


SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Economic Stimulus What's on the Horizon?



Jim McDonnell, P.E.
Deputy Program Director,
Engineering

Joung Lee
Associate Director,
Finance and Business Development

American Association of State Highway and Transportation Officials

1

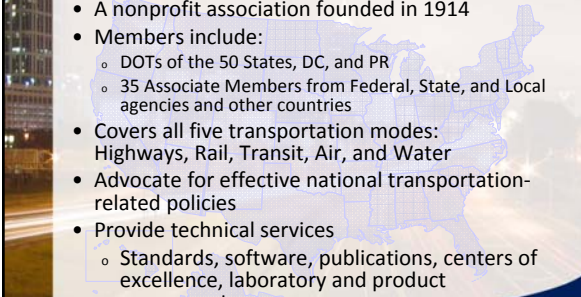
10 NOVEMBER 2009

AASHO
The Group for Transportation Equity

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

What is AASHTO?

- A nonprofit association founded in 1914
- Members include:
 - DOTs of the 50 States, DC, and PR
 - 35 Associate Members from Federal, State, and Local agencies and other countries
- Covers all five transportation modes: Highways, Rail, Transit, Air, and Water
- Advocate for effective national transportation-related policies
- Provide technical services
 - Standards, software, publications, centers of excellence, laboratory and product assessments



2

10 NOVEMBER 2009

AASHO
The Group for Transportation Equity

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Presentation Objectives

- Update on state spending levels
- Impact of economic stimulus on transportation investment
- Current surface transportation funding, including the Federal Highway Trust Fund conditions
- AASHTO's funding framework for the future
- Update on current program extension and surface transportation reauthorization


3

10 NOVEMBER 2009

AASHO
The Group for Transportation Equity

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Economic Recovery



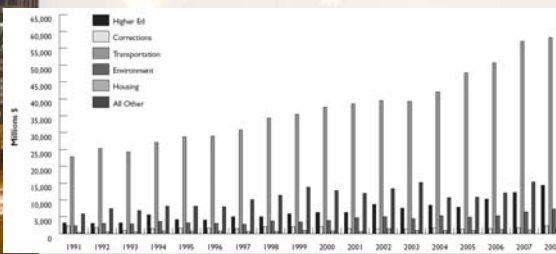
4

10 NOVEMBER 2009

AASHO
The Group for Transportation Equity

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Capital Expenditures, 1991-2008



5

Source: National Association of State Budget Officers

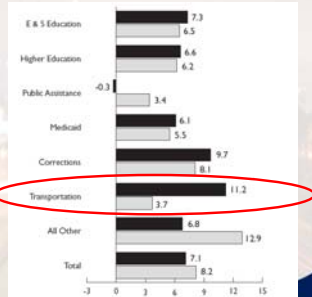
10 NOVEMBER 2009

AASHO
The Group for Transportation Equity

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Percent Change from Previous Fiscal Year

- Transportation saw a greater decrease from 2007 to 2008 than any other major category of spending

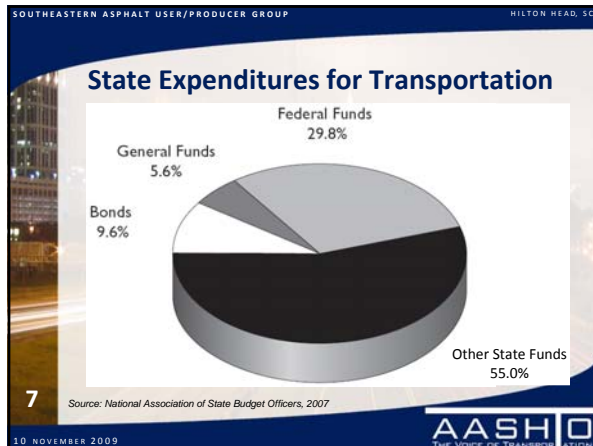


6

Source: National Association of State Budget Officers

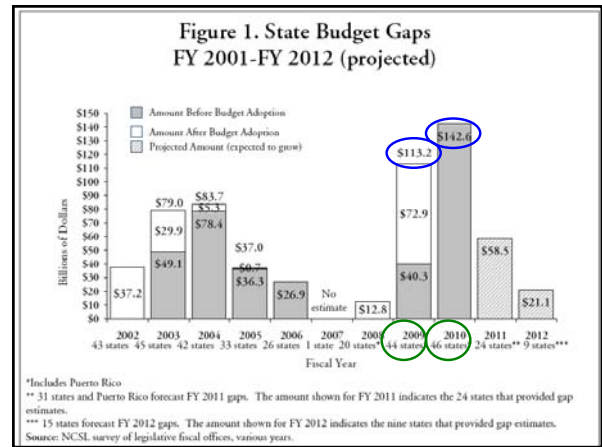
10 NOVEMBER 2009

AASHO
The Group for Transportation Equity



- SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC
- ## Reduced State Spending in Recent Years
- FY 2008 – \$1,516 billion total spending from general funds, federal funds, other state funds, and bonds
 - \$122.8 billion for transportation
 - FY 2009 – Overall state spending reduced by \$31.6 billion
 - FY 2010 – Another 2.5 percent reduction expected
- Source: National Association of State Budget Officers
- 10 NOVEMBER 2009 AASHO

- SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC
- ## Transportation Spending Cuts in 19 States in FY 2010
- Arizona
 - California
 - Delaware
 - Georgia
 - Idaho
 - Illinois
 - Louisiana
 - Massachusetts
 - Maine
 - Michigan
 - Minnesota
 - North Carolina
 - New Jersey
 - New York
 - South Carolina
 - Utah
 - Virginia
 - West Virginia
 - Washington
- Source: National Association of State Budget Officers
- 10 NOVEMBER 2009 AASHO



- SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC
- ## American Recovery and Reinvestment Act of 2009 (ARRA)
- ### Overall Features
- \$48.1 billion to USDOT
 - 100 percent Federal share
 - Maintenance of effort required
 - Periodic reporting of economic impact of stimulus spending
 - \$1.5 billion in TIGER discretionary grants (Up to \$200 million for TIFIA credit assistance)
- 10 NOVEMBER 2009 AASHO

- SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC
- ## ARRA Provisions
- ### Highways
- \$27.5 billion total
 - 50% must be obligated in 120 days excluding sub-allocated amount
 - Priority to projects that...
 - Can be completed in 3 years
 - Are located in economically distressed areas
- ### Transit
- \$8.4 billion total
 - 50% must be obligated in 120 days
- ### Passenger Rail
- Unprecedented \$8 billion for intercity passenger and high-speed rail
 - \$1.3 billion for Amtrak
- ### Aviation
- \$1.3 billion total
- 10 NOVEMBER 2009 AASHO

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Status of ARRA Implementation

- \$19.985 billion of funding obligated by the states as of November 2, 2009
- This represents 75% of funds available, supporting 8,394 projects
- 12.3% of the funding (\$3.3 billion) has been spent
- Almost 70% of projects have been pavement improvement or pavement widening projects

13

10 NOVEMBER 2009

AASHTO
The Voice for Transportation

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Status of ARRA Implementation

- USDOT received \$56.6 billion in project funding requests (1,380 applications) for \$1.5 billion TIGER discretionary grant program

14

10 NOVEMBER 2009

AASHTO
The Voice for Transportation

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

ARRA and State Spending in FY 2009 as Reported by NCSL

- Three states—Alabama, Kentucky and Washington—would have experienced year-over-year spending declines in FY 2009 if not for the ARRA funds.
- Many states say they are looking at a cliff in 2011 because they know ARRA funding will be gone, and they do not expect state revenue performance to rebound strongly enough to make up the difference.

15

10 NOVEMBER 2009

AASHTO
The Voice for Transportation

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Economic Recovery

Key Point

- Economic recovery plan cannot be a substitute for long-term investment goals that must be articulated and implemented in the transportation authorization

16

10 NOVEMBER 2009

AASHTO
The Voice for Transportation

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Current Trends and Challenges

17

10 NOVEMBER 2009

AASHTO
The Voice for Transportation

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

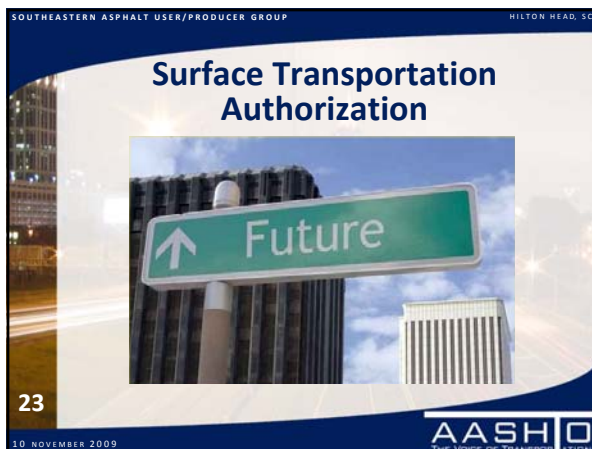
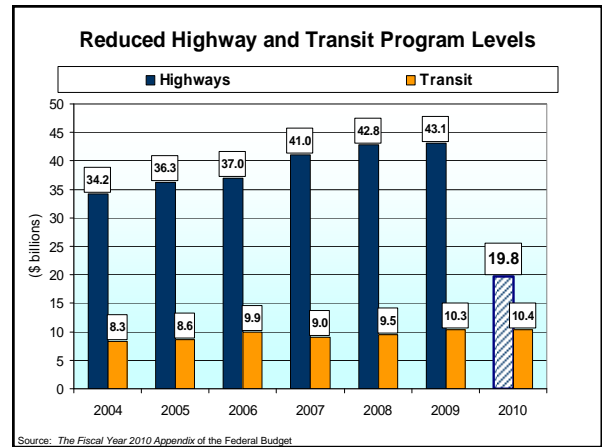
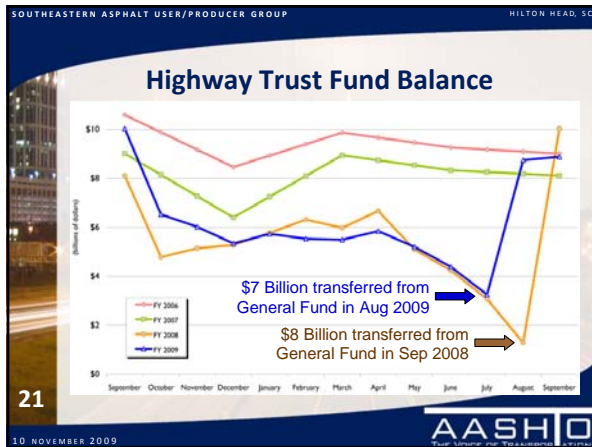
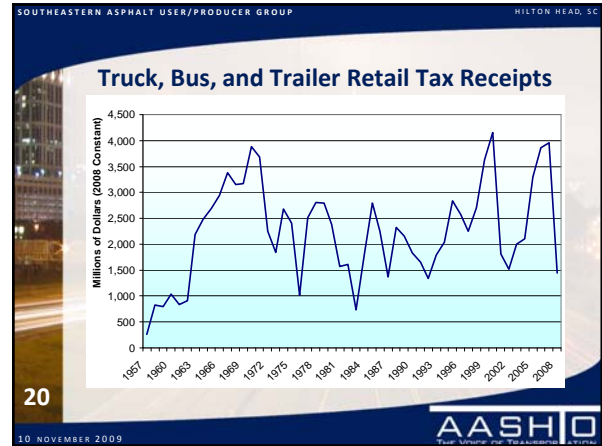
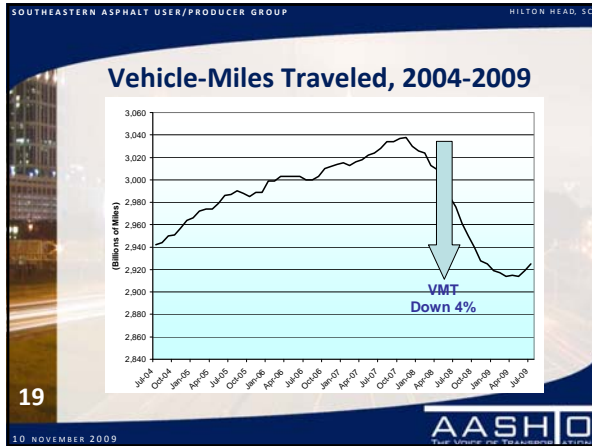
Transportation Needs

- Nationally, meeting only about 1/3 of roughly \$200 billion required each year to maintain and improve the system

18

10 NOVEMBER 2009

AASHTO
The Voice for Transportation



SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

AASHTO's Legislative Recommendations

- Federal government must continue to play a **strong role** in investing and maintaining an integrated and multimodal national surface transportation system
- States and local governments should be provided with **maximum flexibility** to use federal revenues from existing core sources to meet systemic transportation needs
- We need to **restore purchasing power** by making sure the impact of inflation on commodities and construction costs must be addressed in setting investment levels

24

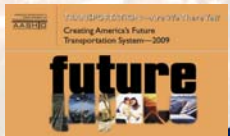
10 NOVEMBER 2009

AASHTO
The Group for Transportation Equity

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

AASHTO's Legislative Recommendations

- Adopt a long-range approach to funding the surface transportation system that gradually moves away from dependence on the current motor fuels tax to a **distance-based direct user fee** such as a fee on vehicle miles traveled
- **Eliminate or drastically limit earmarking** in federal transportation programs



25

10 NOVEMBER 2009

AASHTO
The Voice for Transportation

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Proposed Program Funding Levels

Potential Program Name	TOTAL (6 yrs)
Preservation and Renewal	\$210.00
Highway Freight (Based on Existing Revenues)	\$18.00
Highway Safety Improvement Program	\$19.50
Operations	\$18.00
Transportation System Improvement/Congestion Reduction	\$83.25
Environment Program	\$26.25
Highways (Total of above)	\$375.00
Transit	\$93.00
Freight (New Revenues Outside HTF)	\$42.00
Intercity Passenger Rail	\$34.50
GRAND TOTAL	\$544.50

26

10 NOVEMBER 2009

AASHTO
The Voice for Transportation

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Sample Funding Options

Sample Funding Mechanisms	Mechanism Yield (2010)	Illustr. Rate	Avg Annual Revenues 2010-2015
VMT Fee (Cars Only)	1¢/VMT = \$ 17,298	1.0¢	\$ 17,616
VMT Fee (All light duty vehicles)	1¢/VMT = \$ 27,610	1.0¢	\$ 28,682
Carbon Tax or Cap And Trade Auction Proceeds	1¢/gal or equiv = \$ 553	30.0¢	\$ 17,250
Diesel Tax Increase Plus Indexing	1¢/gal = \$ 411	13.0¢	\$ 5,976
Existing Highway Trust Fund Sources			\$ 42,569
Gas Tax Increase Plus Indexing	1¢/gal = \$ 1,380	10.0¢	\$ 15,082
Index Existing Highway Trust Fund Sources			\$ 3,032
Sales Tax on Motor Fuels	1.0% of Sales = \$ 6,136	2.5%	\$ 15,658
Ton Freight Charge -- Truck Only	1¢/ton = \$ 111	10.0¢	\$ 1,242
Ton-Mile Freight Charge -- Truck Only	1¢/ton-mile = \$ 12,516	0.1¢	\$ 1,394
US Freight Bill -- Truck Only	1% of Sales = \$ 6,497	1.0%	\$ 7,237
Sales Tax on New Cars/Trucks	1% of Sales = \$ 4,853	2.0%	\$ 10,812
Sales Tax on New and Used Cars/Trucks	1% of Sales = \$ 9,012	2.0%	\$ 20,077

Note: \$ in millions

27

10 NOVEMBER 2009

AASHTO
The Voice for Transportation

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Proposed Surface Transportation Authorization Act of 2009

Funding

- \$450 billion (\$500 billion including High Speed Rail)
- \$337.4 billion in Highway investment
 - \$100 billion for Capital Asset Improvement (NHS, IM, Bridge)
 - \$ 50 billion for Metropolitan Mobility and Access
 - \$ 25 billion for Projects of National Significance
 - \$162.4 billion for other FHWA-administered programs (e.g., Highway Safety, Surface Transportation, CMAQ, Freight, etc.)
- \$99.8 billion transit
- \$50 billion high speed rail corridors
- \$12.6 billion Motor Carrier Safety

28

10 NOVEMBER 2009

AASHTO
The Voice for Transportation

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Proposed Surface Transportation Authorization Act of 2009

- Major categories of funding are included
- However:
 - No specific breakdowns by category
 - No formulas or runs that would show state shares or return on contributions
 - No revenue section in the bill yet

29

10 NOVEMBER 2009

AASHTO
The Voice for Transportation

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Current Situation

- The good news: a high priority given to infrastructure by the new Administration
 - The creation of a new law is underway and we have excellent Congressional leadership
- The bad news: The Highway Trust Fund has gone broke
 - There is no support for increasing user fees
 - There are many competing goals at the national level

30

10 NOVEMBER 2009

AASHTO
The Voice for Transportation

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Current Situation

- Before SAFETEA-LU expired:
 - Obama Administration proposed an 18-month extension with a \$20 billion transfer from General Fund to Highway Trust Fund
 - The House proposed a 3-month extension (HR 3617) that maintained FY 2009 spending levels
 - The Senate proposed an 18-month extension (S 1498) similar to the Administration proposal

31

10 NOVEMBER 2009

AASHTO
The Group for Transportation

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Current Situation

- The Result? No one could agree, so we got a 30-day “continuing resolution”
 - Keeps government open, but at reduced funding level
- Now on our 2nd Continuing Resolution (HR 2996)
 - Duration: 1½ months (through December 18, 2009)
 - Provides FY 2009 POST-rescission spending level – 33 percent less than HR 3617 or \$2.03 billion per month
 - No restoration of rescinded \$8.708 billion contract authority

32

10 NOVEMBER 2009

AASHTO
The Group for Transportation

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Current Situation

- There is great uncertainty right now
- It is important to pass the six-year authorization bill soon, as state DOTs and contractors depend on long-term investment time horizons
- Any action should not reverse the progress made through the stimulus legislation

33

10 NOVEMBER 2009

AASHTO
The Group for Transportation

SOUTHEASTERN ASPHALT USER/PRODUCER GROUP HILTON HEAD, SC

Thank You

Jim McDonnell, P.E.
Deputy Program Director, Engineering

American Association of State Highway and Transportation Officials (AASHTO)

jimm@ashto.org
www.transportation.org

34

10 NOVEMBER 2009

AASHTO
The Group for Transportation