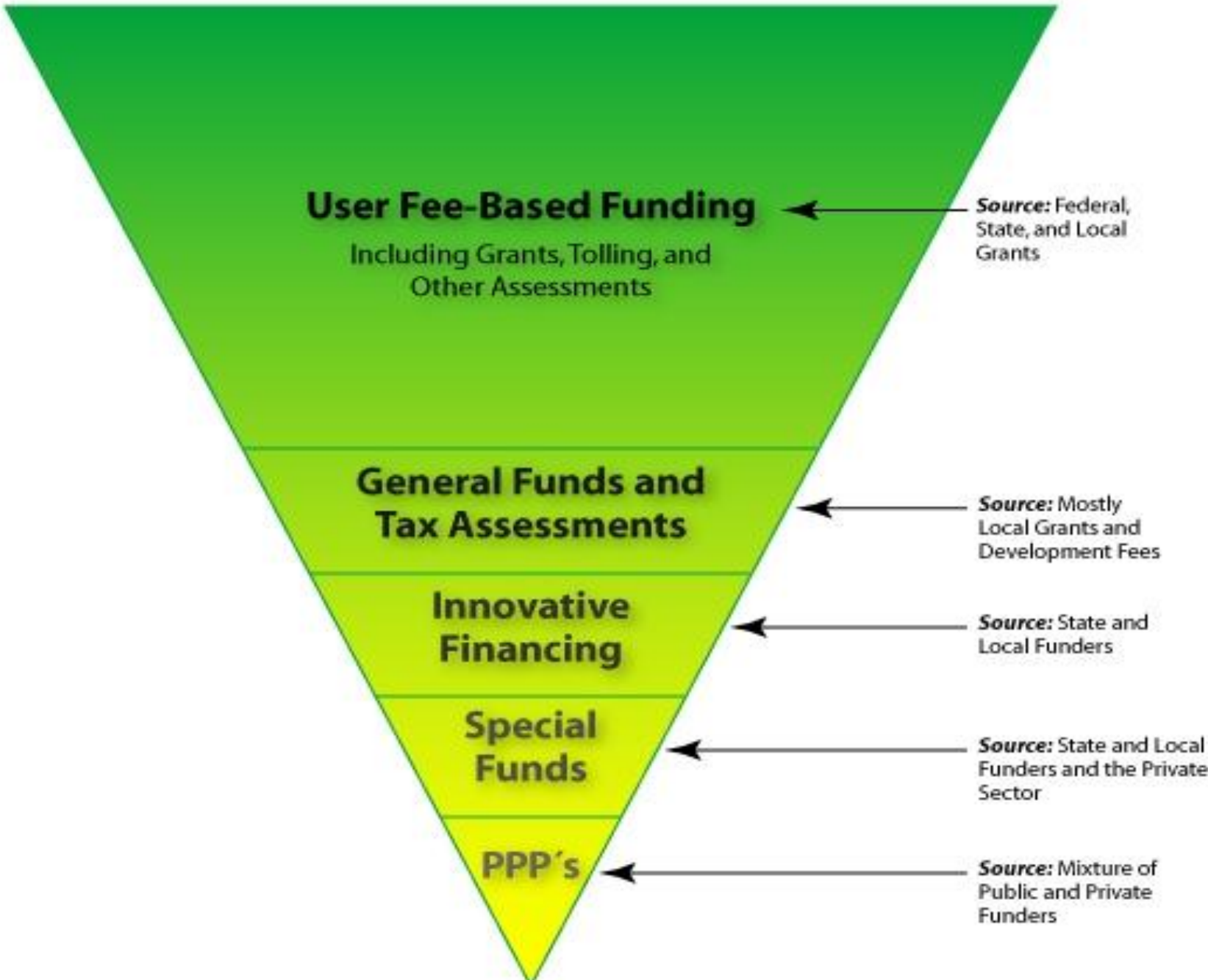
	2010	2015	Funding Increase Needed	New Toll Revenue	Net Required
Federal	\$43	\$73	\$30		\$30
State/ Local	\$52	\$87	\$35	\$8	\$27
<b>Total</b>	<b>\$95</b>	<b>\$160</b>	<b>\$65</b>	<b>\$8</b>	<b>\$57</b>

# State and Local Transportation Revenues

**State and Local Revenues  
for Highways, 2002**



# Funding for Infrastructure Projects



# Questions?

**Jack Basso**

*Chief Operating Officer*

**American Association of State Highway and Transportation Officials**

444 North Capitol Street N.W., Suite 249

Washington, DC 20001

Phone: (202) 624-5800

Fax: (202) 624-5806

Email: [jbasso@aaashto.org](mailto:jbasso@aaashto.org)