

FEDERAL-AID HIGHWAY PROGRAM 101

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U.S. Department
of Transportation

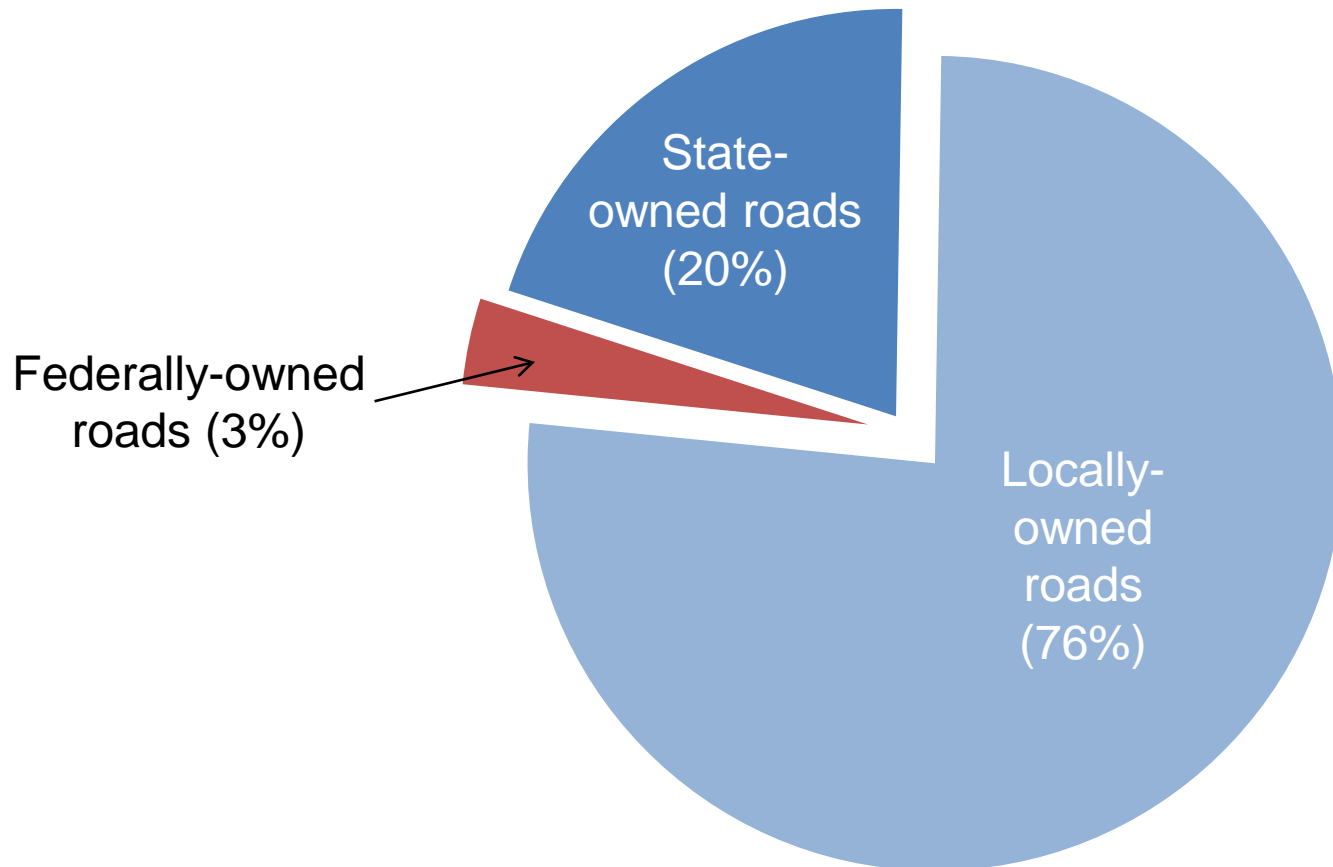
**Federal Highway
Administration**

Session overview

- Scope of the system
- Federal-aid Highway Program (FAHP) roles and responsibilities
- Lifecycle of Federal-aid highway funding
- Highway Trust Fund

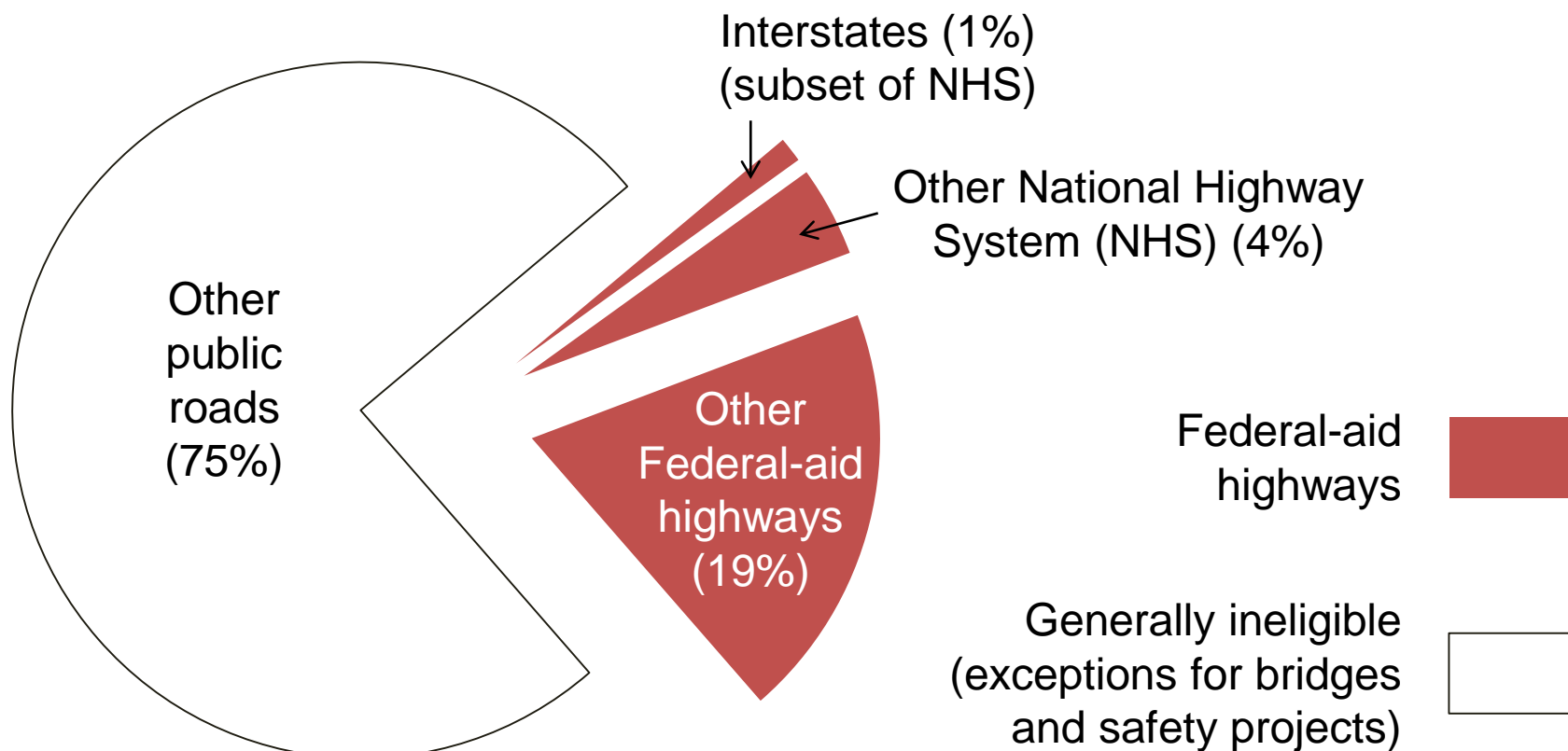
SCOPE OF THE SYSTEM

Most roads are owned by State and local governments



Note: Figures from 2016

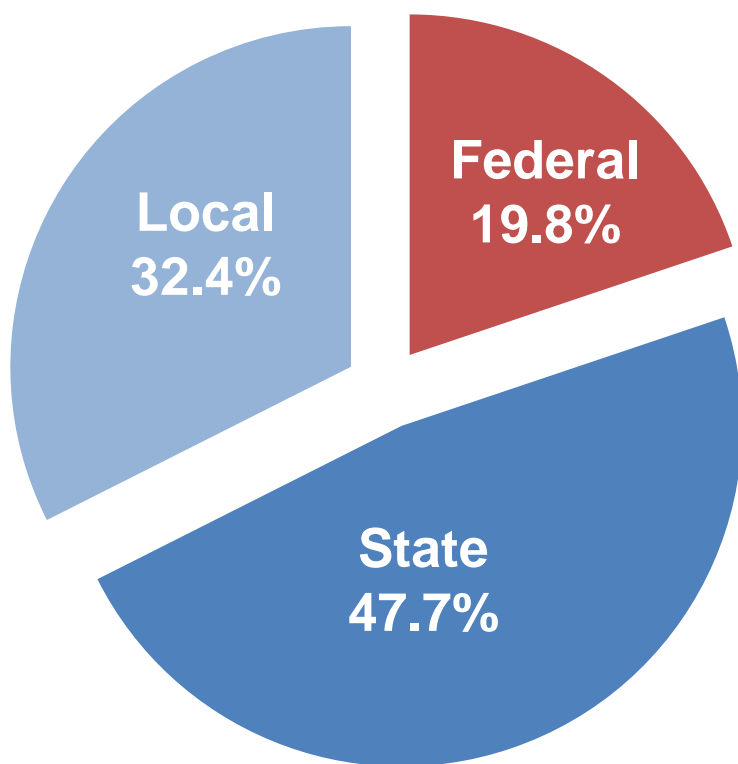
About 24% of public roads (1M miles) are eligible for Federal assistance



Note: Figures from 2016

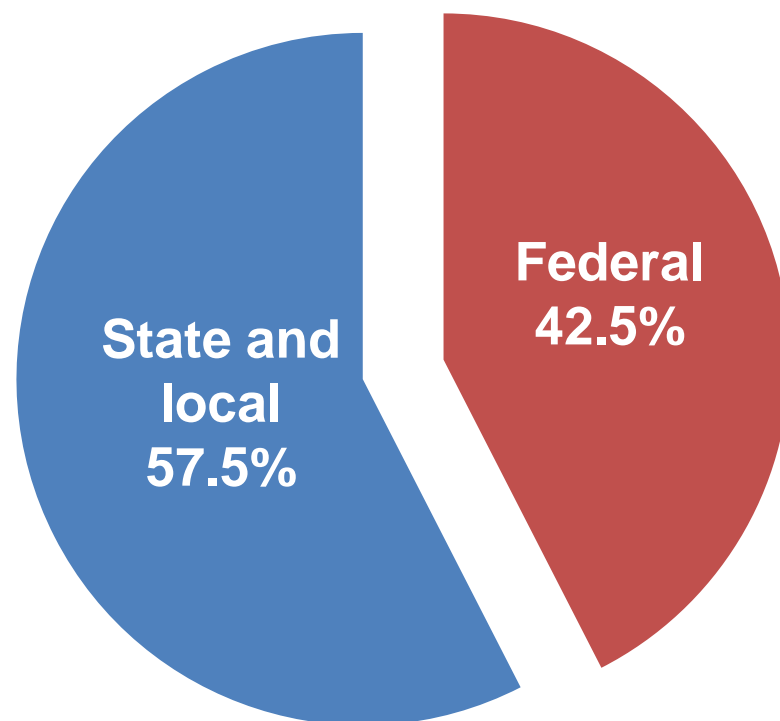
Federal \$ are one piece of a larger pie

All government spending on U.S. public roads, 2014



\$238.4 B

Capital outlay on U.S. public roads, 2014



\$105.5 B

FEDERAL-AID HIGHWAY PROGRAM

Roles and Responsibilities

Characteristics of the FAHP

- Federally-assisted, State-administered
- Funding tied to specific systems
- Each State must have a highway agency
- States pay for maintenance
- Matching requirements
- Contract authority

FHWA's role: provide leadership and oversight. This includes:



- Establishing national highway policy
- Reviewing & approving State proposals
- Developing regulations, guidance & standards
- Providing technical assistance
- Distributing “funds”
- Paying States for eligible expenses

State and local role: develop, own, and maintain projects. This includes:



- Project conception, planning, design
- Construction of projects
- Maintenance & operation of highways

LIFECYCLE OF FEDERAL-AID HIGHWAY FUNDING

Six key words (four “A”s and two “O”s)

Authorization
Appropriation

Legislative actions

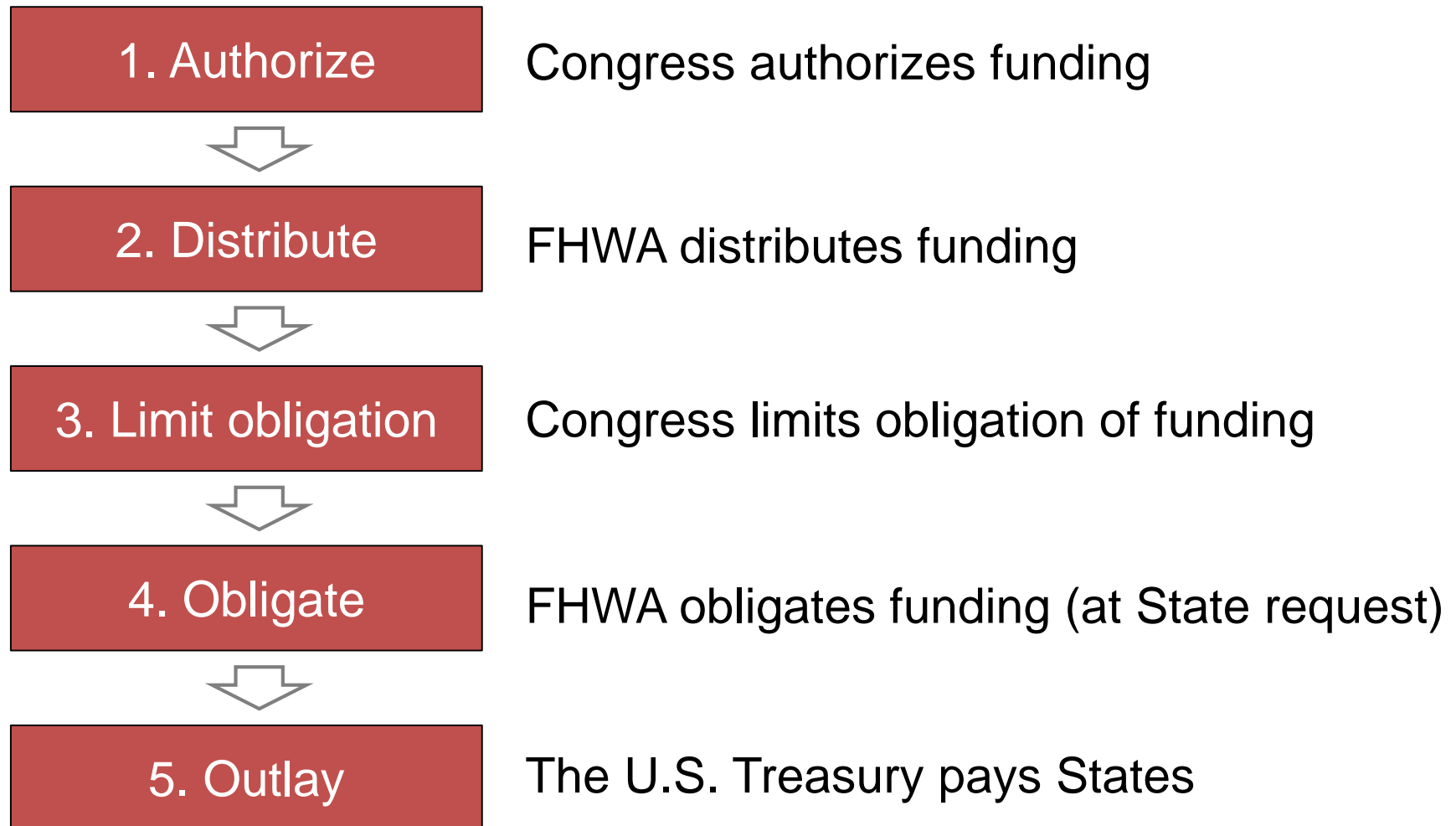
Apportionment
Allocation

Distribution of funding

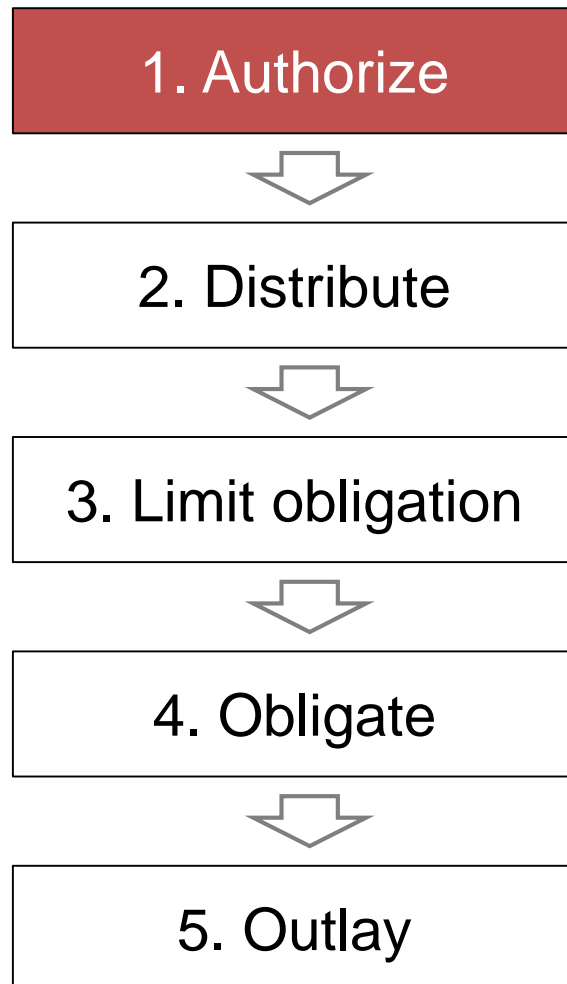
Obligation
Outlay

Commitment and expenditure

Lifecycle of Federal-aid Highway funds

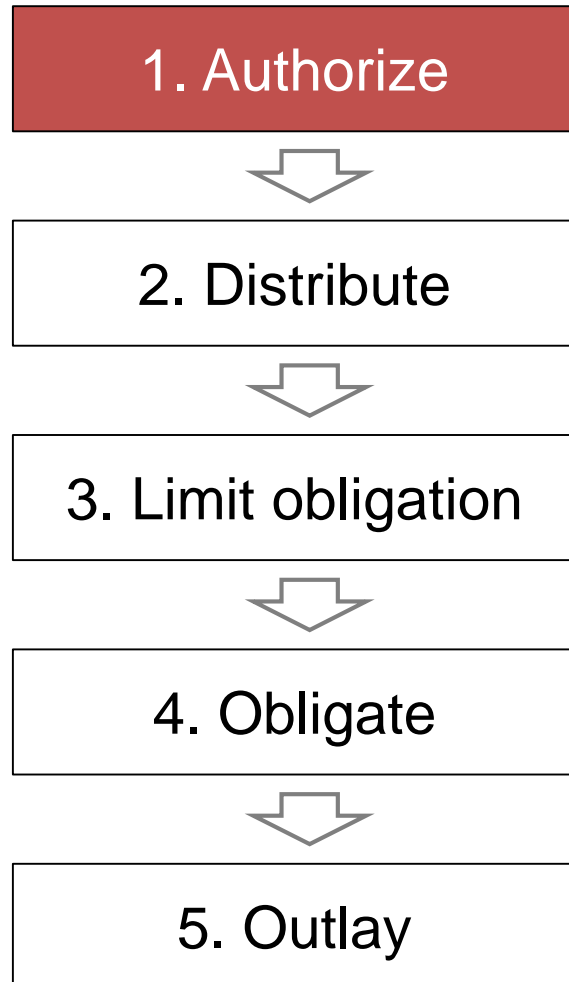


Authorization act provides funds



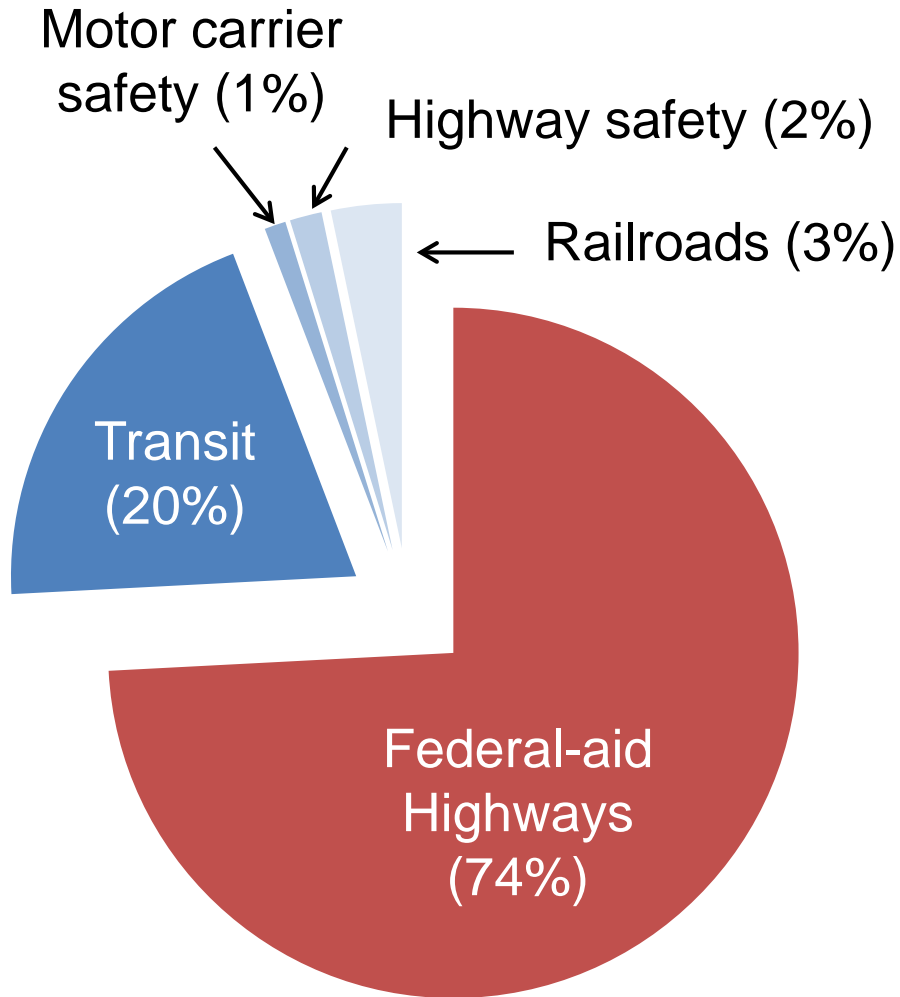
- Typically covers multiple years
- Authorizes **programs** and **funding**
- Sets program-specific **requirements**
- Provides **formulas** for distribution

Dedicated funding via contract authority (CA)



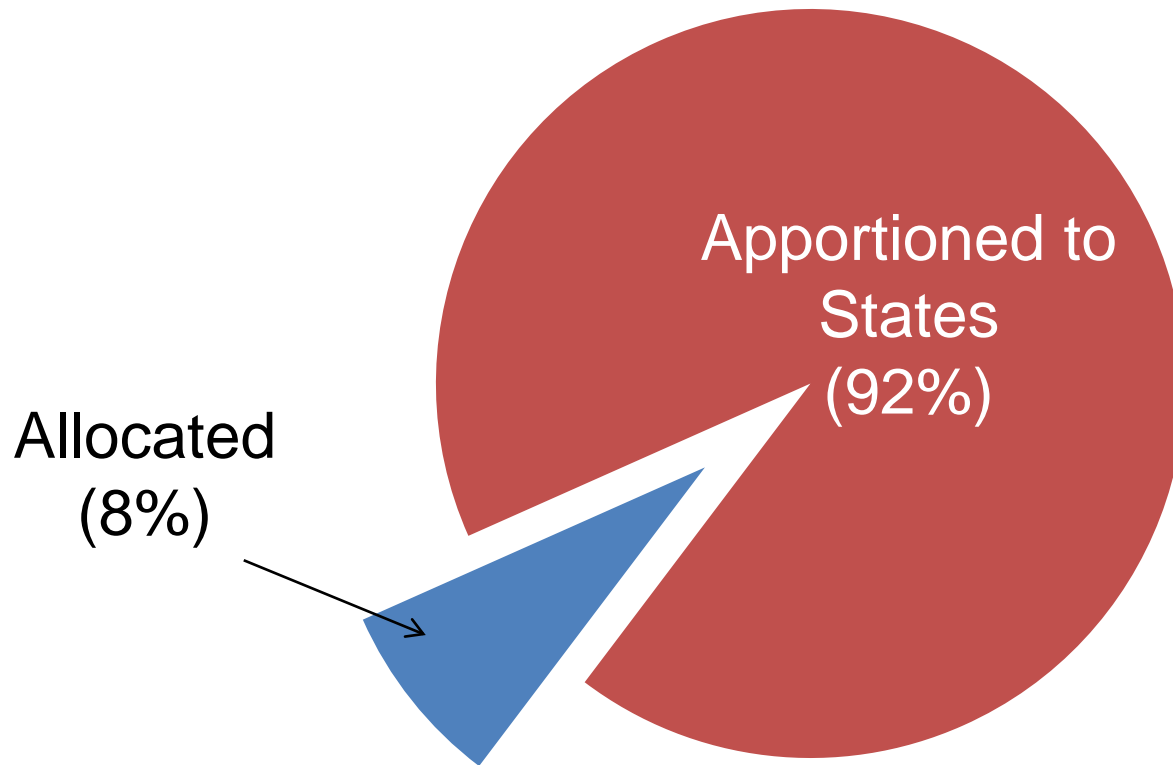
- Special type of budget authority
- May be obligated without need for appropriations act
- Treasury doesn't pay until appropriation of liquidating cash
- Since 1974, only available to trust-funded programs

FAHP is one part of authorization act

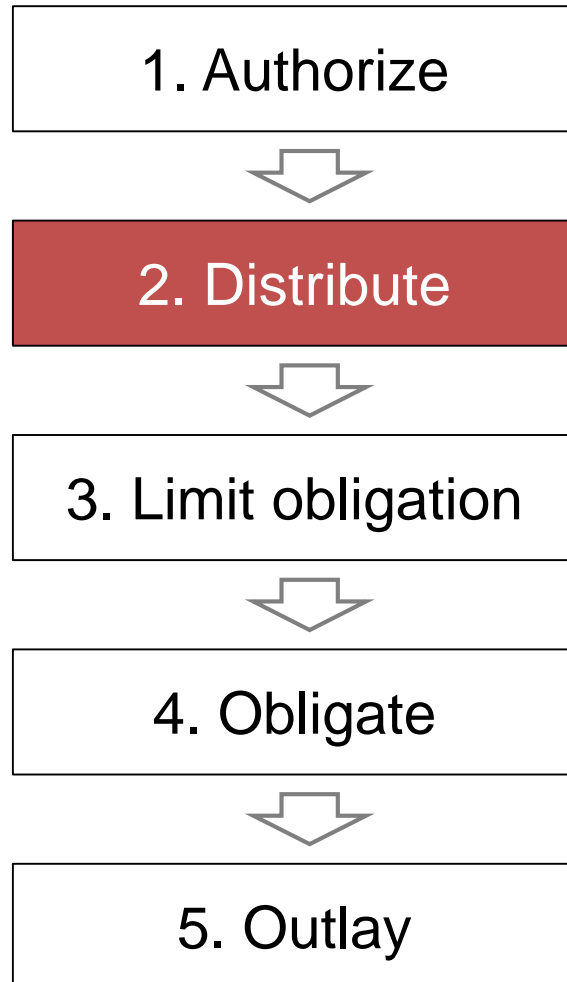


- Currently, Fixing America’s Surface Transportation (FAST) Act
- Signed into law Dec. 4, 2015 (P.L. 114-94)
- 5 yr of funding (FY16-20)
- Highways, transit, motor vehicle safety, research, rail

FAST Act distributes vast majority of Federal-aid highway funds by formula



Apportioned funds: formula distribution

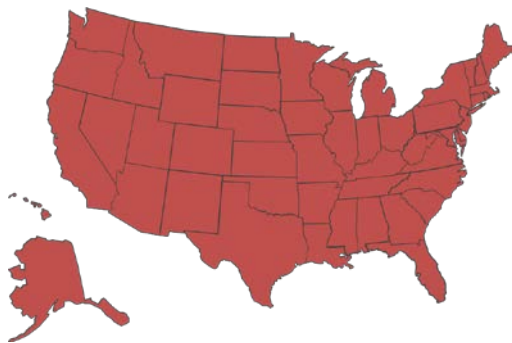


- Examples:
 - National Highway Performance Program
 - Highway Safety Improvement Program
- Distributed by formula specified in law
- Distributed on October 1
- Withdrawn only by law
- All States are recipients

Overview of apportionment

Step 1.

Set lump sum for all apportioned programs & States



\$41 B nationwide

Step 2.

Calculate State's total (incl. "95¢ on dollar" adjustment)



\$1 B for Virginia (VA)

Step 3.

Distribute among State's apportioned programs

	\$ million for VA
NHFP	28
CMAQ	56
Metro Plan	8
NHPP	593
STBG	297
HSIP	65

Set-asides from State apportionments

From...	For SPR	For Rail-Hwy Crossing	For Off-System Bridges	For Rec Trails	For Transportation Alternatives
NHPP	2%				
STBG	2%		*	0	\$835-850 M Nationally
HSIP	2%	\$230-350 M Nationally			
CMAQ	2%				
NHFP	2%				

*Amount equal to 15% of State's FY09 Highway Bridge Apportionment

° Amount equal to State's FY09 Rec Trails Apportionment

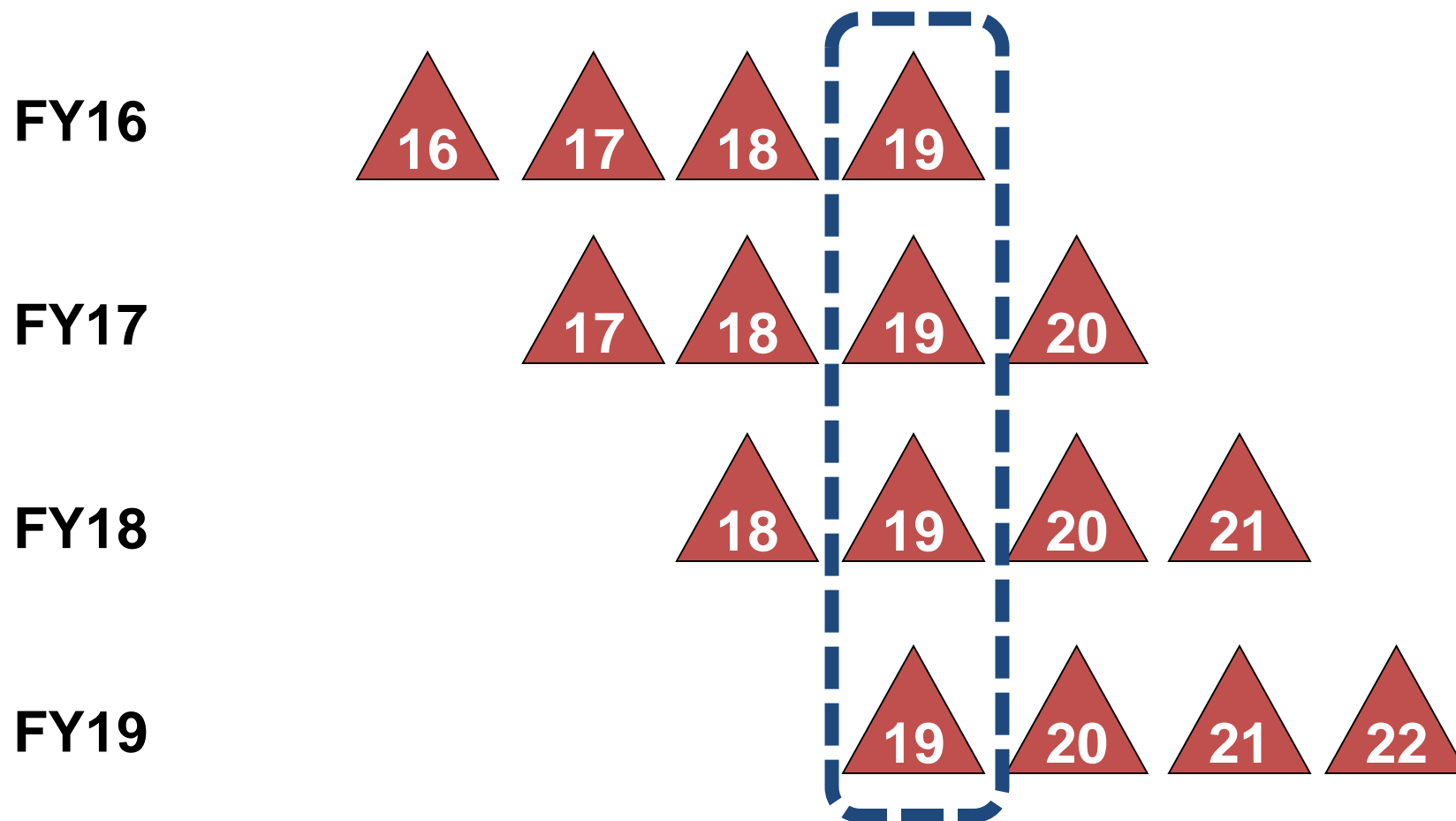
State transfers between programs

General rule...	Transfer <u>up to 50%</u> from any apportioned program to any other apportioned program
But no transfers of...	<ul style="list-style-type: none">• Rail-Highway Grade Crossing funds• Metro Planning funds• STBG & TA funds sub-allocated based on population (limited exceptions)

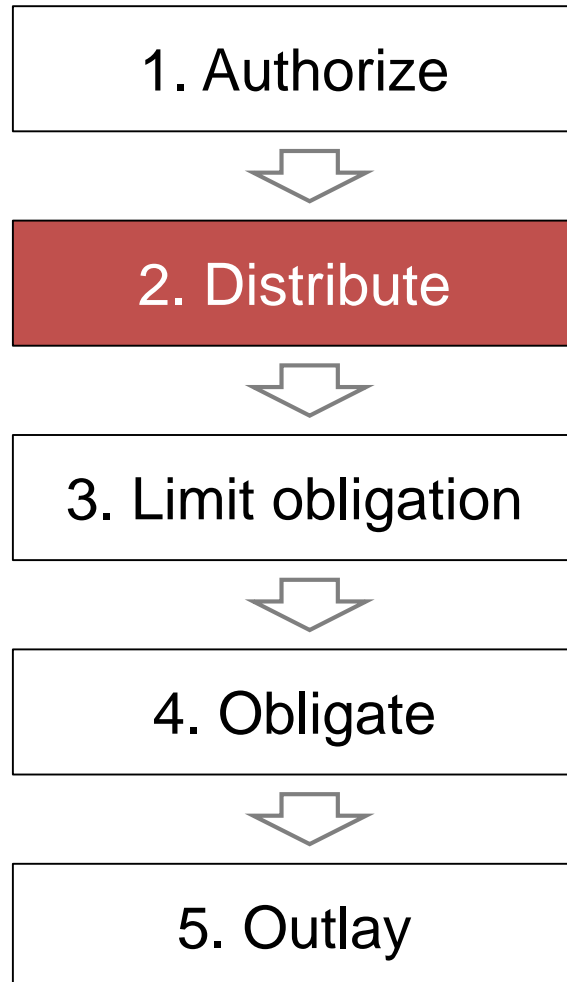
Most apportionments available for 4 years

Funds For:

Good Through:

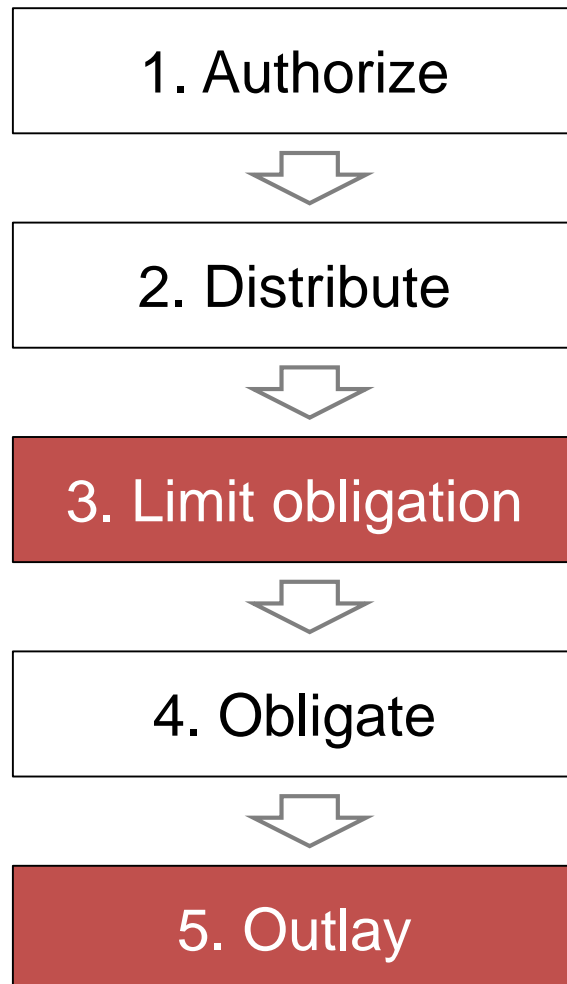


Allocated funds: other distribution method



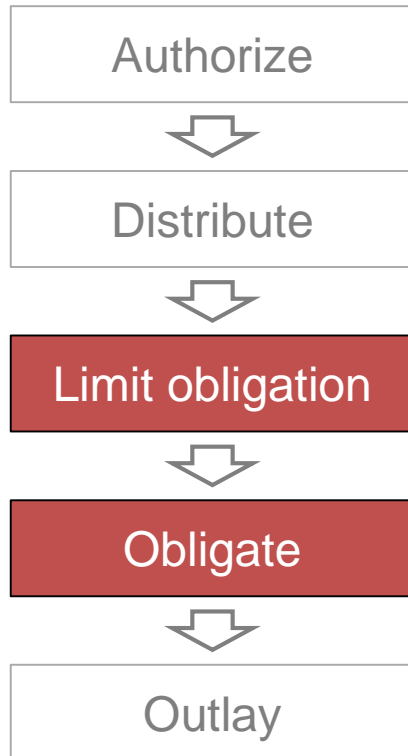
- Examples:
 - Territorial Highway Program
 - Federal Lands Transportation Program
 - [Formerly] project-specific earmarks
- No formula specified in law
- FHWA distributes funds throughout year
- Only some entities receive these funds
- FHWA may withdraw discretionary grants by administrative action

Appropriations act limits ability to obligate

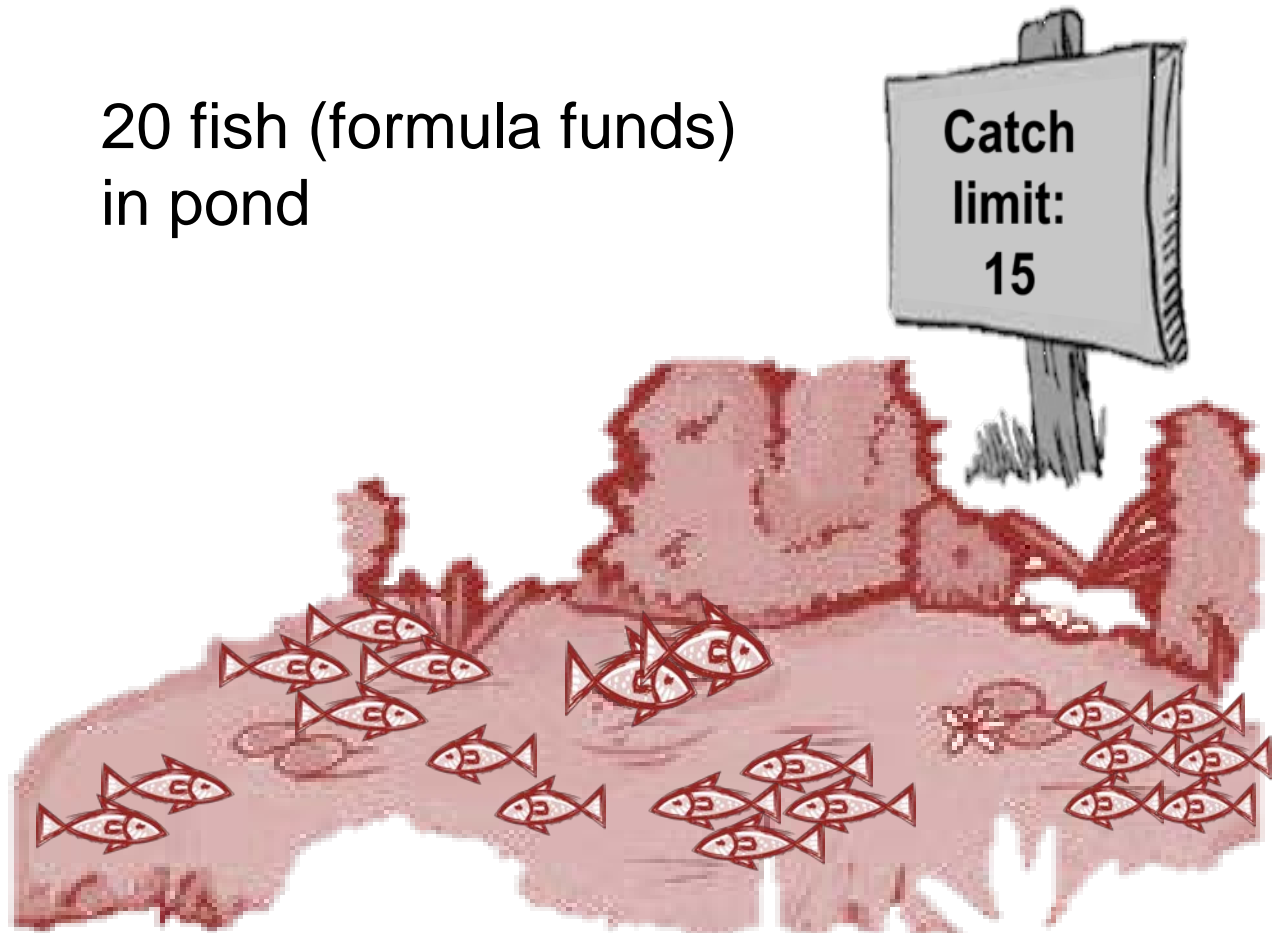


- Enacted for each year
- May include “one-off” provisions
- Establishes obligation limitation
- Provides liquidating cash

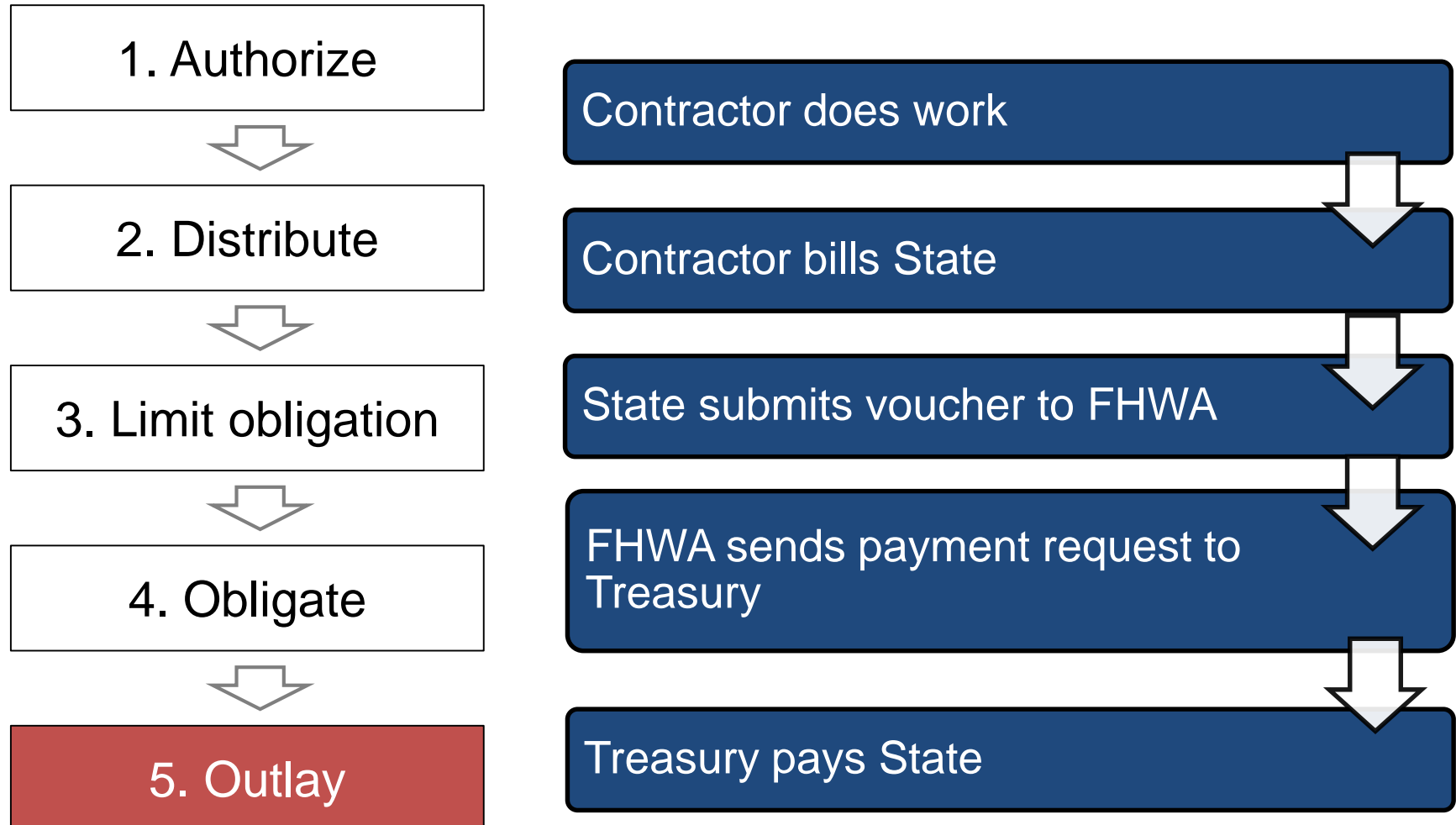
Ob limit functions like a “catch limit”



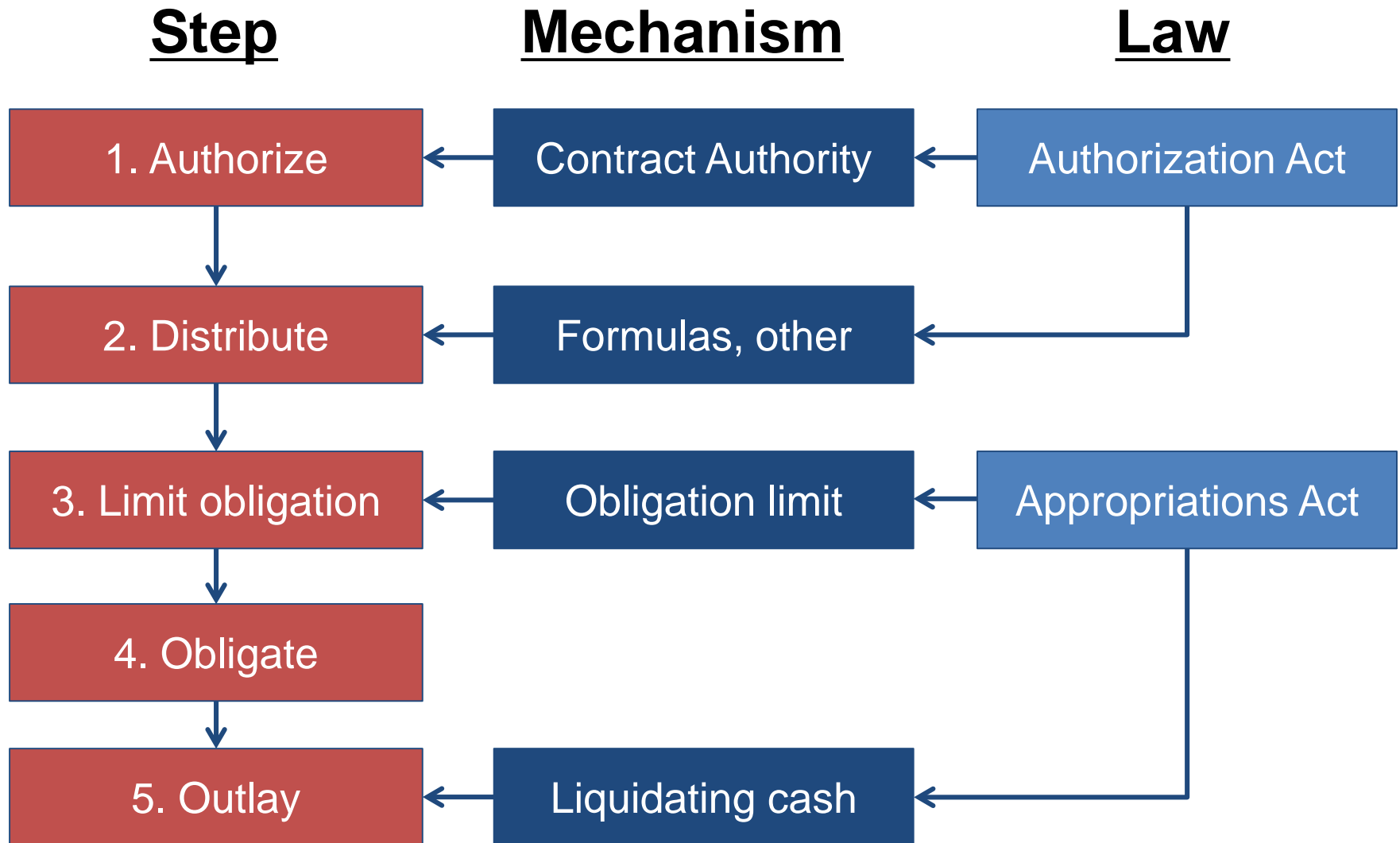
20 fish (formula funds)
in pond



“Reimbursement” rather than upfront cash



Lifecycle of Federal-aid highway funding



THE HIGHWAY TRUST FUND

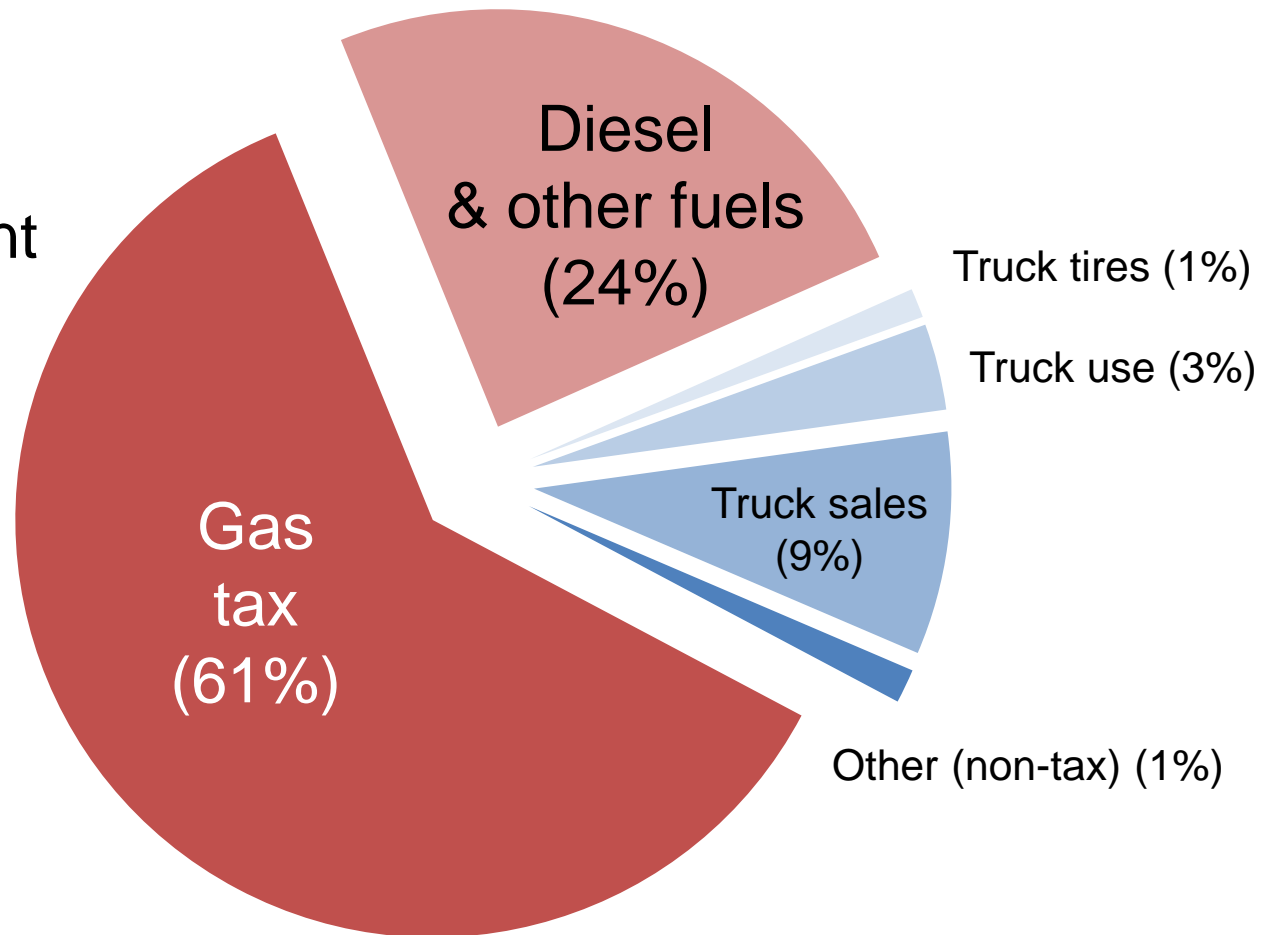
Highway taxes for highway spending



- Pre-1956: highways funded with general revenues
- HTF established by Federal-aid Highway Act of 1956
- Purpose of HTF: dedicated, predictable, user-based funding for highways

HTF is funded largely by fuel taxes

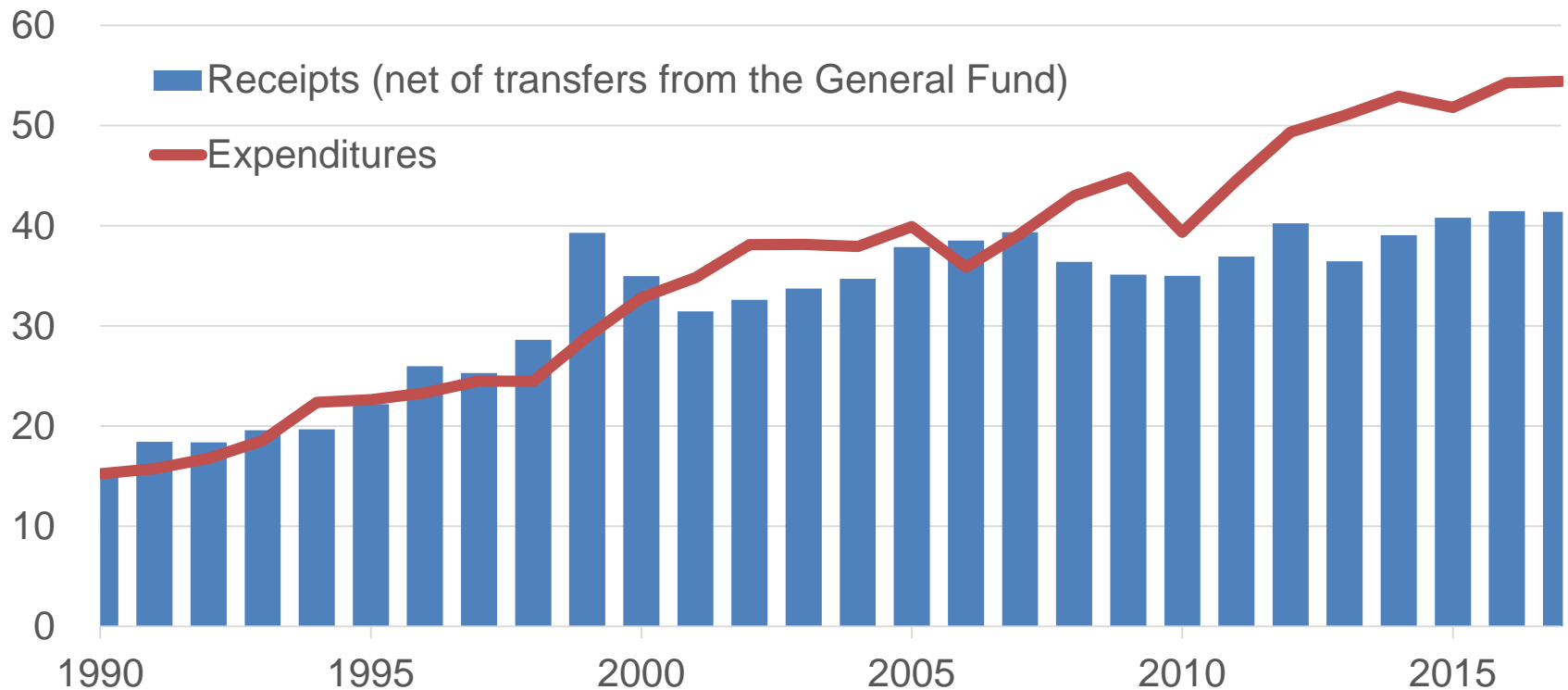
Share of Net
Highway Account
Income,
FY 2017



Increasingly, HTF outlays exceed income

Highway Trust Fund receipts vs. expenditures, 1990-2017

\$ billions



...spurring Congress to transfer revenues (mostly from General Fund)

Fiscal Year	Authorization Period		To Highway Account (\$ B)	To Mass Transit Account (\$ B)
2008-2010	SAFETEA-LU & extensions		29.7	4.8
2012-2015	MAP-21 & extensions	1/	32.8	6.0
2016	FAST Act		52.0	18.1
2017	FAST Act	1/	0.1	
2018	FAST Act	1/	0.1	
Totals			114.7	28.9

1/ Net of sequester

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