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

State-owned roads (20%)

Locally-owned roads (76%)

Federally-owned roads (3%)

Note: Figures from 2016
About 24% of public roads (1M miles) are eligible for Federal assistance

- Interstates (1%) (subset of NHS)
- Other National Highway System (NHS) (4%)
- Other Federal-aid highways (19%)
- Federal-aid highways

Generally ineligible (exceptions for bridges and safety projects)

Note: Figures from 2016
Federal $ are one piece of a larger pie

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

- Local: 32.4%
- Federal: 19.8%
- State: 47.7%

Total: $238.4 B

Capital outlay on U.S. public roads, 2014

- State and local: 57.5%
- Federal: 42.5%

Total: $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
- Apportionment
- Allocation
- Obligation
- Outlay

Legislative actions
Distribution of funding
Commitment and expenditure
Lifecycle of Federal-aid Highway funds

1. Authorize
   - Congress authorizes funding

2. Distribute
   - FHWA distributes funding

3. Limit obligation
   - Congress limits obligation of funding

4. Obligate
   - FHWA obligates funding (at State request)

5. Outlay
   - The U.S. Treasury pays States
Authorization act provides funds

1. Authorize
2. Distribute
3. Limit obligation
4. Obligate
5. Outlay

- 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

1. Authorize
2. Distribute
3. Limit obligation
4. Obligate
5. Outlay
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 to States (92%)
- Allocated (8%)
Apportioned funds: formula distribution

1. Authorize
2. Distribute
3. Limit obligation
4. Obligate
5. Outlay

- 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

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NHFP</td>
<td>28</td>
</tr>
<tr>
<td>CMAQ</td>
<td>56</td>
</tr>
<tr>
<td>Metro Plan</td>
<td>8</td>
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<tr>
<td>NHPP</td>
<td>593</td>
</tr>
<tr>
<td>STBG</td>
<td>297</td>
</tr>
<tr>
<td>HSIP</td>
<td>65</td>
</tr>
</tbody>
</table>
### Set-asides from State apportionments

<table>
<thead>
<tr>
<th>From...</th>
<th>For SPR</th>
<th>For Rail-Hwy Crossing</th>
<th>For Off-System Bridges</th>
<th>For Rec Trails</th>
<th>For Transportation Alternatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>NHPP</td>
<td>2%</td>
<td></td>
<td></td>
<td></td>
<td>$835-850 M Nationally</td>
</tr>
<tr>
<td>STBG</td>
<td>2%</td>
<td></td>
<td>*</td>
<td>°</td>
<td></td>
</tr>
<tr>
<td>HSIP</td>
<td>2%</td>
<td>$230-350 M Nationally</td>
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</tr>
<tr>
<td>CMAQ</td>
<td>2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NHFP</td>
<td>2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Amount equal to 15% of State’s FY09 Highway Bridge Apportionment
° Amount equal to State’s FY09 Rec Trails Apportionment
State transfers between programs

<table>
<thead>
<tr>
<th>General rule...</th>
<th>Transfer <strong>up to 50%</strong> from any apportioned program to any other apportioned program</th>
</tr>
</thead>
</table>
| But no transfers of... | • 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:
- FY16: 16, 17, 18, 19
- FY17: 17, 18, 19, 20
- FY18: 18, 19, 20, 21
- FY19: 19, 20, 21, 22

Good Through:
- FY16: 16, 17, 18, 19
- FY17: 17, 18, 19, 20
- FY18: 18, 19, 20, 21
- FY19: 19, 20, 21, 22
Allocated funds: other distribution method

1. Authorize
2. Distribute
3. Limit obligation
4. Obligate
5. Outlay

- 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

1. Authorize

2. Distribute

3. Limit obligation

4. Obligate

5. Outlay

- 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

1. Authorize
   Contractor does work

2. Distribute
   Contractor bills State

3. Limit obligation
   State submits voucher to FHWA

4. Obligate
   FHWA sends payment request to Treasury

5. Outlay
   Treasury pays State
Lifecycle of Federal-aid highway funding

**Step**

1. Authorize
2. Distribute
3. Limit obligation
4. Obligate
5. Outlay

**Mechanism**

Contract Authority
Formulas, other
Obligation limit
Liquidating cash

**Law**

Authorization Act
Appropriations Act
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

- Gas tax (61%)
- Diesel & other fuels (24%)
- Truck sales (9%)
- Truck use (3%)
- Truck tires (1%)
- Other (non-tax) (1%)
Increasingly, HTF outlays exceed income

Highway Trust Fund receipts vs. expenditures, 1990-2017

Receipts (net of transfers from the General Fund)

Expenditures
…spurring Congress to transfer revenues (mostly from General Fund)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Authorization Period</th>
<th>To Highway Account ($ B)</th>
<th>To Mass Transit Account ($ B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2010</td>
<td>SAFETEA-LU &amp; extensions</td>
<td>29.7</td>
<td>4.8</td>
</tr>
<tr>
<td>2012-2015</td>
<td>MAP-21 &amp; extensions</td>
<td>32.8</td>
<td>6.0</td>
</tr>
<tr>
<td>2016</td>
<td>FAST Act</td>
<td>52.0</td>
<td>18.1</td>
</tr>
<tr>
<td>2017</td>
<td>FAST Act</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>2018</td>
<td>FAST Act</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td><strong>114.7</strong></td>
<td><strong>28.9</strong></td>
</tr>
</tbody>
</table>

1/ Net of sequester