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 2010
About 24% of public roads are eligible for Federal assistance (1 million miles)

Note: Figures from 2012
Total U.S. Highway Spending, 2014

Total Highway Spending

- Local: 32.4%
- Federal: 19.8%
- State: 47.7%
- State and local: 57.5%

Capital Outlay

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

$238.4 B
$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: Legislative actions
- Appropriation
- Apportionment: Distribution of funding
- Allocation
- Obligation: Commitment and expenditure
- Outlay
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
   - Typically covers multiple years
   - Authorizes **programs** and **funding**
   - Sets program-specific **requirements**
   - Provides **formulas** for distribution

2. Distribute

3. Limit obligation

4. Obligate

5. Outlay
Dedicated funding via contract authority (CA)

1. Authorize
   • Special type of budget authority

2. Distribute
   • May be obligated without need for appropriations act

3. Limit obligation
   • Treasury doesn’t pay until appropriation of liquidating cash

4. Obligate
   • Since 1974, only available to trust-funded programs

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

Motor carrier safety (1%)
Highway safety (2%)
Railroads (3%)
Transit (20%)
Federal-aid Highways (74%)
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

**Step 2.**
Calculate State’s total (incl. “95¢ on dollar” adjustment)

**Step 3.**
Distribute among State’s apportioned programs

$41 B nationwide

$1 B for Virginia (VA)

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount (in millions)</th>
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<tbody>
<tr>
<td>NHFP</td>
<td>28</td>
</tr>
<tr>
<td>CMAQ</td>
<td>56</td>
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<tr>
<td>Metro Plan</td>
<td>8</td>
</tr>
<tr>
<td>NHPP</td>
<td>593</td>
</tr>
<tr>
<td>STBG</td>
<td>297</td>
</tr>
<tr>
<td>HSIP</td>
<td>65</td>
</tr>
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</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>
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</thead>
<tbody>
<tr>
<td>NHPP</td>
<td>2%</td>
<td></td>
<td></td>
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<tr>
<td>STBG</td>
<td>2%</td>
<td>*</td>
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<td>°</td>
<td>$835-850 M Nationally</td>
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<tr>
<td>HSIP</td>
<td>2%</td>
<td>$230-350 M Nationally</td>
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<tr>
<td>CMAQ</td>
<td>2%</td>
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<td></td>
</tr>
<tr>
<td>NHFP</td>
<td>2%</td>
<td></td>
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</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 apportionment program to any other 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
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
   - Enacted for each year
2. Distribute
   - May include “one-off” provisions
3. Limit obligation
   - Establishes obligation limitation
4. Obligate
   - Provides liquidating cash
5. Outlay
Ob limit functions like a “catch limit”

- Authorize
- Distribute
- Limit obligation
- Obligate
- Outlay

20 fish (formula funds) in pond

Catch limit: 15
“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

1. Authorize
   - Mechanism: Contract Authority
   - Law: Authorization Act

2. Distribute
   - Mechanism: Formulas, other

3. Limit obligation
   - Mechanism: Obligation limit
   - Law: Appropriations Act

4. Obligate

5. Outlay
   - Mechanism: Liquidating cash
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 funded [partially] by user taxes

Sources of Net Highway Account Income, FY 2016

- Gasoline (25%)
- Diesel & other fuels (10%)
- Truck sales (4%)
- Truck use (1%)
- Truck tires (0.5%)
- Other (non-tax) (59%)
…supplemented by the General Fund

% of Highway Account revenues, by funding source, FY 2013-2016

- Fuel tax
- Diesel tax
- Truck taxes
- Other (non-tax)