

# **A MINI-COURSE ON FINANCING FEDERAL-AID HIGHWAYS**

November 19, 2013

# The Four “A” Words

**Authorization**

**Appropriation**

**Types of Legislation**

**Apportionment**

**Allocation**

**Ways to Distribute Funds**

# Characteristics of the FAHP

- **Federally assisted, State administered**
- **Each State must have highway agency**
- **Funding tied to specific categories of roads**
- **States pay for maintenance**
- **Matching requirements**
- **Contract authority**

# Contract Authority

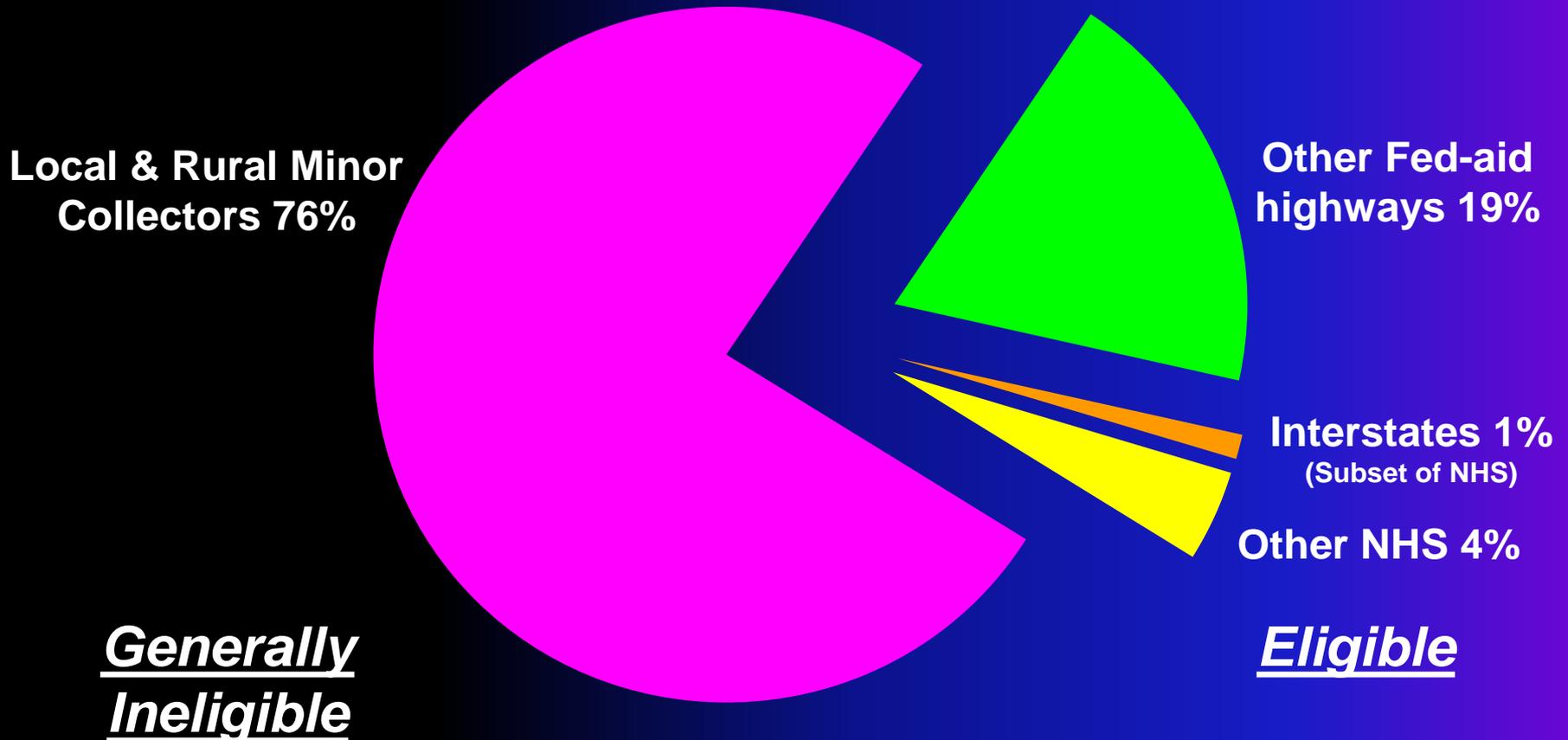
**A special type of budget authority that can be obligated without an appropriation**

## **Determination:**

- **Funded from a qualifying trust fund**
- **Language making funds available for obligation without appropriation**

# Functional Classification

## Eligibility for Federal Financial Assistance



4 Million Miles of Public Roads Total

# **Federal, State & Local Relationship**

## **Federal Responsibilities**

- **Review and approve State proposals**
- **Develop regulations and guidance**
- **Promulgate standards**
- **Provide technical assistance**
- **Distribute line of credit**
- **Pay States for their eligible expenses**

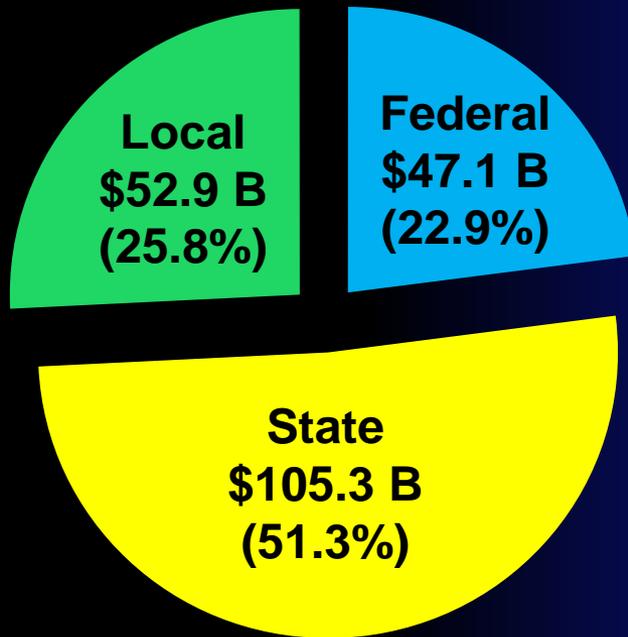
# **Federal, State & Local Relationship**

## **State and Local Responsibilities**

- **Conceive, plan, design, initiate and construct projects**
- **Maintain and operate highways**

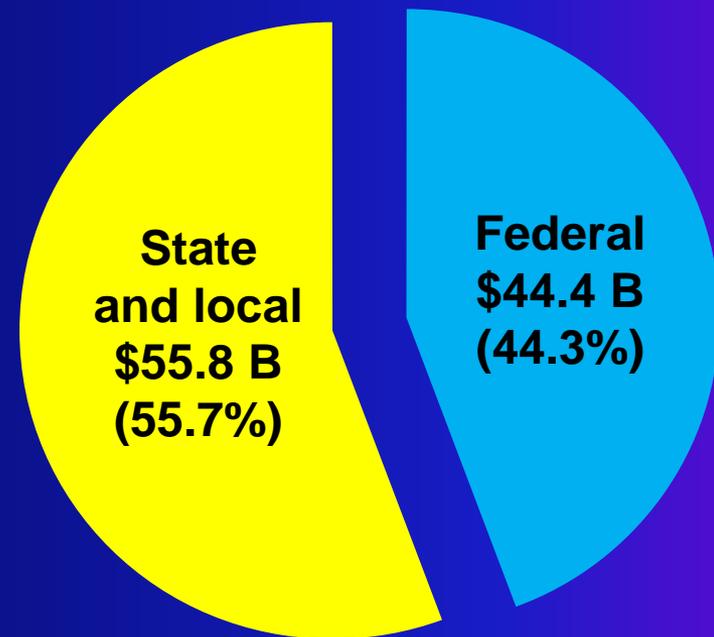
# Total U.S. Highway Spending 2010

## Total Highway Spending



**\$205.3 billion**

## Capital Outlay

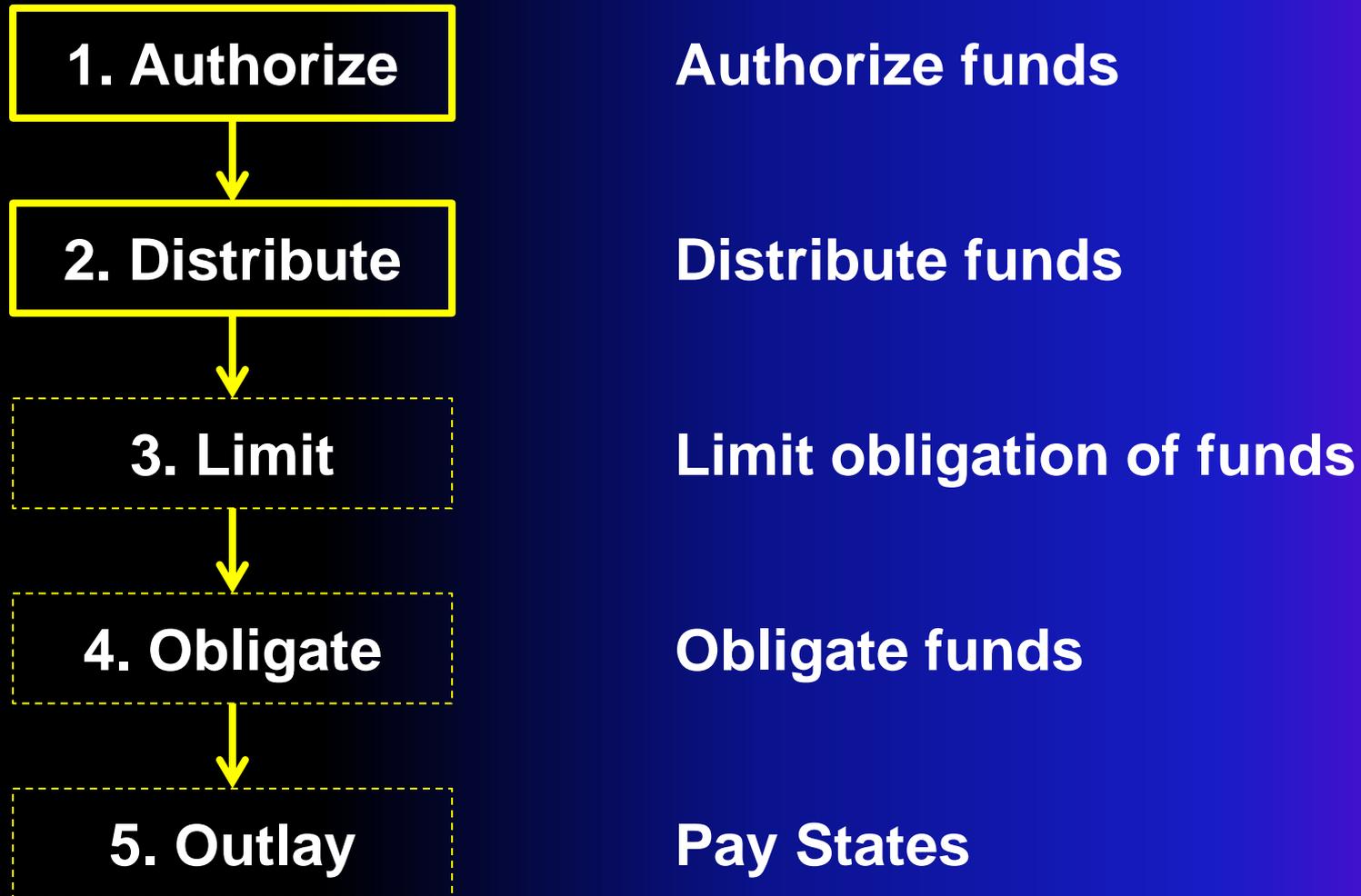


**\$100.2 billion**

# **AUTHORIZATION ACT**

# Lifecycle of Fed-aid Highway \$

## The Role of the Authorization Act

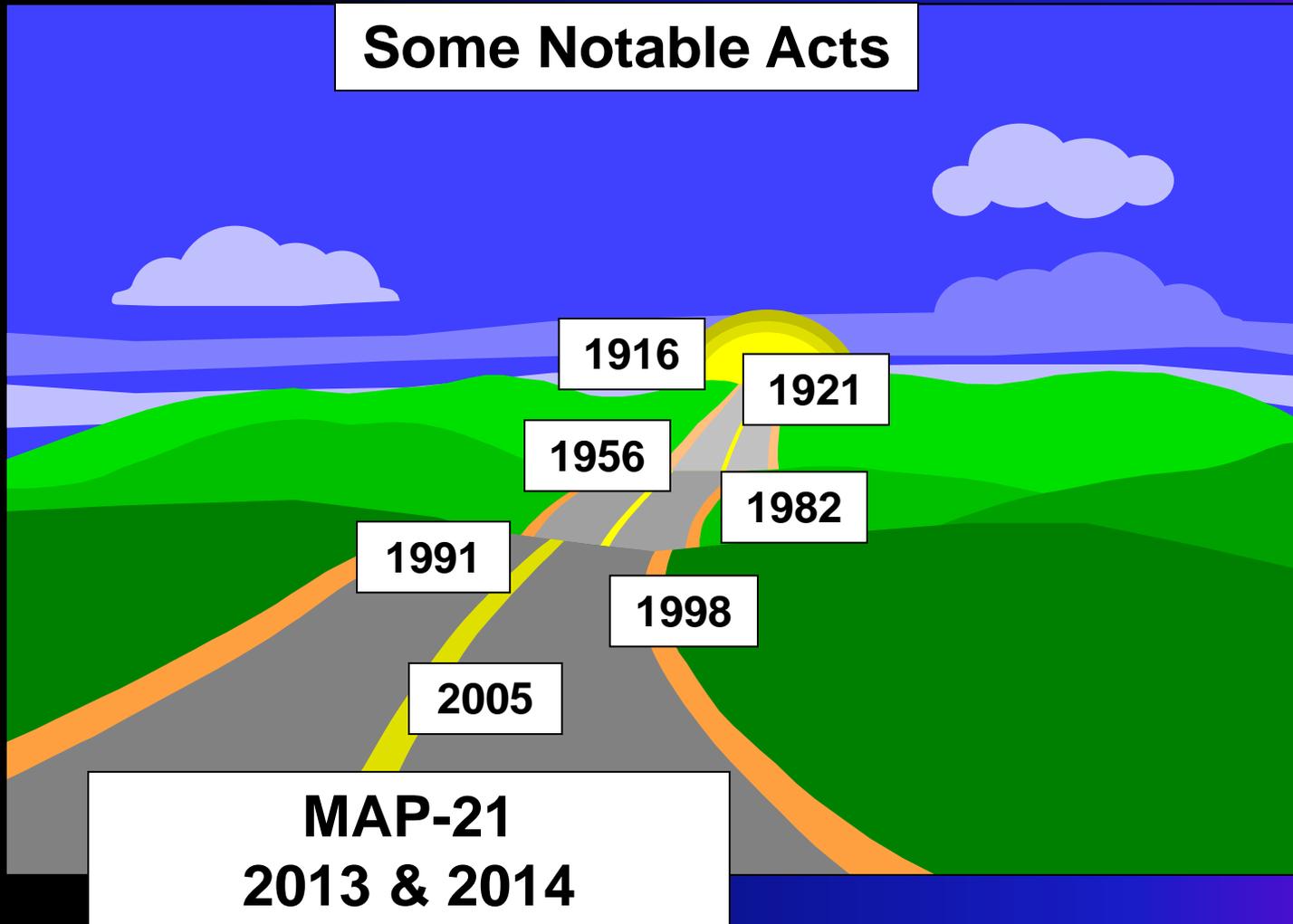


# Purpose of Authorization Act

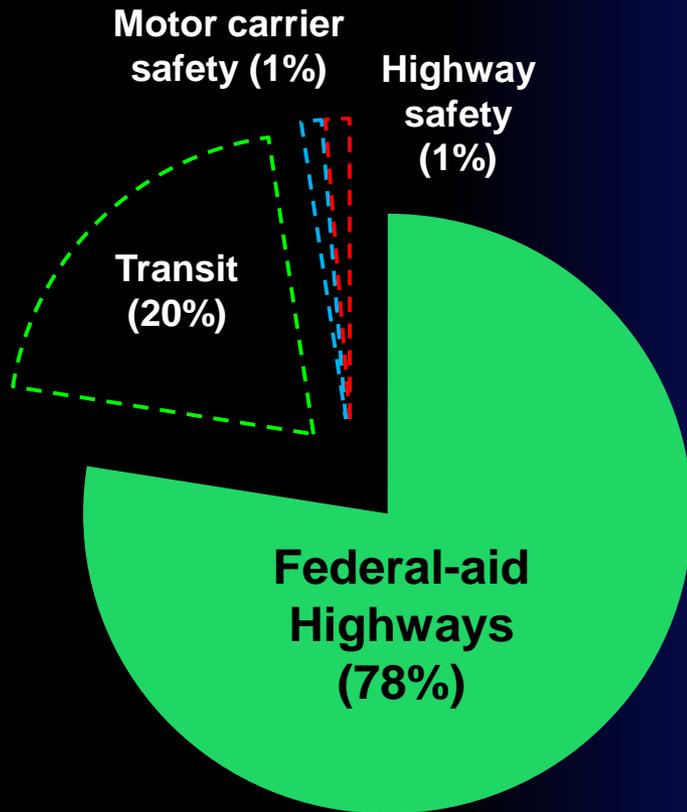
- **Authorizes programs**
- **Sets program-specific requirements**
- **Authorizes “funds” (line of credit)**
- **Specifies fund characteristics (formula, match, etc.)**
- **Typically covers multiple years**

# Authorization Acts

## Congressional Continuations of Federal-aid Highway Program

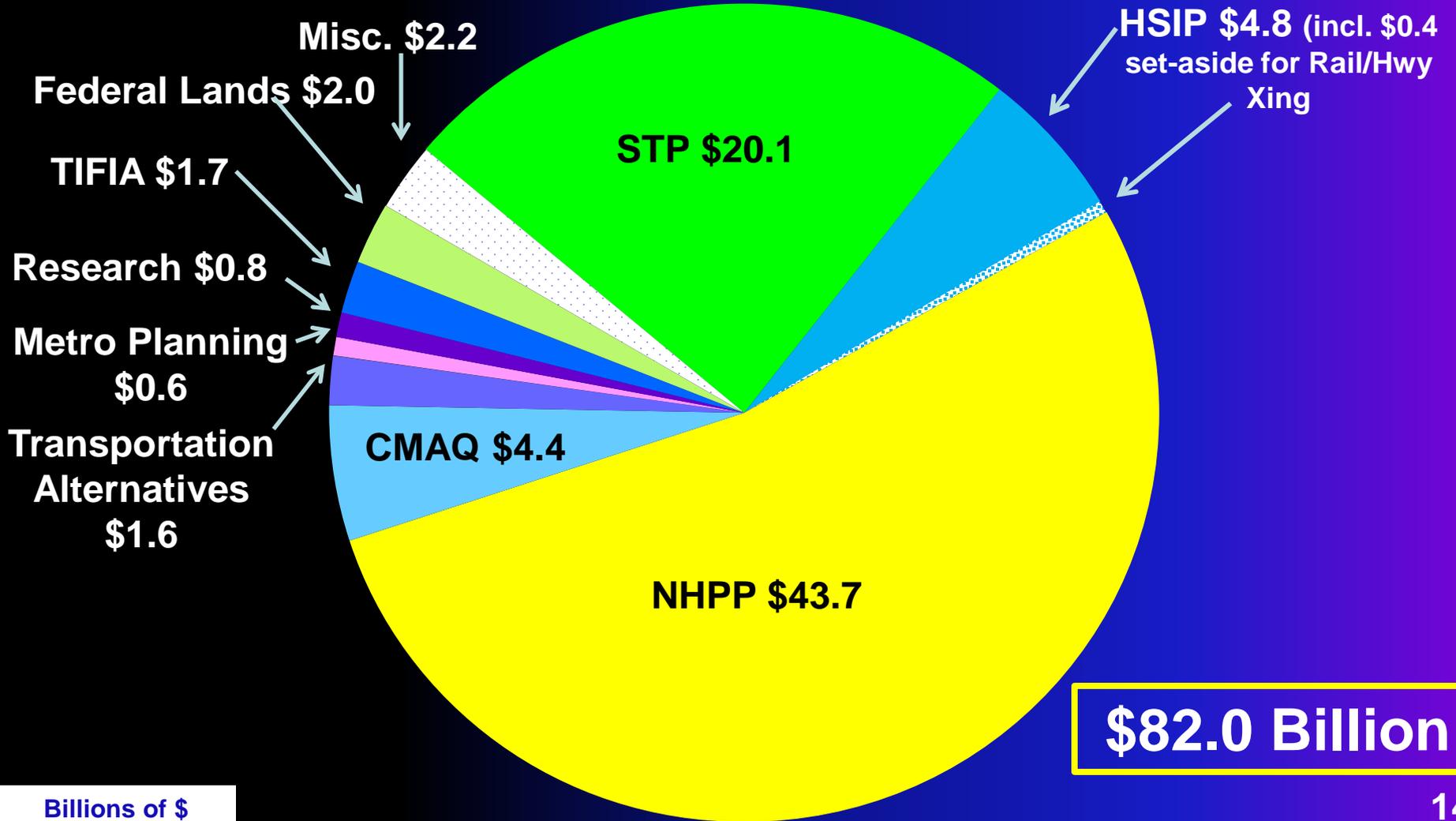


# Moving Ahead for Progress in the 21<sup>st</sup> Century (MAP-21)



- Signed into law July 6, 2012 (P.L. 112-141)
- Highways, highway safety, transit, research
- Extension for last  $\frac{1}{4}$  of FY12
- 2-year legislation – FY13-14
  - \$105.8 B in total authorizations
  - \$82.0 B authorized for FAHP

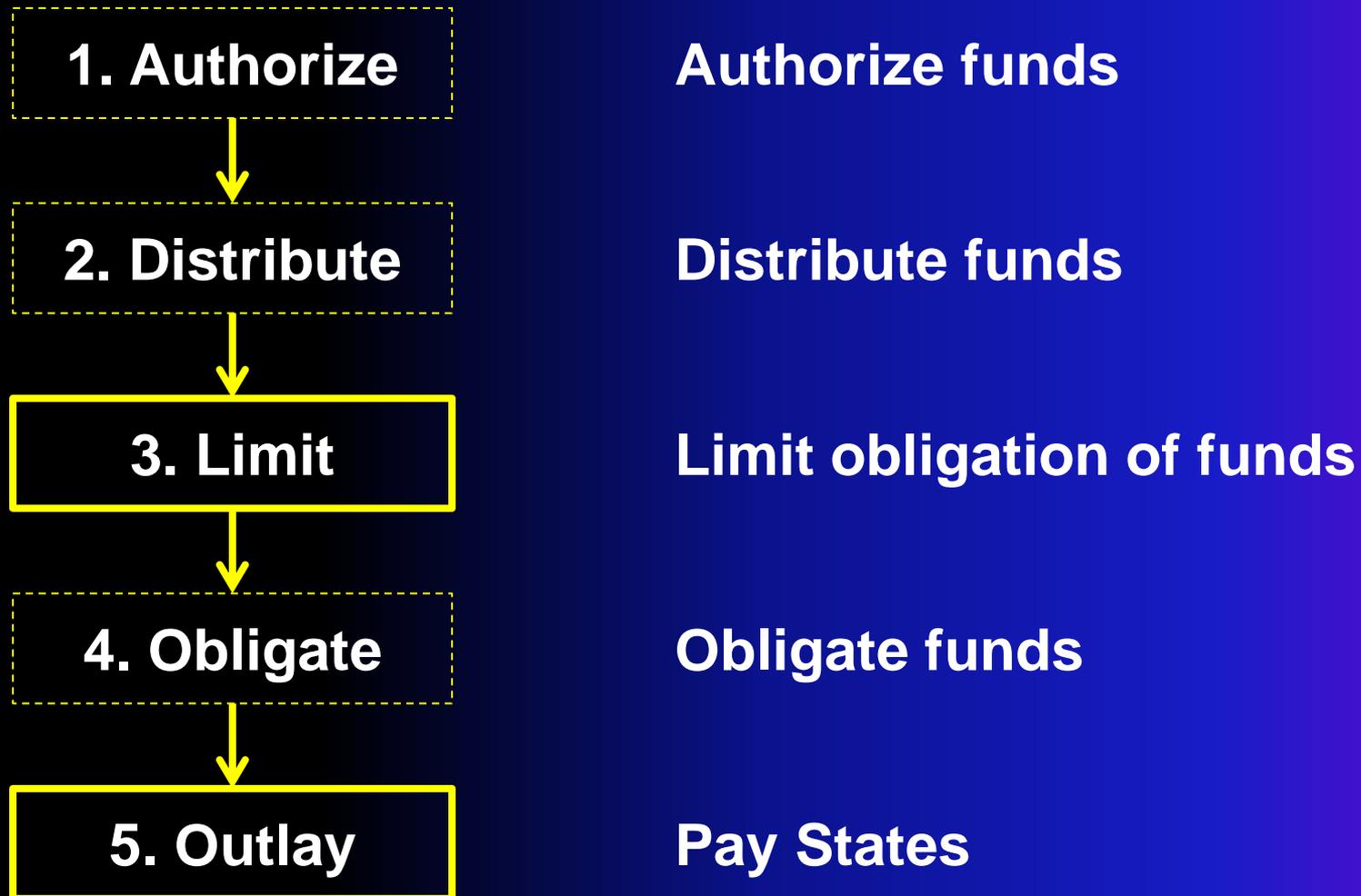
# Authorizations 2013-2014



# APPROPRIATIONS ACT

# Lifecycle of Fed-aid Highway \$

## The Role of the Appropriations Act

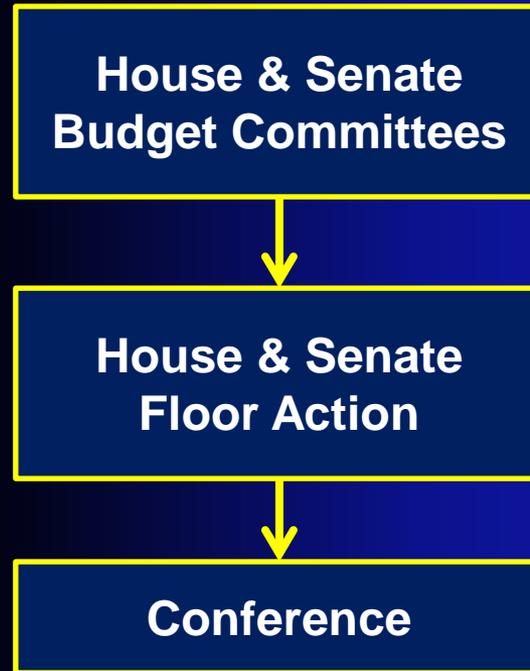


# Federal Budget Process

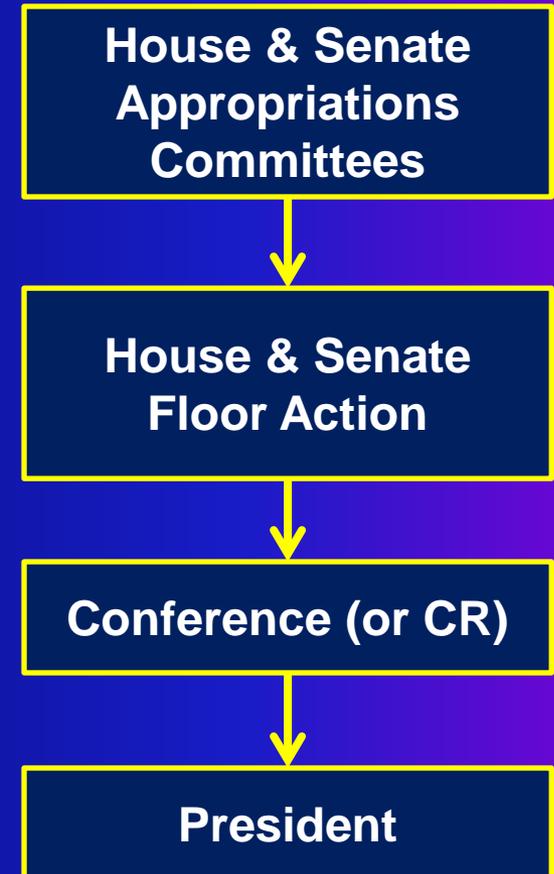
## 1. President's Budget



## 2. Congressional Budget Resolution



## 3. Appropriations Bill (then Act)



# Purpose of Appropriations Act

- Establishes obligation limitation
- Provides liquidating cash
- Enacted for each year

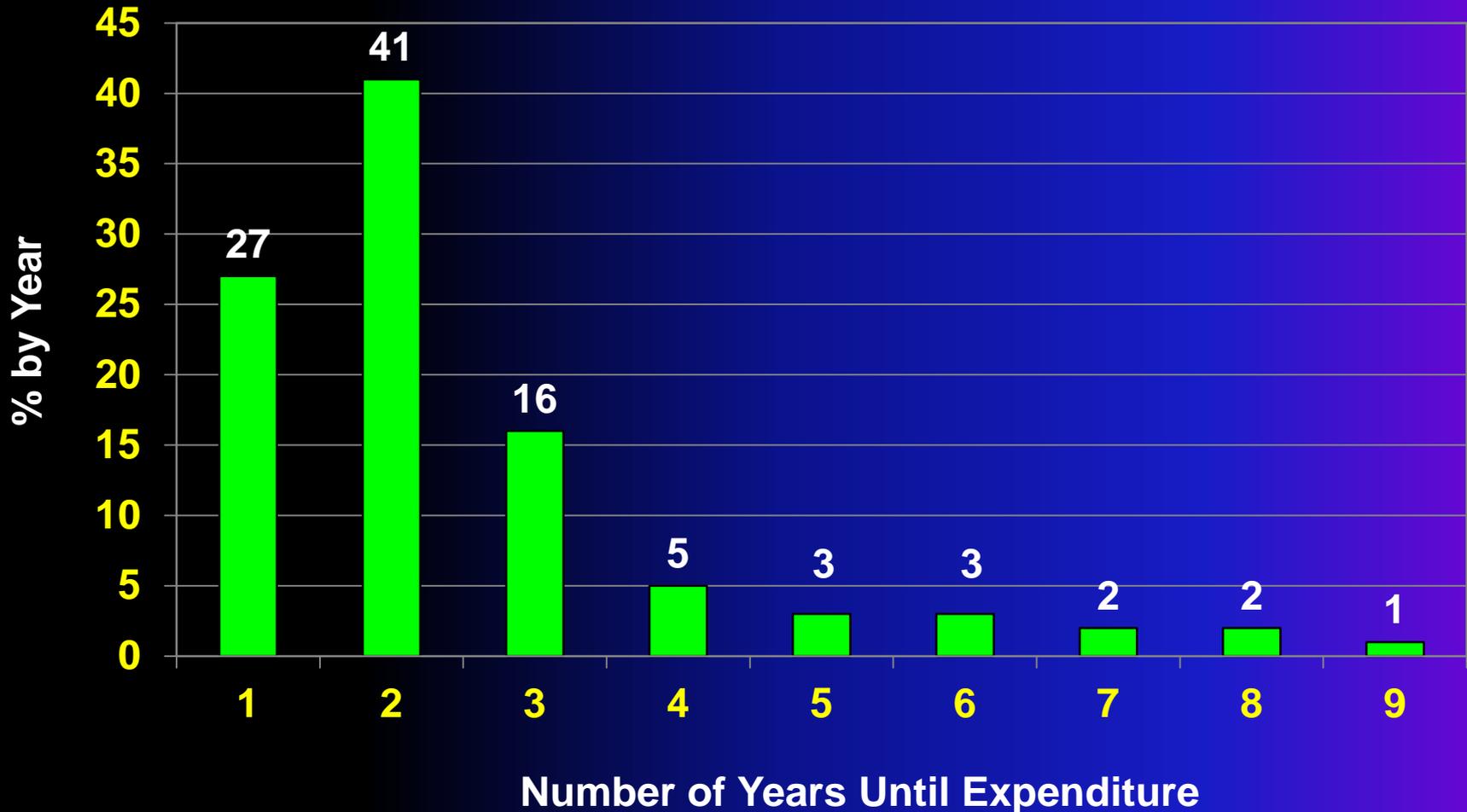
# Obligation Limitation

“...None of the funds in this Act shall be available for the implementation or execution of programs, the obligations for which are in excess of \$39,143,582,670 for Federal-aid highways and highway safety construction programs for fiscal year 2012...”

*(P.L. 112-55, establishing the FY12 obligation limitation)*

- **Budgetary mechanism to control obligations in a given fiscal year**
- **Designed to control use of multi-year funding**
- **Usually set in an Appropriations Act**

# Rate of Liquidating Cash From Obligation to Expenditure

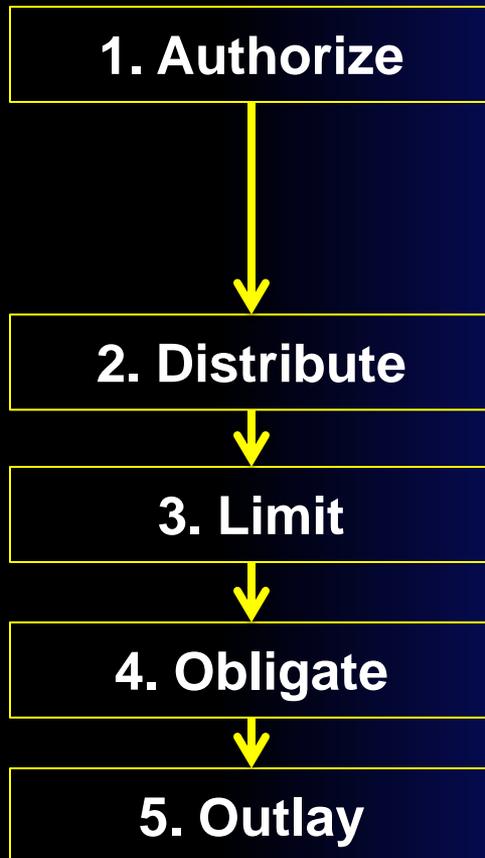


# FY 2014 Appropriations Process

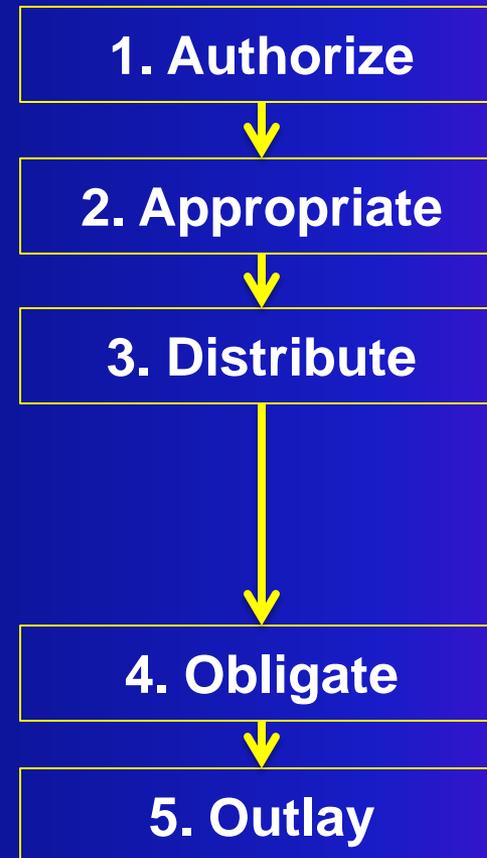
- Oct. 1-16** • No appropriations action; parts of Federal Government shut down
- Oct. 17** • Continuing resolution enacted (H.R. 2775; P.L. 113-46)
- Covers Oct. 1 through Jan. 15, 2014

# 2 Types of Budget Authority

## Contract Authority (CA)



## Appropriated Budget Authority (ABA)



# FISCAL PROCEDURES

# Distribution of Funds

## Apportionments

(NHPP,STP, HSIP, etc.)

- **Distributed by formula specified in law**
- **Distributed on October 1**
- **Withdrawn only by law**
- **All eligible States are recipients**

## Allocations

(THPP, PNRS, OJT SVCS., etc.)

- **No formula specified in law**
- **Distributed throughout year**
- **Discretionary grants may be withdrawn by administrative action**
- **Only some States are recipients**

# Apportioned Programs

- **National Highway Performance Program (NHPP)**
- **Surface Transportation Program (STP)**
- **Congestion Mitigation & Air Quality (CMAQ)**
- **Highway Safety Improvement Program (HSIP)**
- **Railway – Highway Crossings**
- **Metropolitan Planning**
- **Transportation Alternatives Program (TAP)**

# Allocated Programs

- **Federal Lands Transportation Program**
- **Federal Lands Access Program**
- **Tribal Transportation Program**
- **Highway R&D Programs**
- **Territorial and Puerto Rico Highway Program**
- **On-the-Job Training & DBE Supportive Services**
- **Ferry Boats and Terminal Facilities**
- **TIFIA (credit program)**

# Discretionary Programs

- **Tribal High Priority Projects (THPP)**
- **Projects of National & Regional Significance**
- **Tribal Highway Safety**
- **Highway Use Tax Evasion**
- **Work Zone Safety Grants**

# Apportionment Under MAP-21

Divide Total Among States

**Lump Sum Authorized for all Apportioned Programs**



**Initially, Calculate Lump Sum Amount to Apportion to each State**



# Apportionment Under MAP-21

Adjust, then Distribute Among Programs

For FY 2014, adjust lump sum amount to ensure each State's total apportionment  $\geq 95\%$  of its contributions to the Highway Account of the HTF



Programmatic distribution of State's lump sum apportionment

# Programmatic Distribution of State's Apportionment

## CMAQ

State's apportionment multiplied by:

State's FY 2009 CMAQ

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State's total FY 2009 apportionments



# Programmatic Distribution of State's Apportionment

## Metro Planning

State's apportionment multiplied by:

$$\frac{\text{State's FY 2009 Metro Planning}}{\text{State's total FY 2009 apportionments}}$$



# Programmatic Distribution of State's Apportionment

Remainder

Divided among:

NHPP – 63.7%

STP – 29.3%

HSIP – 7%

# Setasides from State Apportionments

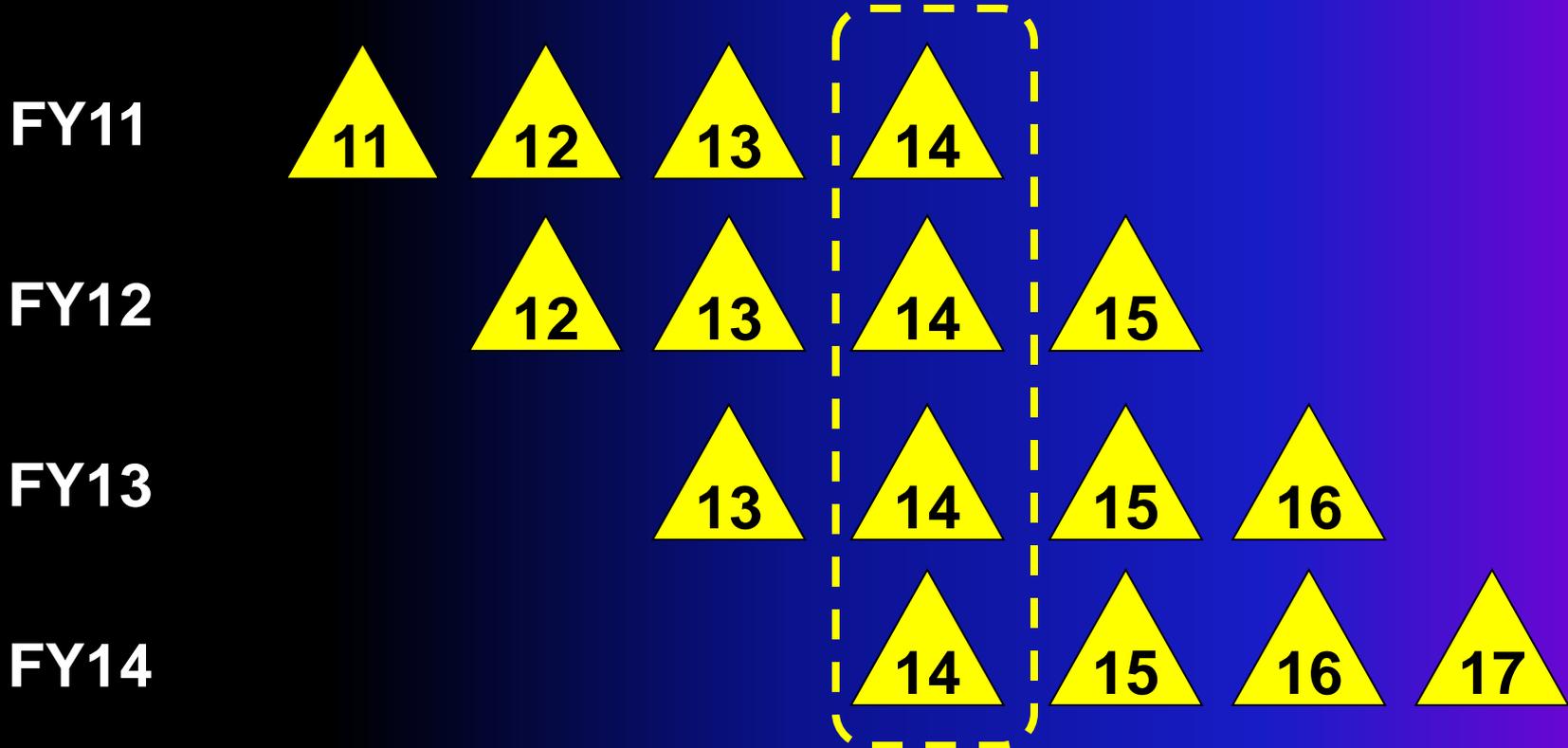
Program	SPR	Rail-Hwy Crossing	Off-System Bridges	Transportation Alternatives
NHPP	2%			X
STP	2%		*	X
HSIP	2%	\$220 M Nationally		X
CMAQ	2%			X
Metro Planning				X

\*Amount equal to 15% of State's FY 2009 Highway Bridge Apportionment

# Availability of Funds

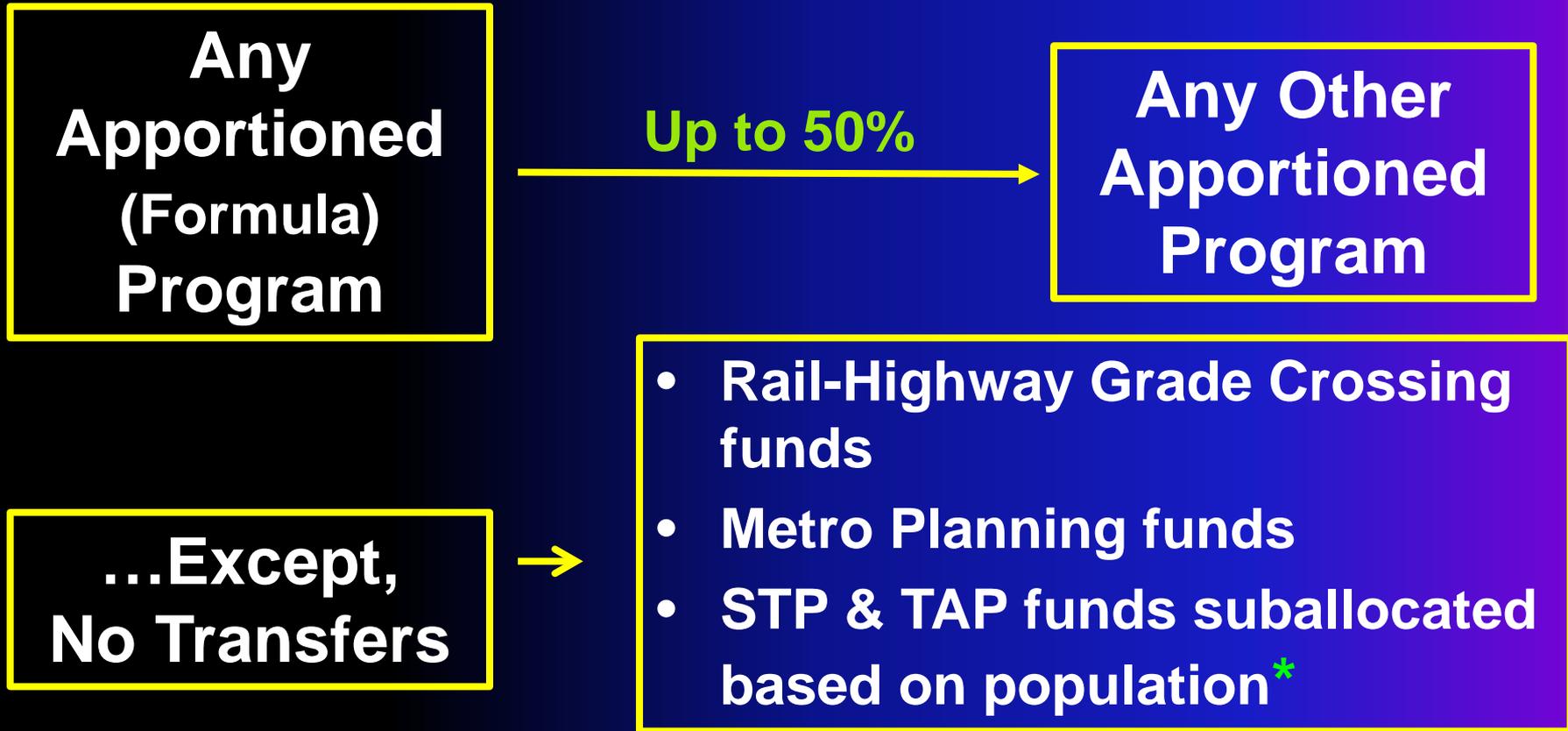
Funds For:

Good Through:



**Funds lapse if not obligated within period of availability**

# Transfers Between Program Categories



\* STP funds suballocated to TMAs may be transferred to a State or FHWA

# Obligations

- **State request, Federal approval**
  - **Commits State's line of credit**
  - **Commits Federal Government to pay Federal share of eligible expenses**
- **Based on estimates**
- **Protects funds from lapsing**
- **Traditional point of budgetary control (via obligation limitation)**

# Obligation Limitation

## Characteristics



## State-by-State Limit

Oct 1, 2013 – Sep 30, 2014



Good for 1 Year



Applies to  
Total Program

Distributed State-by-State and for each allocated program

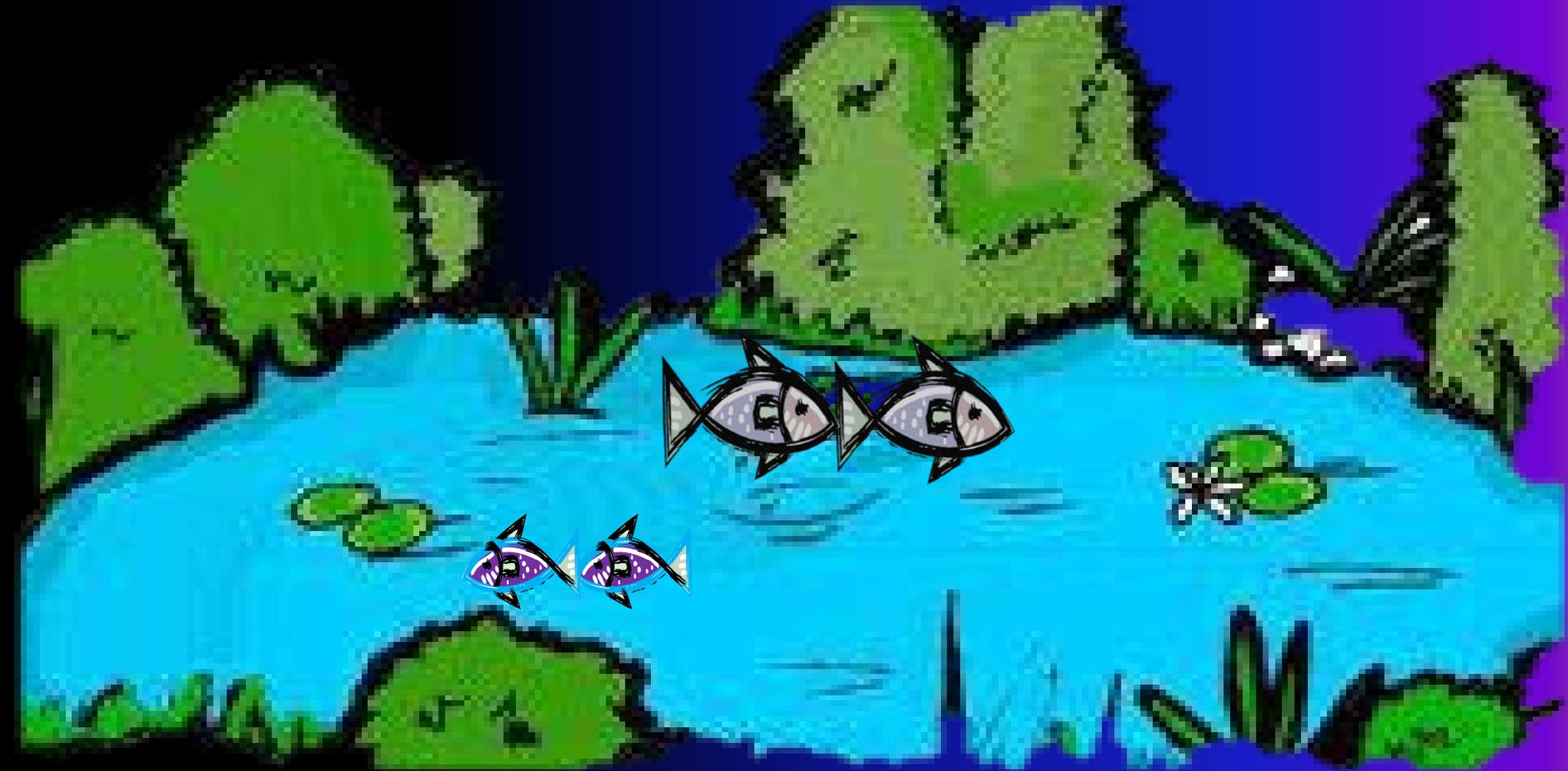
# FY 2014 Obligation Limitation

## Federal-aid Highway Program

- **Limitation is \$39,619,602,000** (Continuing Approps Act, 2014)
- **Limitation Oct 1 thru Jan 15 - \$11,616,467,306**  
(Pro-rata of 29.32%)
- **Exemptions:**

Program	Exempt Amount
Emergency relief	\$100 M
National Highway Performance Program	\$639 M
Carryover from prior year exempt programs	Varies

# “Formula” Limitation is Like a Fisherman’s Catch Limit



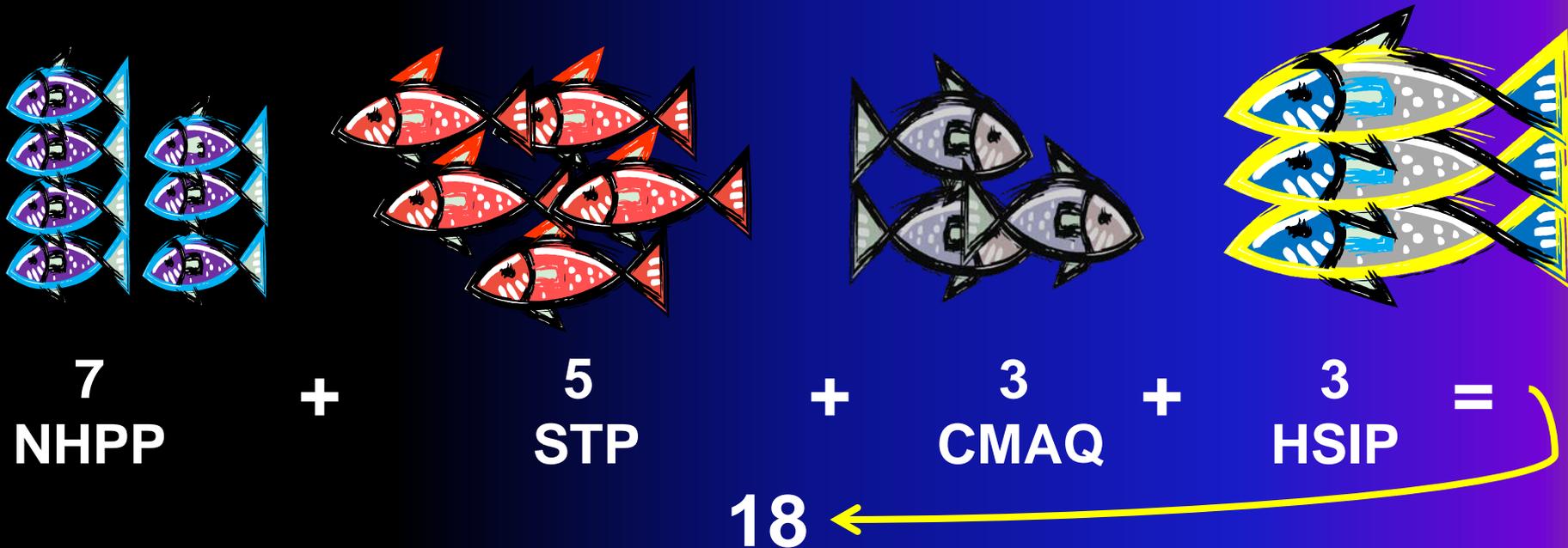
# Add Stock to the Pond on October 1



# “Formula” Limitation is the Catch Limit



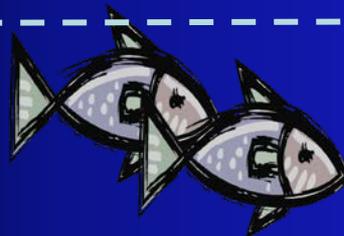
# Catch Any Fish but Only 18



*OR..... any other combination that equals 18*



Left for Next FY



# Outlays

Contractor does work

Contractor bills State

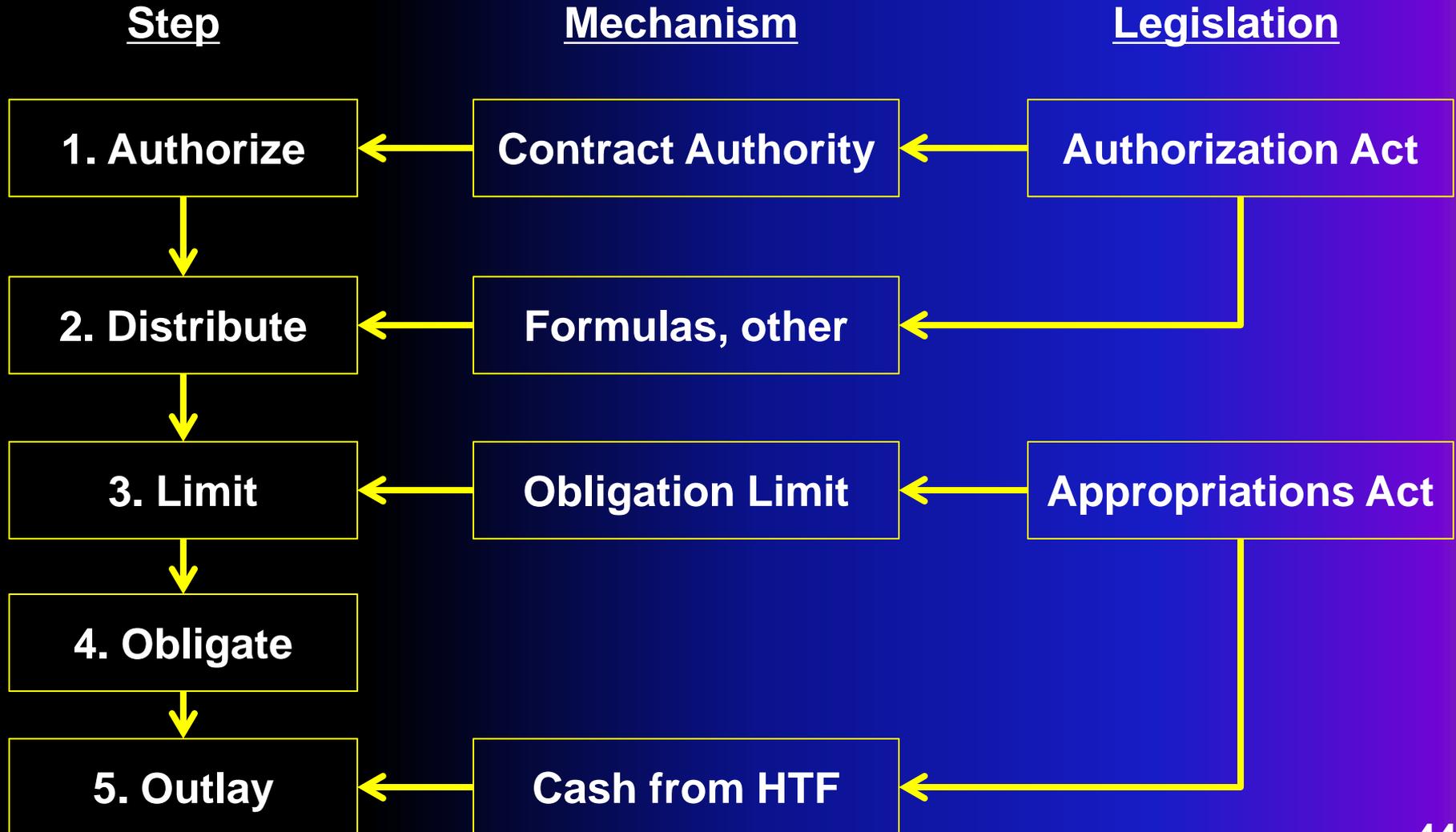
State submits voucher to FHWA

FHWA reviews voucher and sends payment request to Treasury

Treasury pays State

State pays contractor

# Lifecycle of Fed-aid Highway \$



# HIGHWAY TRUST FUND

# Highway Trust Fund

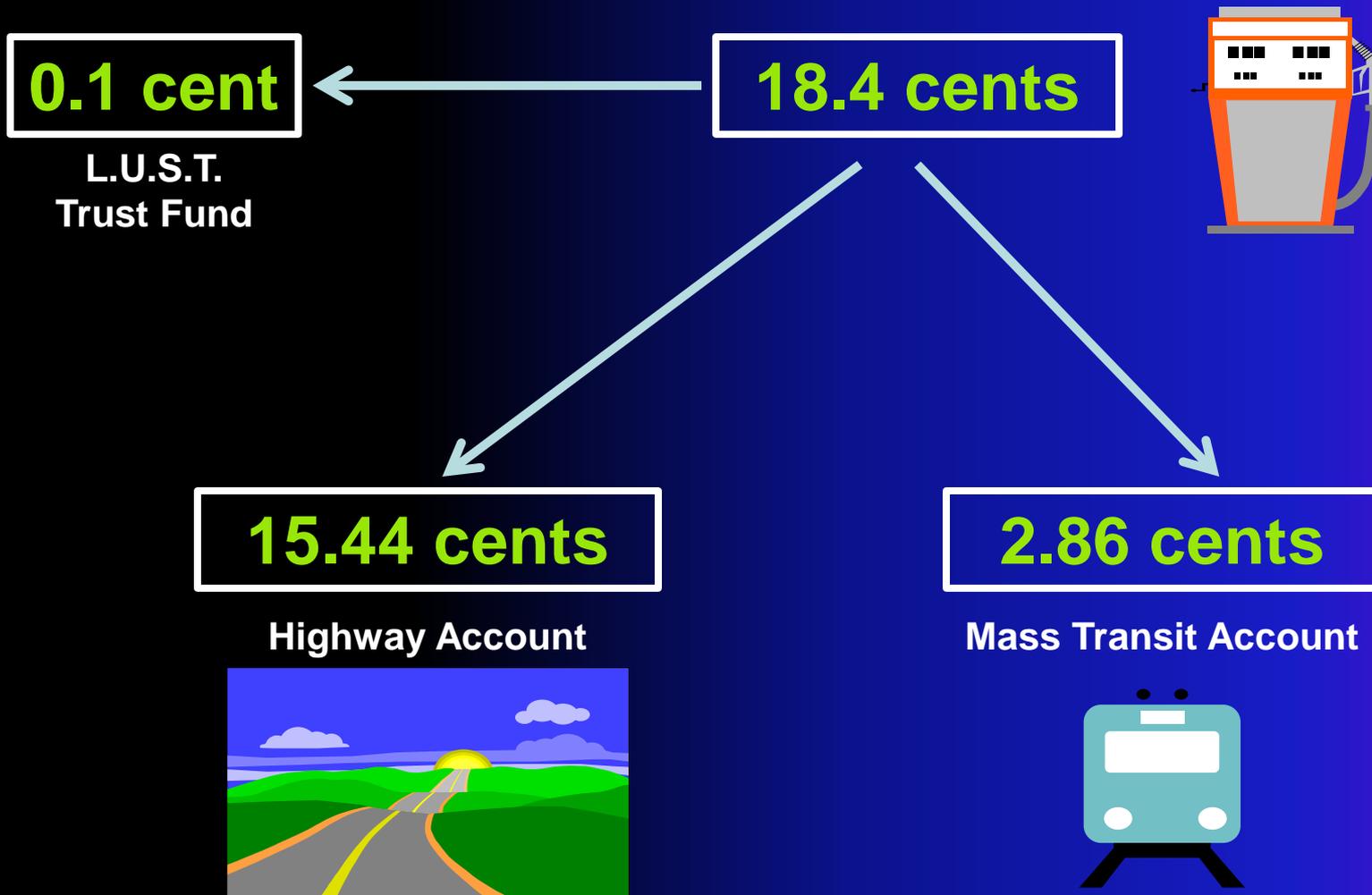
## *Federal-aid Highway Act of 1956*

- Provided authorizations for FY 1957 – 1969
- Established Trust Fund to collect revenues to pay for authorizations, FY 1957 – 1972

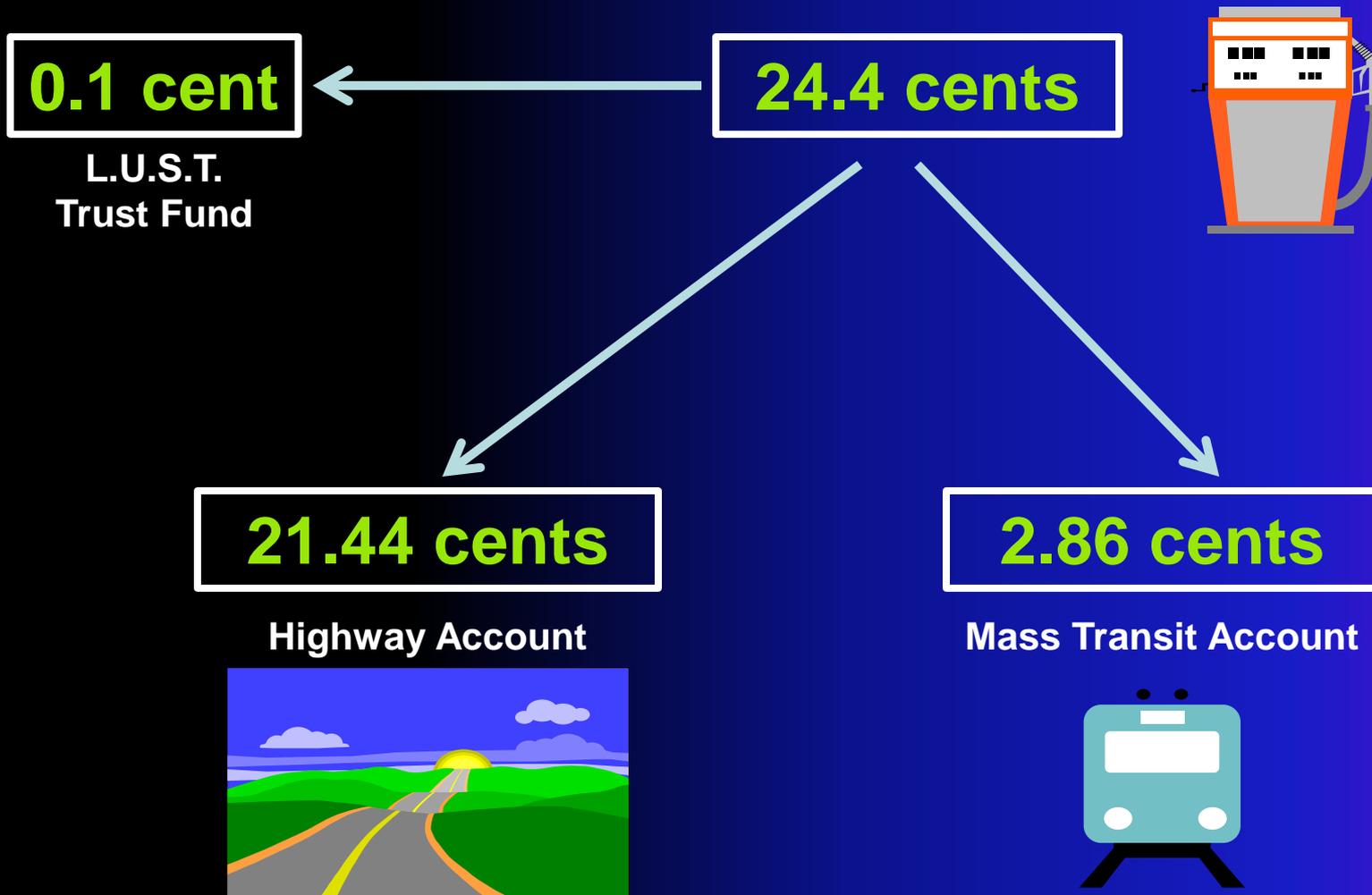
## *MAP-21*

- Provided authorizations for FY 2013 – 2014
- Extended Highway Trust Fund thru FY 2016

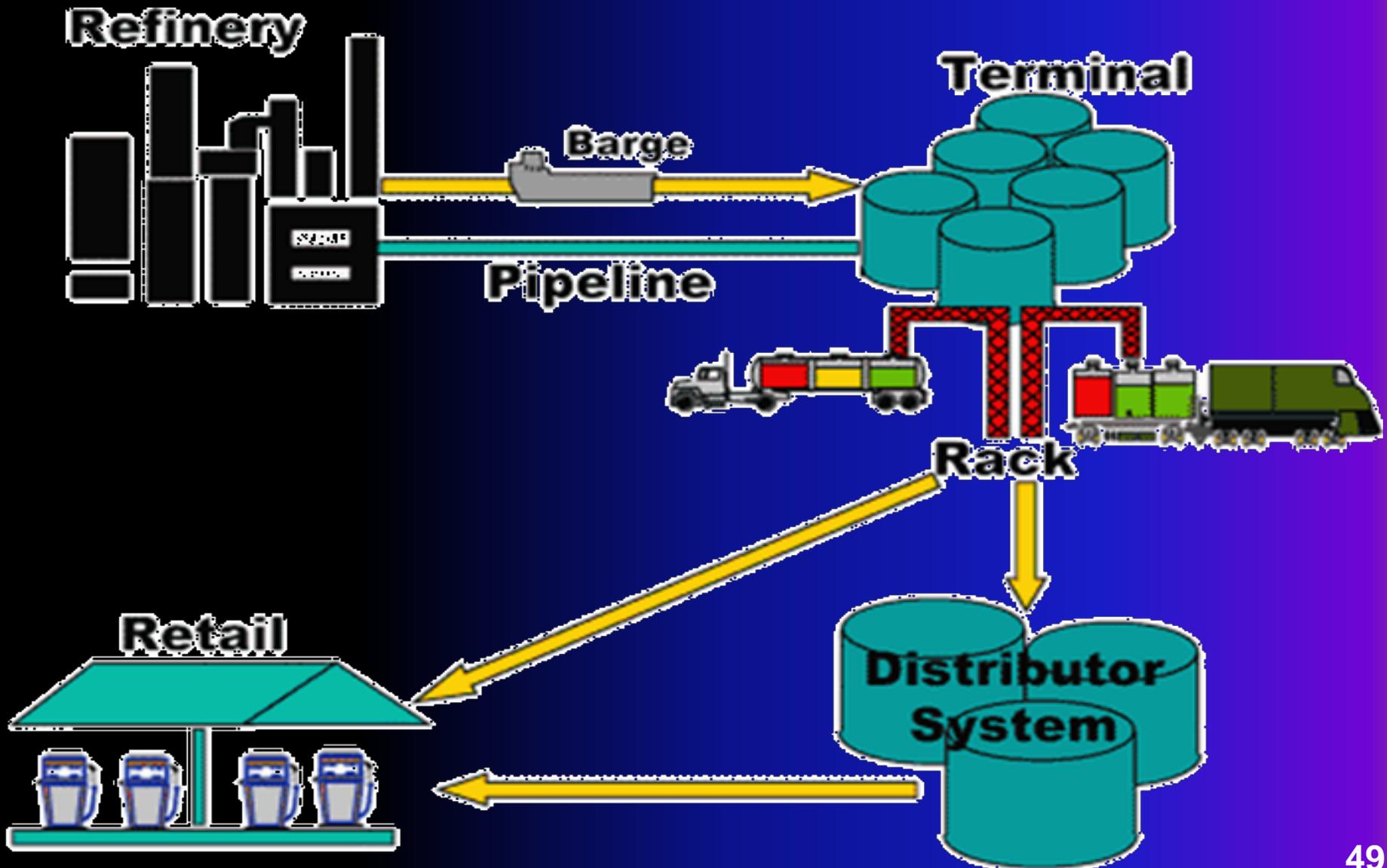
# Federal Gasoline Tax



# Federal Diesel Tax



# Fuel Distribution System



# Federal Truck User Taxes

**Truck Sales:** 12% of retail price for trucks over 33,000 lbs. or trailers over 26,000 lbs. GVW

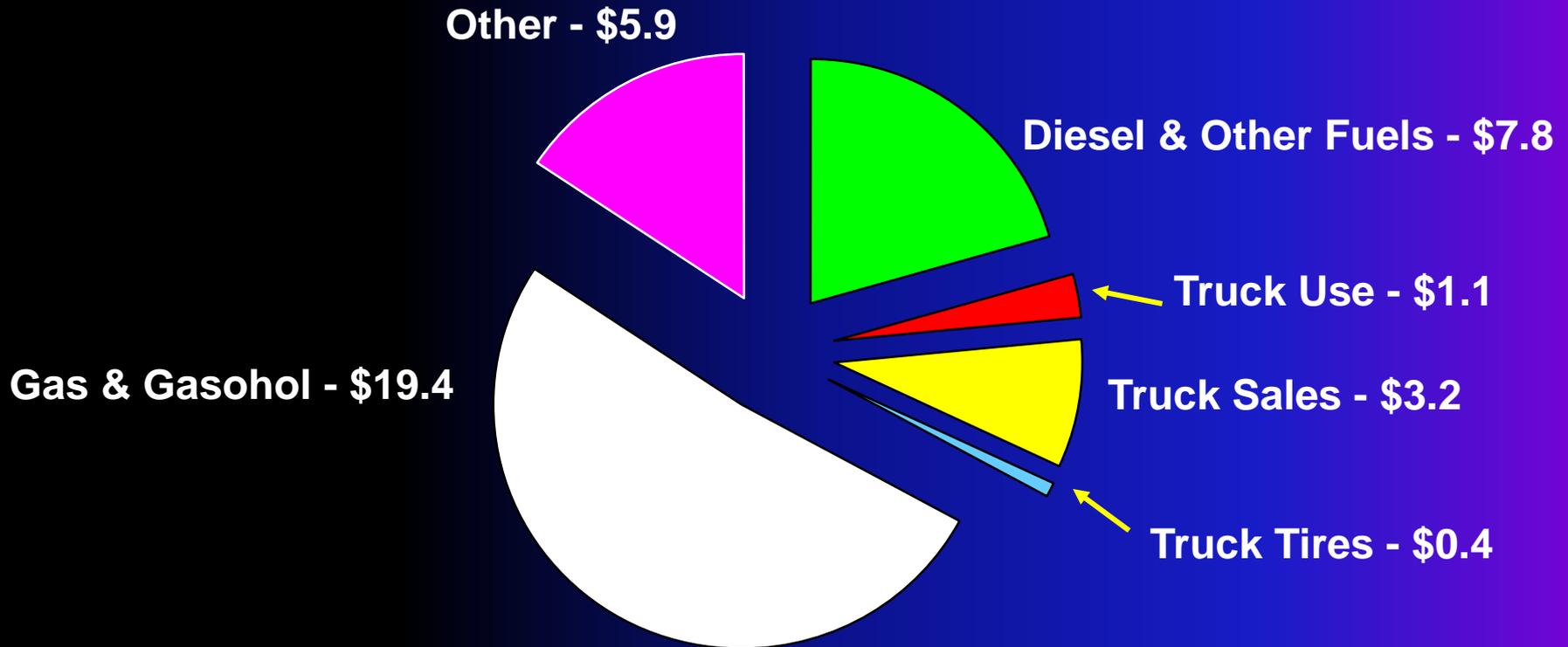
**Truck Use:**

Up to 55,000 lbs.	No tax
Over 55,000 lbs.	\$100 + \$22/1000lbs. \$550 maximum

**Tires:** 9.45 cents for each 10 lbs. exceeding 3500 lbs. maximum rated load capacity (4.725 cents for bias-ply or super single tire)

# Highway Trust Fund

## Net Highway Account Income – FY 2013



**Total = \$37.7 Billion**

# Highway Trust Fund Operation

## Highway Account – FY 2013

<b>Balance, beginning of FY 2013</b>		<b>\$ 9.731</b>
Gross tax receipts	32.799	
Transfers to other funds	-0.999	
Other income (not highway tax)	5.904	
Net income	37.704	
Outlays	42.917	
<b>Income less outlays</b>		<b>-5.213</b>
Transfers to Mass Transit Account (MTA)	-.796	
Transfers from MTA	0.050	
<b>Total impact of MTA transfers</b>	<b>-.747</b>	<b>-.747</b>
<b>Balance, end of FY 2013</b>		<b>\$ 3.771</b>

Note: all figures in billions of \$

# Revenue Infusions

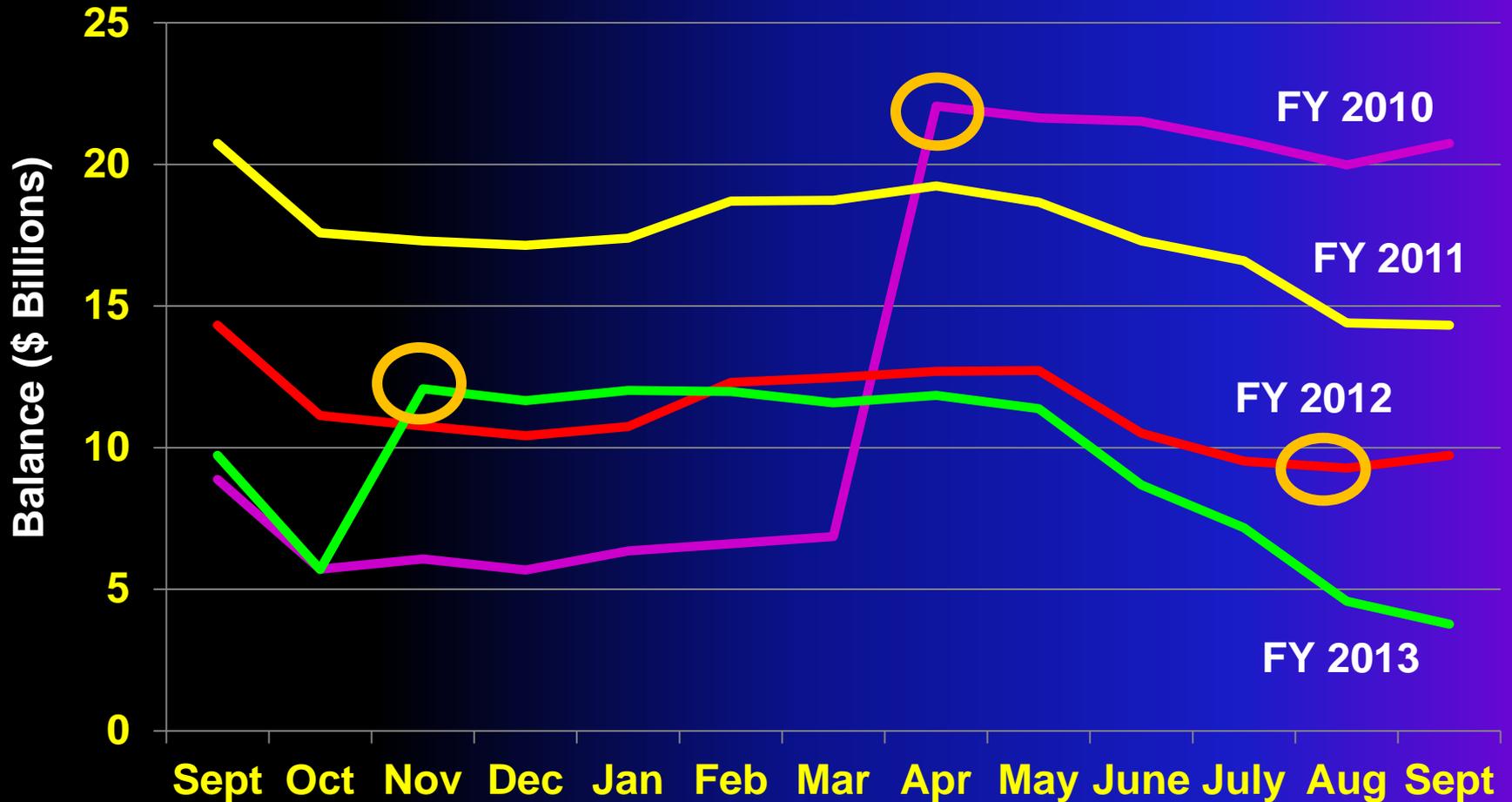
Fiscal Year	Highway Account	Mass Transit Account
2008	\$8.017 billion	\$0
2009	\$7 billion	\$0
2010	\$14.7 billion	\$4.8 billion
2012	\$2.4 billion*	\$0
2013**	\$6.2 billion	\$0
2014**	\$10.4 billion	\$2.2 billion

\*Transfer from LUST Fund (fuel tax revenue)

\*\*Subject to sequester

# Highway Account Balance

FY 2010 – 2013



**THE END**

**THANK YOU!!**