

TEA-21 Reauthorization

The Long-Term Outlook For Financing Surface Transportation Programs and Innovative Financing

Presentation by Jack Basso, AASHTO
To The Standing Committee on Rail Transportation
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TEA-21: Transportation Equity Act for the 21st Century (1998)

- Record-level Funding for Highways and Transit
- To Date Over \$208 Billion Made Available
- Guaranteed Spending: The Heart of the Financial Provisions
- Resources a Critical Issue in Reauthorization



Revenue

- Since 1993: 6.8 Cents Per Gallon Of Motor Fuel Tax Added To The Highway Trust Fund
- Added \$11.5 Billion per Year
- RABA Added \$9 Billion To The TEA-21 Total For Highways
- Needs Continue To Outstrip Available Funding

Basic Financial Assumptions Going into Reauthorization

- \$20 Billion Remaining in Highway Account
- FY 03 RABA Calculation Could Reduce the Highway Baseline, Unless Congress Restores Funding
- Some Ethanol Tax Revenue Diverted to General Fund
- Innovative Financing Techniques Have Accelerated Projects; More Can Be Done

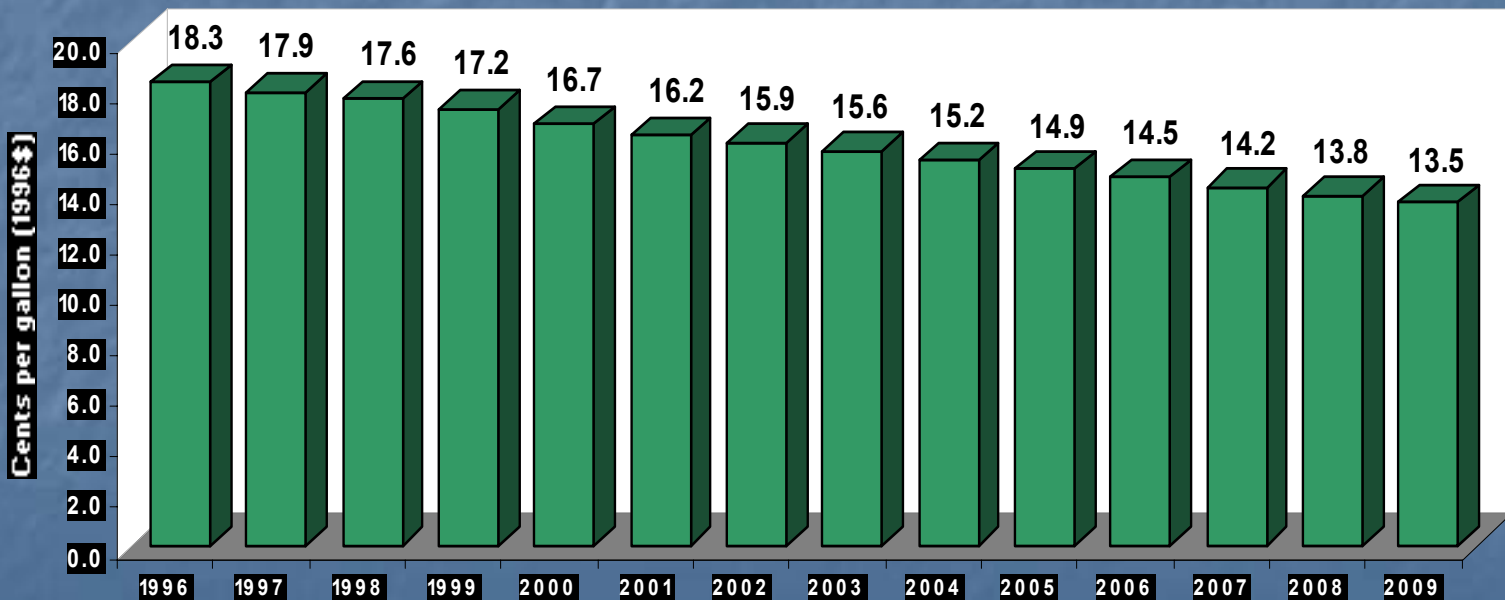
Basic Financial Assumptions Going into Reauthorization

- Needs Will Continue to Outstrip Available Resources
- Donor And Donee States Issue Will Continue
- Budget Surpluses Have Changed to Deficits at Federal And State Levels
- Increasing User Fees Likely to be Extremely Difficult

Growth Due to Travel Versus Effects of Inflation (Current Law)

- Program increase due to travel growth: 9%
- Eliminated by 26% decrease in purchasing power:

Erosion of the value of the federal excise tax on gasoline due to inflation



Status Quo Scenario

Maintaining
Current
User Fees



Spending
Down Trust
Fund Balance

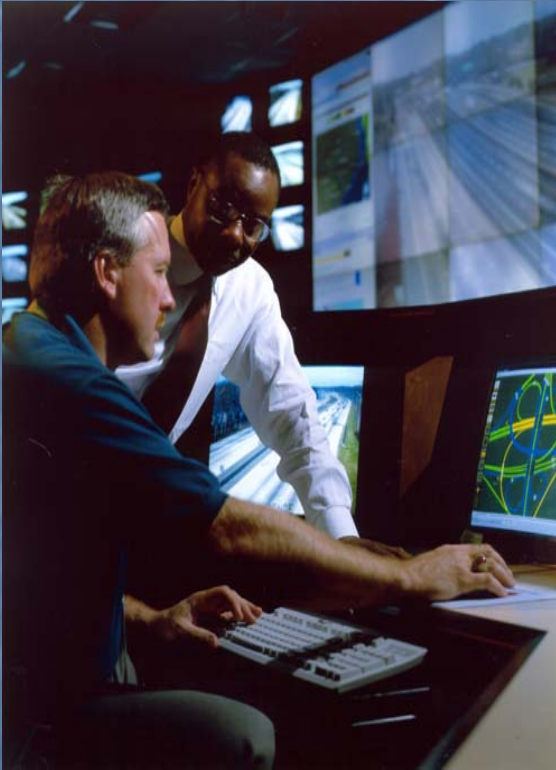


Will Only Fund A
Highway Program
Level of

**\$34 Billion
Annually by
FY 2009**

Far Short of
Anticipated Needs

Key Financing Factors



- RABA Is Adversely Affected by Economic Downturns
- Attempts Likely to Eliminate Guaranteed Spending
- Innovative Financing Techniques Important. i.e. State Infrastructure Banks, Bonding And New Ideas.

AASHTO Priority Objectives

- Grow the Program Over Six Years:
 - *Highways:* **\$34 to \$41 Billion**
 - *Transit:* **\$7.5 to \$10 Billion**
- Maintain Funding Guarantees, Firewalls, And Fix RABA.
- Retain The Basic Program Structure.
- Increase Flexibility To Meet Priority Needs: Security, Safety, Congestion Relief, **Freight**, Preservation And Capacity.
- Improve Environmental Stewardship And Streamlining.

AASHTO Reauthorization Position And Financial Strategy

The Transportation Finance Corporation

The Investment Need

Despite Record Levels
of Funding:

- Highway Needs Are Nearly Double Available Resources
- \$94 Billion Estimated As Annual “Cost To Improve” in 1999
- The 2002 “Cost To Improve” Expected to be Even Higher



Needs And Realities

- The Nations Surface Transportation System Requires Substantial Investment



- Ideally, Congress Will Meet Need Through Traditional means – If Not Feasible, And Alternative Is Needed

- Innovative Financing Mechanisms (TIFIA, SIB's) Have Achieved Success In Selected States

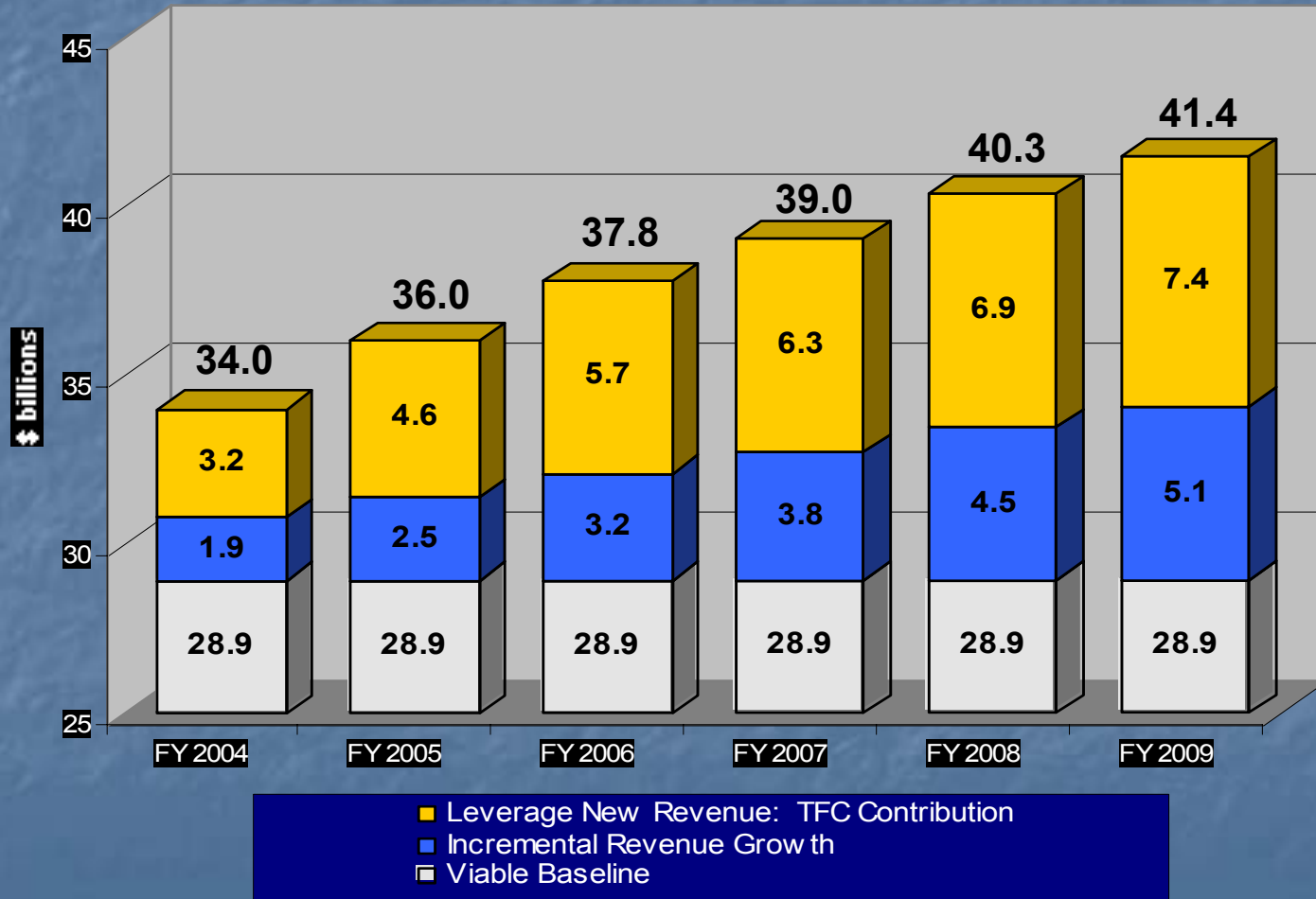


- Expansion Of Current Innovative Financing Mechanisms Will Not Increase The Size Of The Pie For All States

Menu Of Funding Options

- Revenue Growth From Increased Travel
- Capture Current Gasohol Revenues Going into the General Fund
- Increase Gasohol Taxes by 5.3 Cents Per Gallon or Transfer An Equivalent Amount From the General Fund
- Draw Down Trust Fund Reserves
- Increase Gas Tax
- Capture Interest on Highway Trust Fund Reserves
- Leverage a New Source of Revenue Through a Transportation Finance Corporation

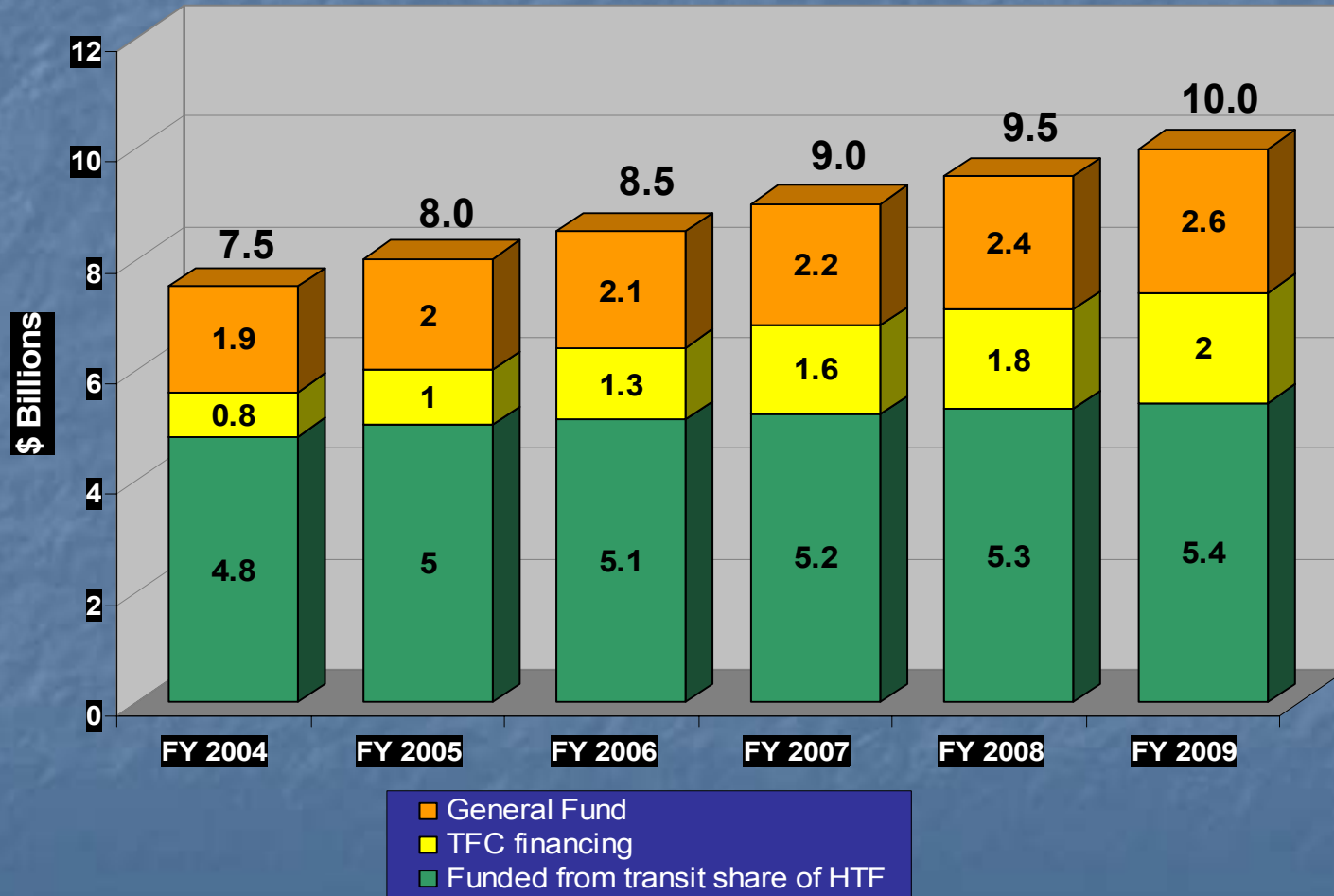
AASHTO Priority: Grow the Highway Program From \$34 billion to \$41 billion



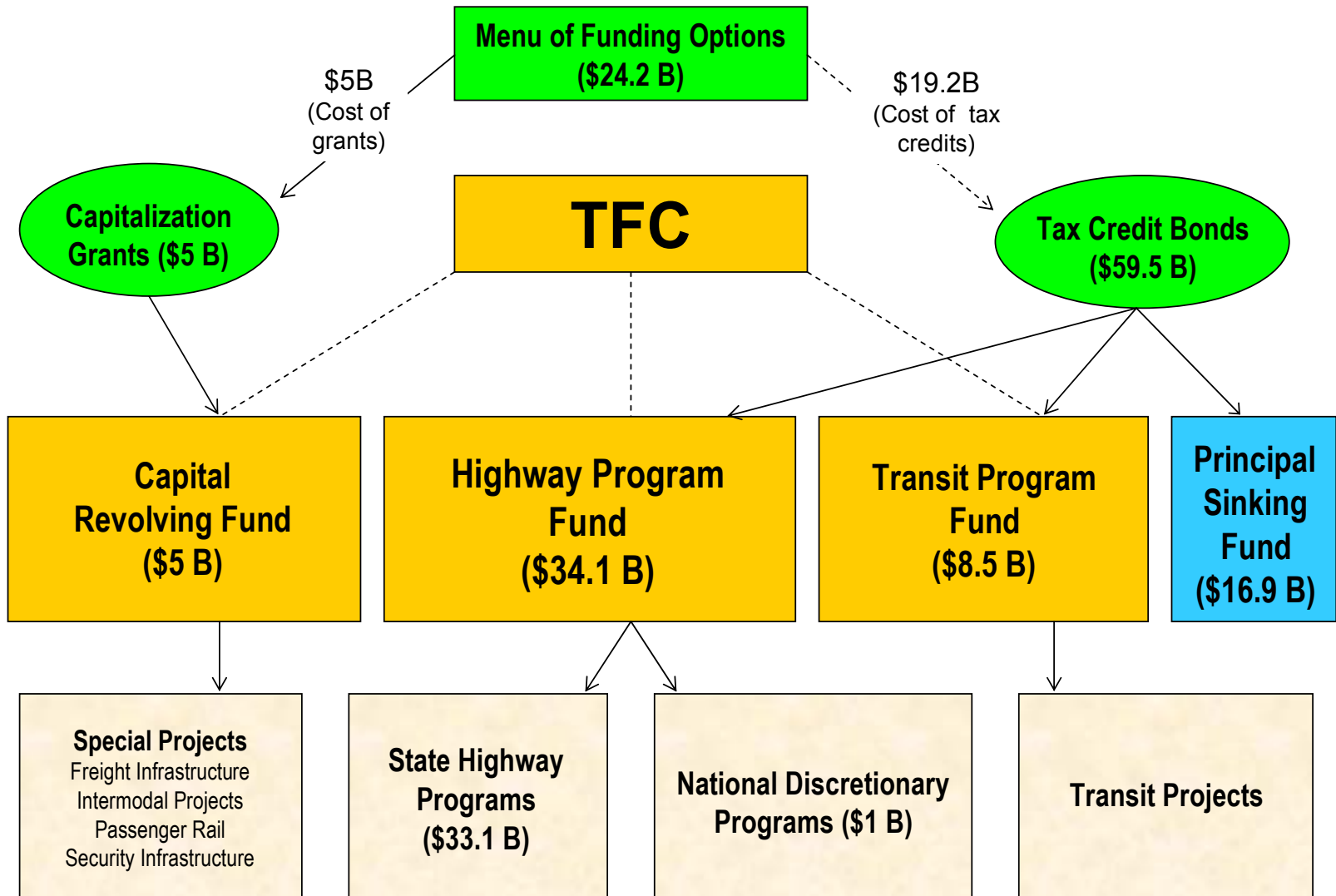
* In this scenario, incremental revenue includes growth from travel, HTF draw down and 2.5¢ gasohol tax transfer

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AASHTO Priority: Grow the Transit Program from \$7.5 billion to \$10 billion

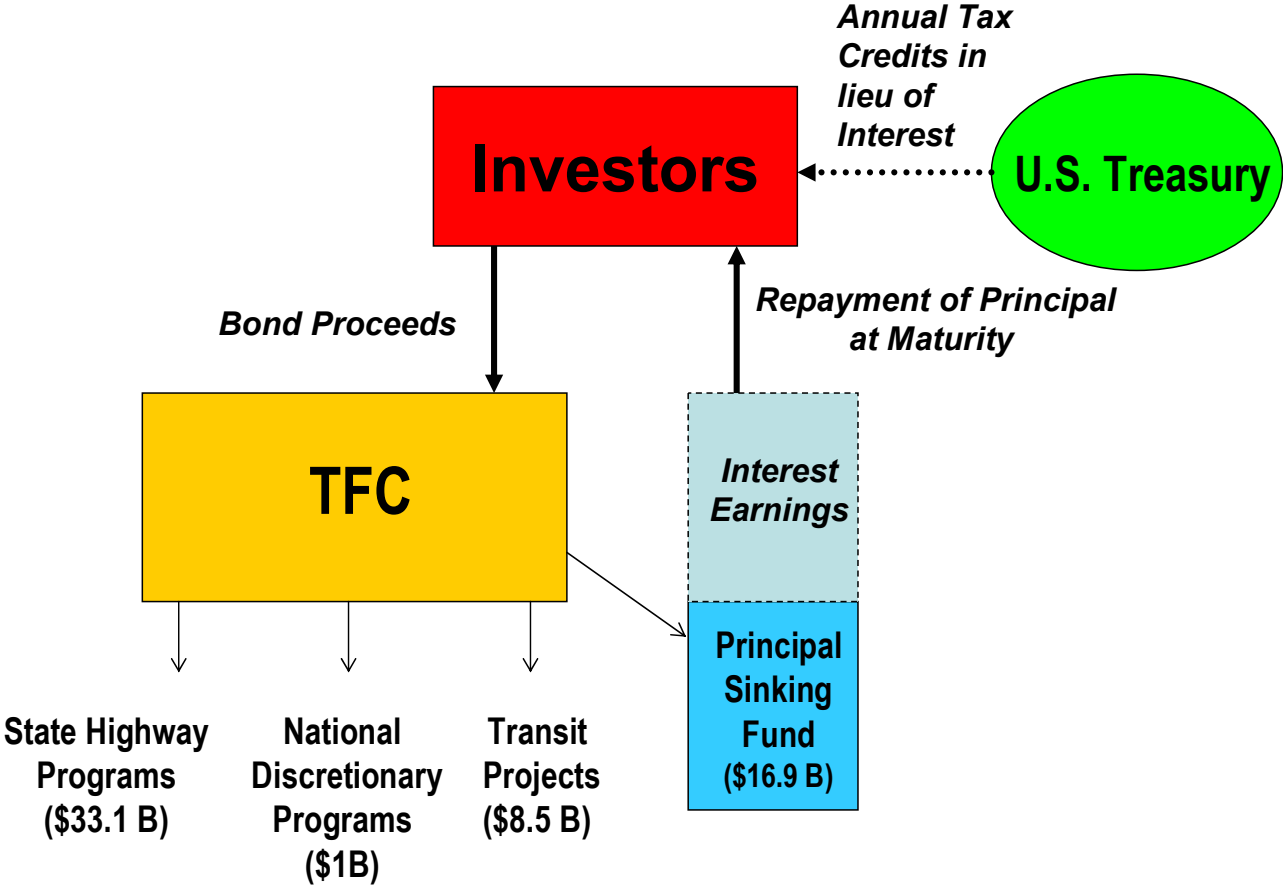


Transportation Finance Corporation



Mechanics of Tax Credit Bonds

Transportation Finance Corporation



Reauthorization Outlook

- Complex and Funding-Driven Process
- Achieving Satisfactory Funding Levels Will Influence Policy and Aid Compromises
- Additional Sources Of Revenue Are Key (Such as Indexing or Alternative Fuels Tax Changes)
- Coordination And Collaboration Will Benefit All