

SURFACE TRANSPORTATION FUNDING



3 TIME FRAMES

- ▶ This year (FY 2013)
- ▶ Next year (FY 2014)
- ▶ The next 5-10 years

THIS YEAR (FY 2013)

▶ SEQUESTRATION

- ▶ Took place on March 1. It's already done.
- ▶ FHWA – Emergency Relief (HTF) - \$5.1 million
- ▶ FHWA – NHPP - \$32.6 million
- ▶ FHWA – Sandy Emergency Relief - \$101.1 million
- ▶ FTA – New Starts - \$98.3 million
- ▶ FTA – Sandy Emergency Relief - \$545 million
- ▶ FTA – Other GF Appropriations - \$7.2 million

WHY WAS THE SEQUESTER ALLOWED TO HAPPEN?



THIS YEAR (FY 2013)

- ▶ CONTINUING RESOLUTION
- ▶ House-passed bill did not fund MAP-21 increases over FY 2012.
- ▶ Pending Senate version fully funds MAP-21 (pre-sequester). \$785.5 million higher from HTF.
- ▶ House likely to accept Senate version next week if no poison pill amendments adopted.

THIS YEAR (FY 2013)

- ▶ HIGHWAY TRUST FUND
- ▶ No solvency issues this year.
- ▶ However, the sequester lowered the Highway Account balance by \$316.2 million (5.1 percent of the \$6.2 billion general fund to HTF transfer in 2013).

THIS YEAR (FY 2013)

- ▶ **STIMULUS**
- ▶ President proposing, and Senate budget includes, \$50 billion for immediate (FY 2013) transportation stimulus and \$10 billion in 2013 for an infrastructure bank.
- ▶ **HOWEVER**, reading the fine print, it seems unlikely the \$50 billion will come to the Senate floor. And it's a non-starter with the House.

NEXT YEAR (FY 2014)

- ▶ HOUSE BUDGET
- ▶ Ryan budget similar to last two years – funds MAP-21 but then crashes program in 2015 to keep outlays at level of current law tax receipts.
- ▶ Such budget constraints made House passage of a highway bill in 2011-2012 impossible.
- ▶ However, since no highway bill is needed this year, the budget is mostly irrelevant.

NEXT YEAR (FY 2014)

- ▶ SENATE BUDGET
- ▶ Aside from FY13 stimulus, no increase in transportation funding above baseline assumed.
- ▶ (Mandatory spending lower than baseline due to TSA security fee increase.)
- ▶ “Reserve funds” for infrastructure and for water infrastructure. If Finance plays ball.

NEXT YEAR (FY 2014)

▶ APPROPRIATIONS

- ▶ FY 2013 pre-sequester total: \$1.043 trillion
- ▶ FY 2013 post-sequester total: \$984 billion
- ▶ FY 2014 House Budget total: \$966 billion
- ▶ FY 2014 Senate Budget total: \$966 billion
- ▶ Until a “grand bargain” repealing sequestration is signed into law, the lower limits stay.

NEXT YEAR (FY 2014)

- ▶ APPROPRIATIONS
- ▶ Bills written at \$966 billion will be very, very tight on discretionary funding. No new programs, cuts to all existing programs.
- ▶ However, appropriators have no motive to underfund MAP-21 HTF spending since BCA has no outlay constraints.

NEXT YEAR (FY 2014)

- ▶ SEQUESTRATION
- ▶ For discretionary spending, the sequester was a one-time FY 2013 event. But for mandatory spending, the sequester is repeated every year until 2021.
- ▶ If not repealed by September 30, HTF will lose another \$643 million (5.1 percent of \$12.6 billion FY 2014 GF to HTF transfers).

NEXT YEAR (FY 2014)

- ▶ HIGHWAY TRUST FUND
- ▶ Last month, CBO projected that both HTF accounts would make it to the end of FY 2014 solvent at MAP-21 levels.
- ▶ However, if the next sequester takes place on Oct. 1, CBO would then project the Highway Account to have a \$3.5b balance EOY FY14.

THE NEXT 5 TO 10 YEARS

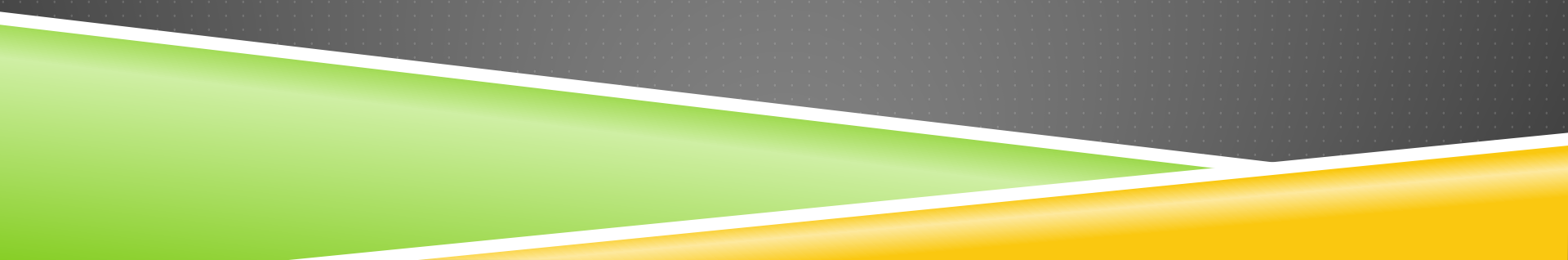
- ▶ HIGHWAY TRUST FUND
- ▶ Under MAP-21, HTF deficits as far as the eye can see.

2013	2014	2015	2016	2017
-13.1	-14.3	-14.4	-14.0	-13.7
2018	2019	2020	2021	2022
-14.3	-15.0	-16.0	-17.0	-17.6

THE NEXT 5 TO 10 YEARS

- ▶ FY 2014 budgets are irrelevant to the task of writing a highway bill starting in FY 2015 – unless Congress deems these budgets in place this year and fails to pass new budgets next year.

THE NEXT 5 TO 10 YEARS

- ▶ HOUSE BUDGET
 - ▶ If the House budget (or one like it) is in place next year, passing a highway bill through the House will be impossible. Again.
 - ▶ Huge FY 2015 funding cut.
 - ▶ No reserve fund, so the budget prohibits any new taxes to offset HTF spending.
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THE NEXT 5 TO 10 YEARS

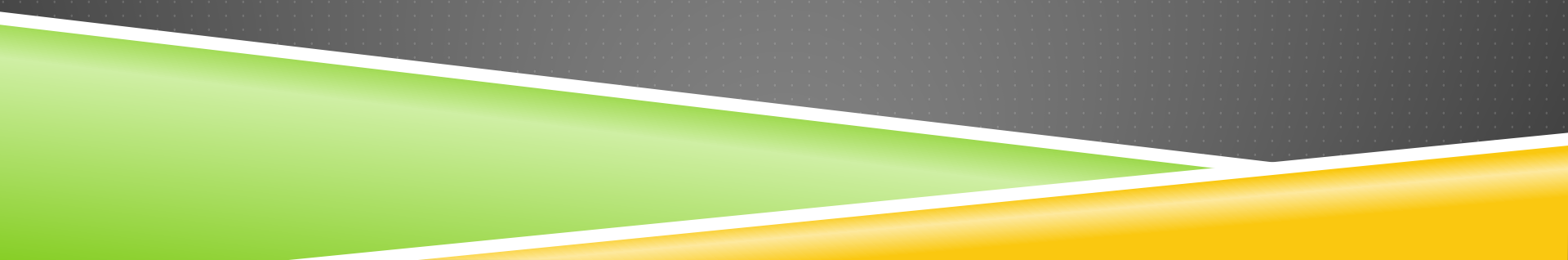
- ▶ SENATE BUDGET
- ▶ If the Senate budget (or one like it) is in place next year, the bill could contain MAP-21 funding levels with no other constraints except HTF solvency.
- ▶ Funding increases above MAP-21 would require more taxes from Finance Committee.

THE NEXT 5 TO 10 YEARS

▶ TAX REFORM

- ▶ The current user tax model (cent-per-gallon gas and diesel taxes, plus trucking taxes and fees) is broken.
- ▶ The 800-pound-gorilla of revenue legislation in the 113th Congress is tax reform.
- ▶ It may be easier to address long-term HTF issues in a big tax reform bill than in a highway bill.

THE NEXT 5 TO 10 YEARS

- ▶ USER PAYS?
 - ▶ During the MAP-21 debate, we never answered the big question – is a user-pays “benefit principle” surface transportation funding scheme still relevant?
 - ▶ If not, what should replace it?
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THE NEXT 5 TO 10 YEARS

- ▶ CAR OR TRAIN?
- ▶ The Obama Administration has a vastly different vision of the future of surface transportation than do most highway stakeholders.
- ▶ LaHood “war on the automobile”
- ▶ Obama 2011 SOTU “80 percent of Americans to have access to HSR by 2036.”

THE NEXT 5 TO 10 YEARS

- ▶ HIGH SPEED RAIL COULD EAT THE BUDGET
- ▶ Unless constrained, the potential federal costs of fulfilling the President's high-speed rail promises would destroy the rest of the transportation budget.
- ▶ Needed: FFGA-like process with complete project cost analysis and contingent commitment authority cap.

THE NEXT 5 TO 10 YEARS

- ▶ Federal share of California high-speed rail project over the next ten years (in addition to previous appropriations): \$28.7 billion.
- ▶ Total new starts budget baseline: \$21.6 billion
- ▶ Total Corps construction baseline: \$17.5 billion
- ▶ Total Coast Guard AC&I baseline: \$17.3 billion
- ▶ Total Amtrak capital baseline: \$11.6 billion