

# TRANSPORTATION FUNDING IN THE STATES

PRESENTATION BEFORE THE  
LOUISIANA TRANSPORTATION FUNDING  
TASK FORCE

LOUISIANA STATE CAPITOL  
SEPTEMBER 10, 2014

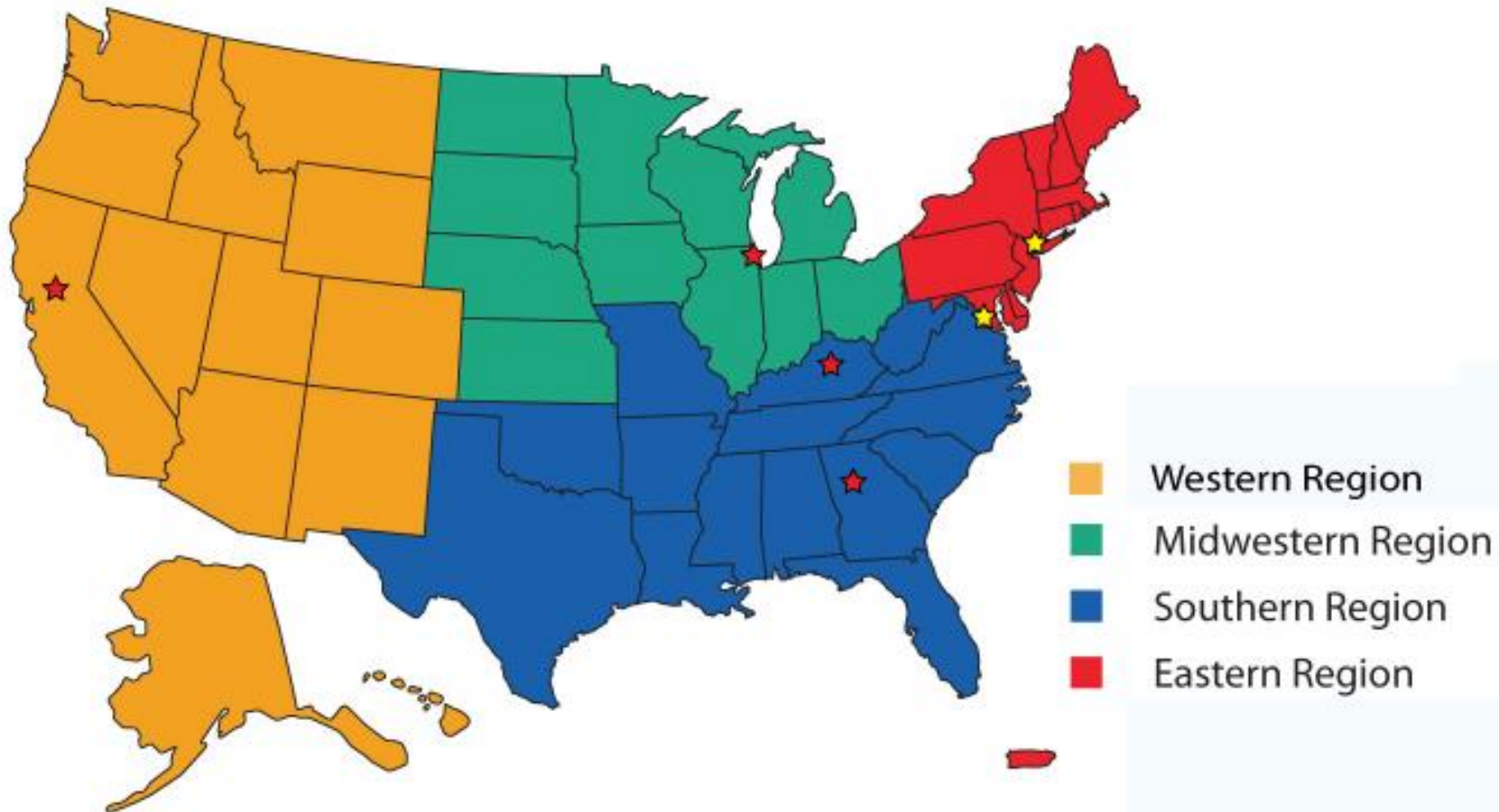
**SUJIT M. CANAGARETNA**

FISCAL POLICY MANAGER

THE COUNCIL OF STATE GOVERNMENTS'  
SOUTHERN OFFICE

SOUTHERN LEGISLATIVE CONFERENCE (SLC)

# INTRODUCTION TO CSG



# OUTLINE

1. What is the state of our nation's transportation and infrastructure network?
2. What are the factors driving the crisis?
3. What are some of the typical revenue and financing strategies deployed by states to fund transportation and infrastructure?
4. What are some recent initiatives proposed and enacted in the SLC states?

# 2013 ASCE REPORT CARD

Category	1988*	1998	2001	2005	2009	2013
Aviation	B-	C-	D	D+	D	D
Bridges	-	C-	C	C	C	C+
Dams	-	D	D	D+	D	D
Drinking Water	B-	D	D	D-	D-	D
Energy	-	-	D+	D	D+	D+
Hazardous Waste	D	D-	D+	D	D	D
Inland Waterways	B-	-	D+	D-	D-	D-
Levees	-	-	-	-	D-	D-
Public Parks and Recreation	-	-	-	C-	C-	C-
Rail	-	-	-	C-	C-	C+
Roads	C+	D-	D+	D	D-	D
Schools	D	F	D-	D	D	D
Solid Waste	C-	C-	C+	C+	C+	B-
Transit	C-	C-	C-	D+	D	D
Wastewater	C	D+	D	D-	D-	D
Ports	-	-	-	-	-	C
America's Infrastructure GPA	C	D	D+	D	D	D+
Cost to Improve	-	-	\$1.3 trillion	\$1.6 trillion	\$2.2 trillion	\$3.6 trillion

# MINNEAPOLIS I-35W BRIDGE COLLAPSE, 2007





# ASCE 2013 RATINGS FOR BRIDGES, ROADS, TRANSIT



# ASCE PROJECTIONS

## Cumulative Infrastructure Needs by System Based on Current Trends Extended to 2020

*(Dollars in \$2010 billions)*

*The table below provides the estimated cumulative investment needs by infrastructure category based on current trends extended to the year 2020 (dollars in \$2010 billions).*

Infrastructure Systems	Total Needs	Estimated Funding	Funding Gap
Surface Transportation <sup>1</sup>	\$1,723	\$877	\$846
Water/Wastewater Infrastructure <sup>1</sup>	\$126	\$42	\$84
Electricity <sup>1</sup>	\$736	\$629	\$107
Airports <sup>1,2</sup>	\$134	\$95	\$39
Inland Waterways & Marine Ports <sup>1</sup>	\$30	\$14	\$16
Dams <sup>3</sup>	\$21	\$6	\$15
Hazardous & Solid Waste <sup>4</sup>	\$56	\$10	\$46
Levees <sup>5</sup>	\$80	\$8	\$72
Public Parks & Recreation <sup>6</sup>	\$238	\$134	\$104
Rail <sup>7</sup>	\$100	\$89	\$11
Schools <sup>8</sup>	\$391	\$120	\$271
TOTALS	\$3,635	\$2,024	\$1,611
Yearly Investment Needed	\$454	\$253	\$201

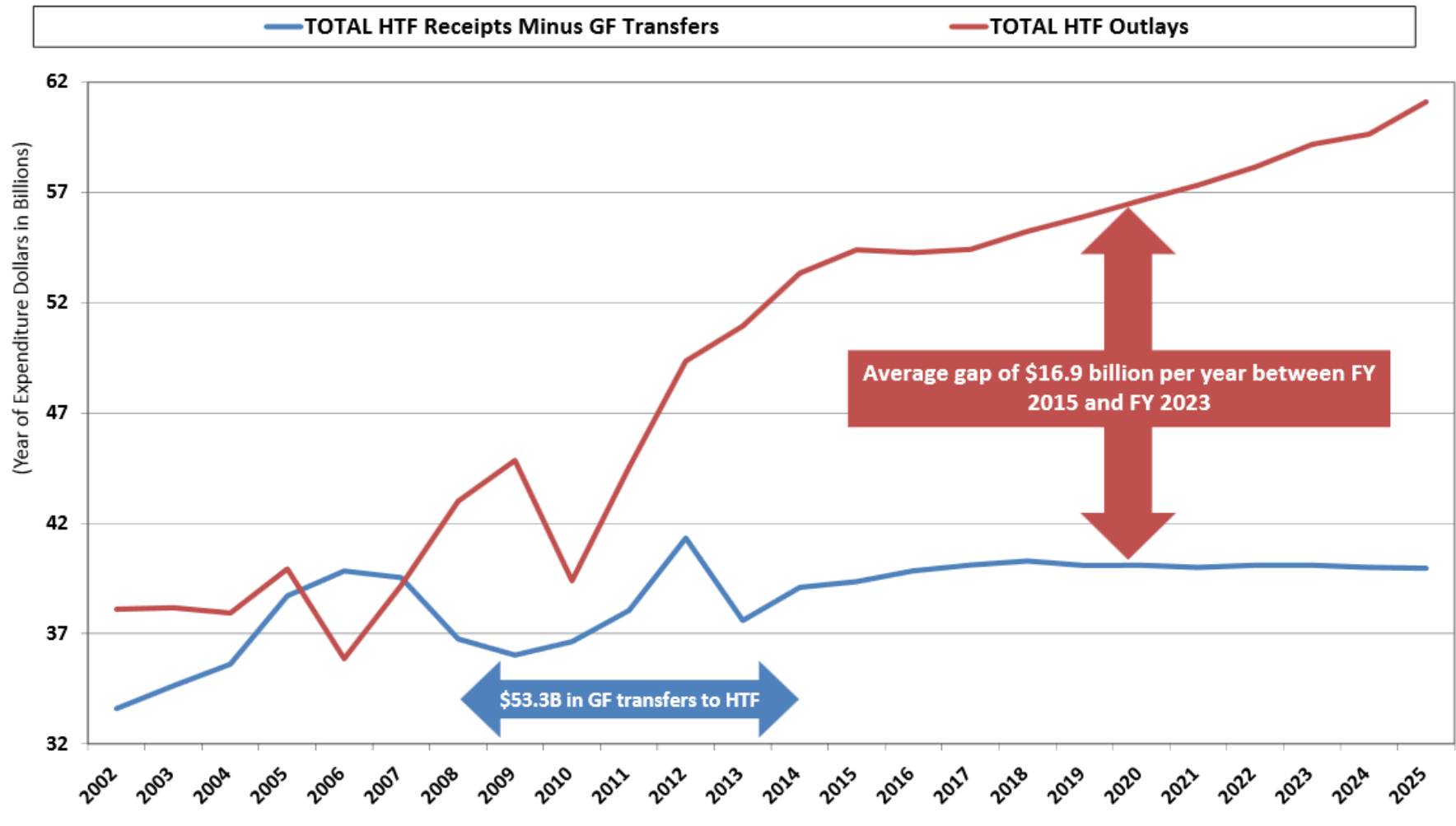
# FUNDING NEEDS – ROADS AND BRIDGES

Arizona	\$63 billion gap over 25 years, or \$2.52 billion annually
Indiana	\$200 million additionally per year
Maryland	\$700-\$800 million per year to address congestion problems
Massachusetts	\$1 billion plus in new additional revenue
Michigan	\$1.2 billion annual shortage in road funding
Missouri	\$600 million to \$1 billion per year in new funding needed
Nevada	\$4 billion over next decade
Mississippi	\$30 billion in highway and bridge needs between 2008 and 2035
Pennsylvania	\$2.5 billion immediately for roads, bridges and mass transit
South Carolina	\$29 billion over 20 years to improve roads and bridges
Texas	\$1 billion/year for maintenance; additional \$3 billion/year to expand
Washington	More than \$3 billion over the next 10 years
West Virginia	Additional \$1.3 billion per year
Wisconsin	\$580 million annual funding gap over the next 10 years

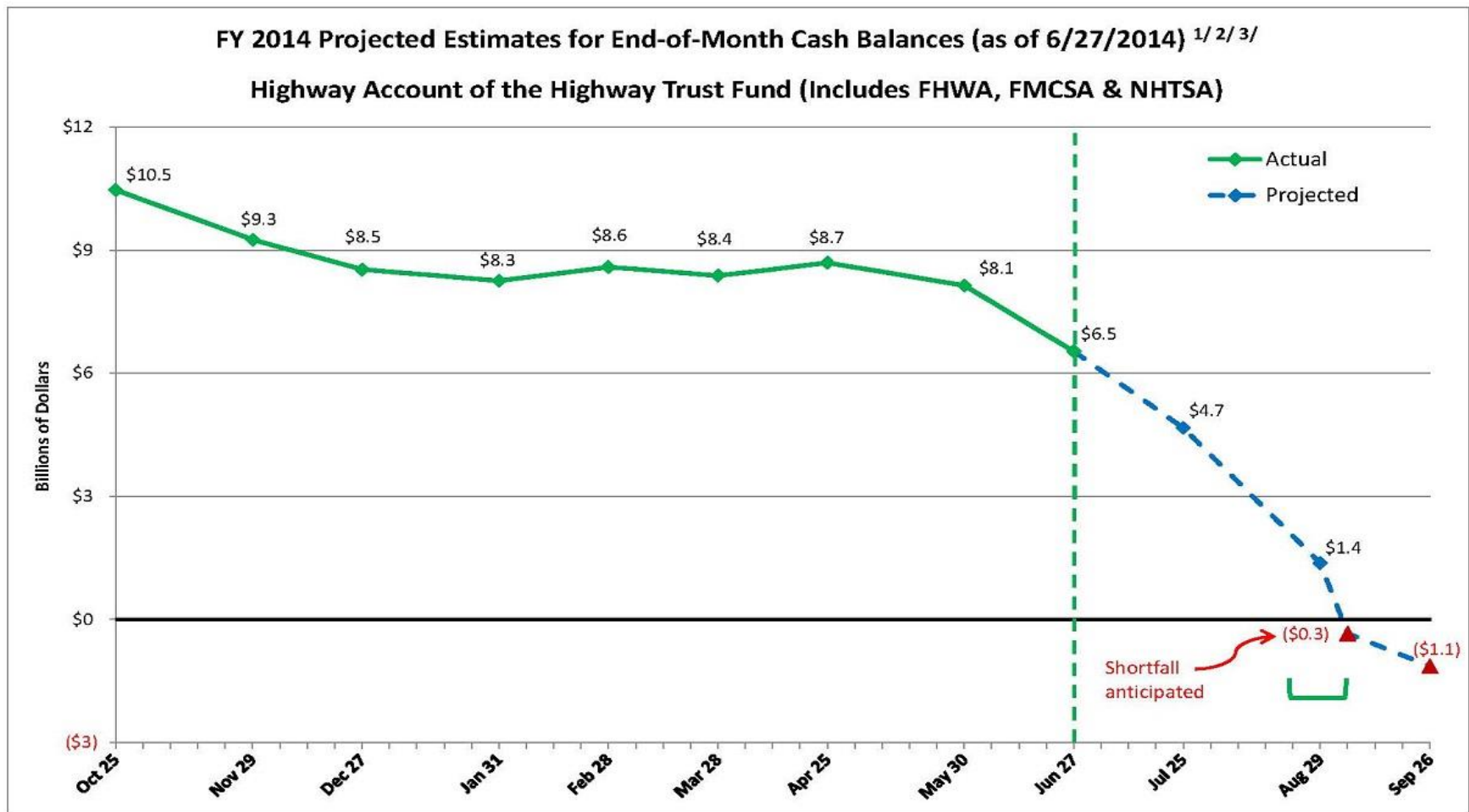


# REASONS FOR CRISIS

## Highway Trust Fund: Discrepancies in Cash Receipts and Outlays



# REASONS FOR CRISIS



1/ Graph reflects actual data through 6/27/14 and end-of-month projections for the remainder of the fiscal year.

2/ Total receipt and outlay projections are based on FY 2015 Mid-Session Review assumptions. Projected monthly receipt and outlay rates are based on historic averages.

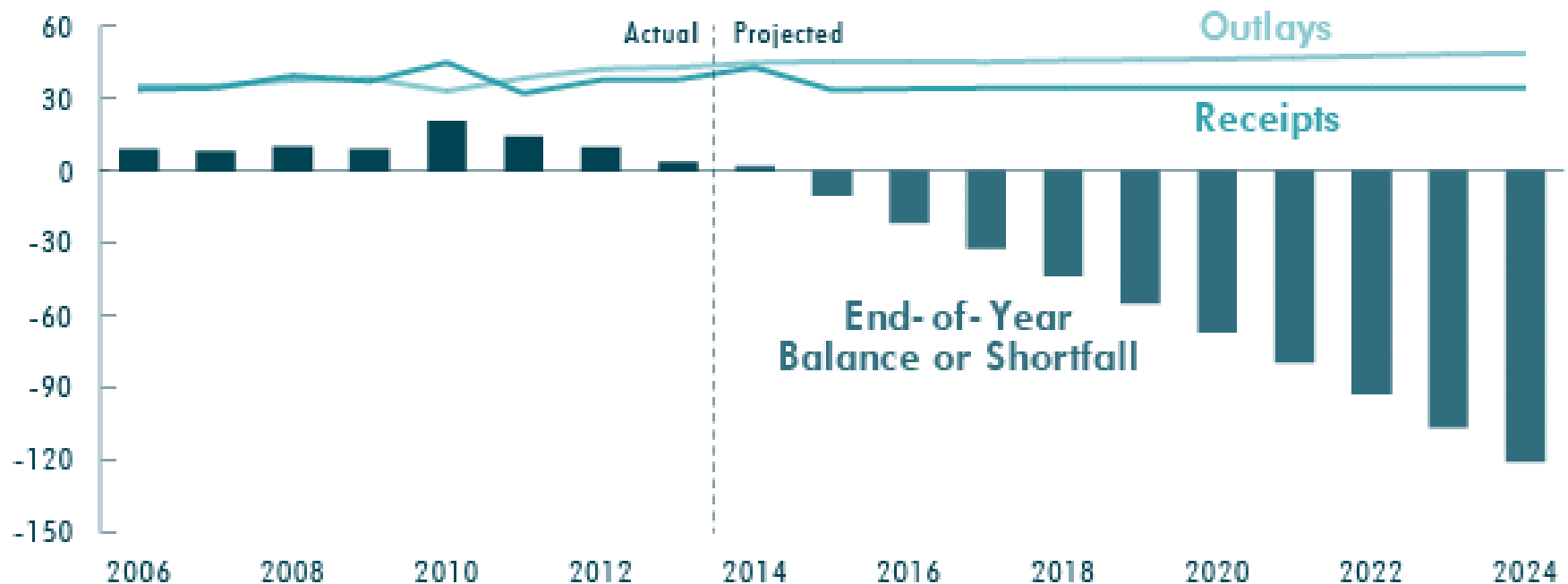
3/ Range of anticipated shortfall: Green brackets denote the estimated window of when the anticipated shortfall will occur.

Source: FHWA

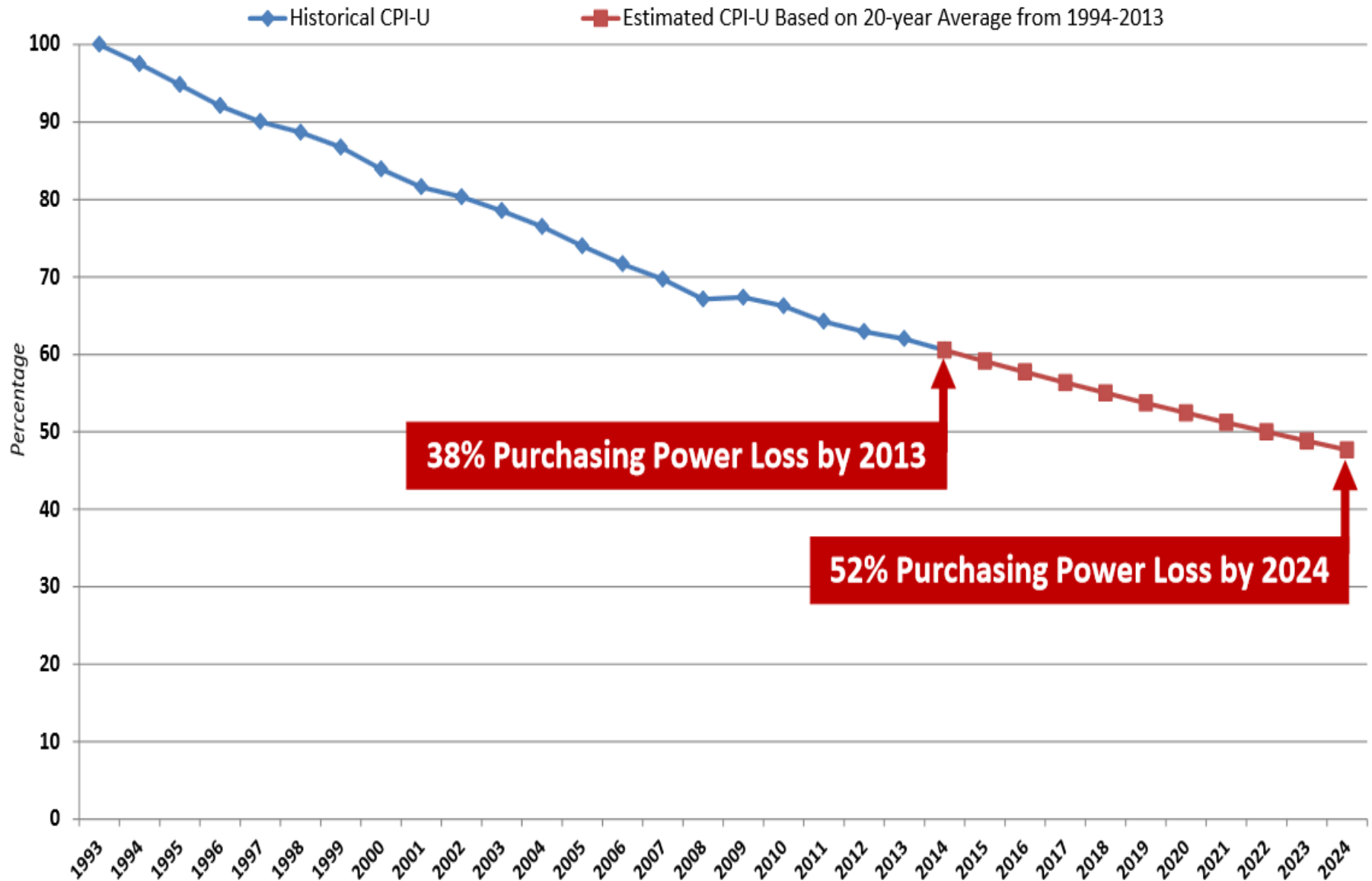
# REASONS FOR CRISIS

## Receipts, Outlays, and Balance or Shortfall for the Highway Account Under CBO's April 2014 Baseline

Billions of dollars

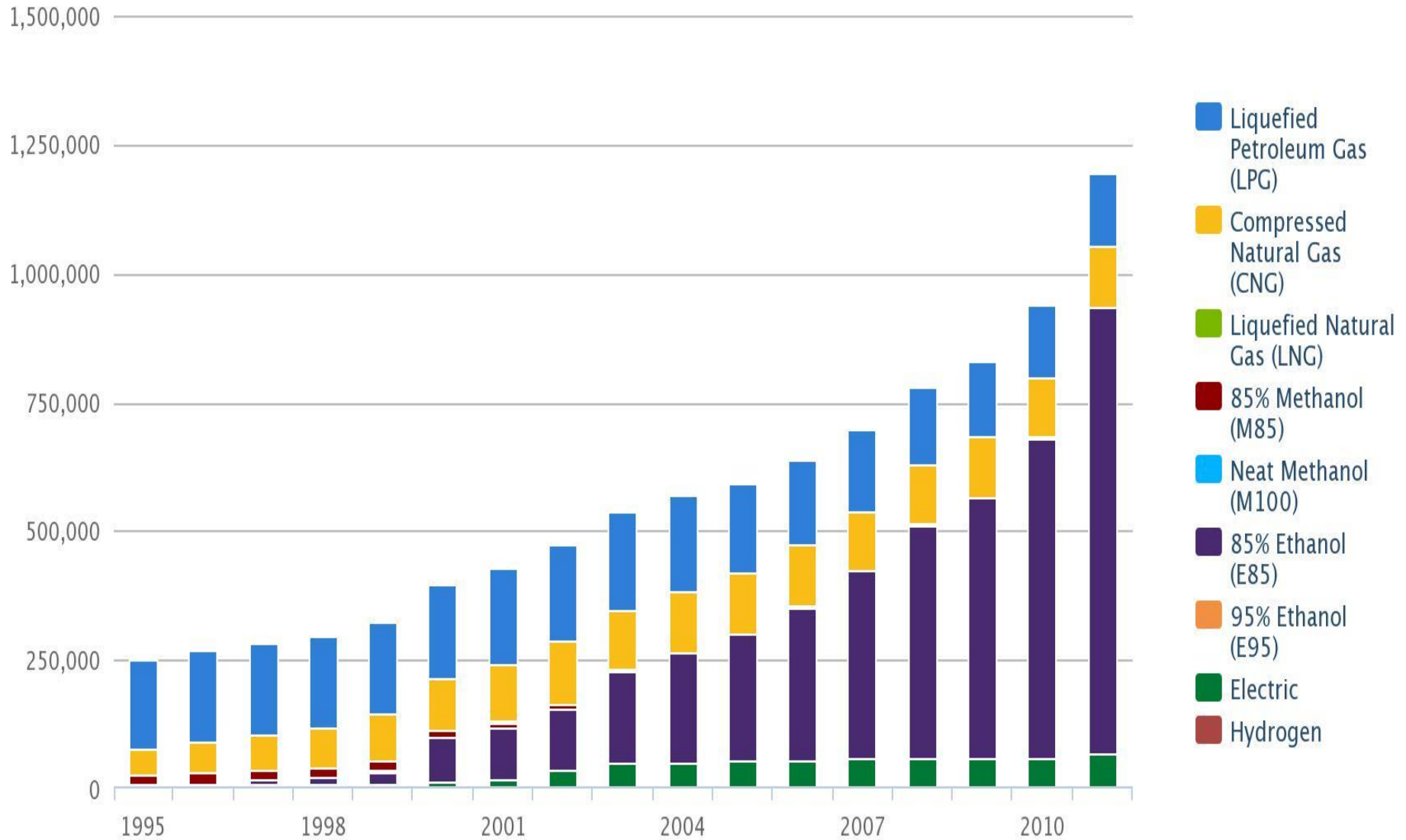


# REASONS FOR CRISIS



# REASONS FOR CRISIS

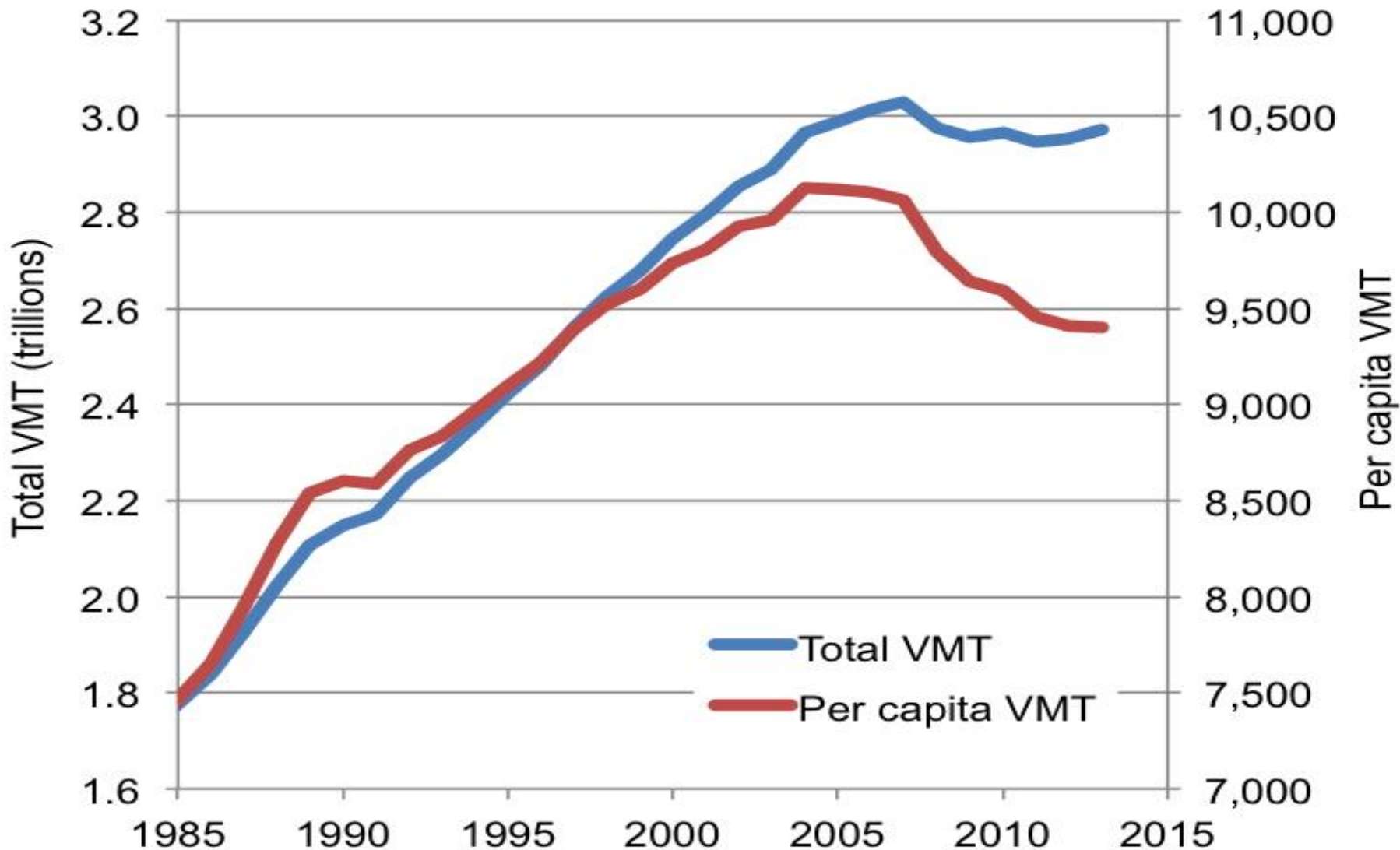
Alternative Fuel Vehicles in Use



Source: U.S. Department of Energy



# REASONS FOR CRISIS



# RESPONSES TO CRISIS

- ❖ Powerful groups (U.S. Chamber of Commerce, AFL-CIO) support an increase in the federal gas tax;
- ❖ Bi-partisan proposal in the U.S. Senate to raise the federal gas tax;
- ❖ Average household pays \$46 in federal and state gas taxes every month, an amount lower than other utility expenditures;
- ❖ A 10 cent per gallon increase in the federal gas tax amounts to an additional cost of \$1.15 for the average driver, per week.

# TYPICAL REVENUE SOURCES THAT FUND TRANSPORTATION

1. Fuel taxes (50 states)
2. Sales taxes on fuel, or other taxes on distributors or suppliers (14 states)
3. Motor vehicle and rental car sales taxes (29 states)
4. Vehicle registration, license and title fees (48 states)
5. Vehicle and truck weight fees (37 states)
6. Tolls (24 states)
7. General fund (34 states)
8. Interest income (37 states)
9. Other sources (40 states)

# OTHER FINANCING TOOLS DEPLOYED BY STATES

1. General obligation or revenue bonds (44 states)
2. GARVEE bonds (33 states)
3. Private Activity Bonds or PABs (6 states)
4. TIFIA federal credit assistance (12 states)
5. State infrastructure banks or SIBs (34 states)
6. Public - private partnerships or P3s (authorized in 33 states)
7. Design-build (authorized in 38 states)

# PPP OR P3 TRENDS

- ❖ Indiana – 2006 Indiana Toll Road project, one of the biggest P3 projects in the country, is not generating the forecasted revenues to the Macquarie Group but the public is not bearing any of the added financial burdens;
- ❖ Nevada – Decided against pursuing a P3 after further review of a major highway, infrastructure project that was initially announced as a P3.



# P3S - PROS

- ❖ Tolls not taxes;
- ❖ Private equity versus public debt;
- ❖ Expedited completion times;
- ❖ Project cost savings;
- ❖ Enhanced quality and system performance;
- ❖ Substituting private resources and personnel for limited public resources;
- ❖ Access to new sources of private capital.

# P3S - CONS

- ❖ Lack of in-house public sector expertise to negotiate complex P3 agreements;
- ❖ States lose control/access of key public infrastructure assets;
- ❖ P3 toll facilities may be insufficiently regulated to protect the public from unreasonably high toll rates or excessive profits;
- ❖ Non-compete clauses;
- ❖ Length of the terms of agreements;
- ❖ Role of the federal government in approval process;
- ❖ Solicited (or unsolicited) P3 projects might result in adverse fiscal outcomes for states.

# P3 BEST PRACTICES: VIRGINIA



- ❖ Ensure Complete Transparency
- ❖ Focus on Business Considerations
- ❖ Employ Skilled Public Sector Staff
- ❖ Engage the Public at Every Stage
- ❖ Respect for Customers/Consumers

# P3 BEST PRACTICES: VIRGINIA



- ❖ First new construction project under *Public Private Transportation Act of 1995*
- ❖ Original Financing:
  - \$353 million Toll Revenue Bonds
  - \$18 million SIB Loan
  - \$9 million Federal funding
- ❖ Transurban and DEPFA (Australian consortium) proposed acquiring the right to collect tolls, operate and manage Parkway for profit
- ❖ Transurban & VA DOT negotiated a 99-year agreement for project for \$611 million

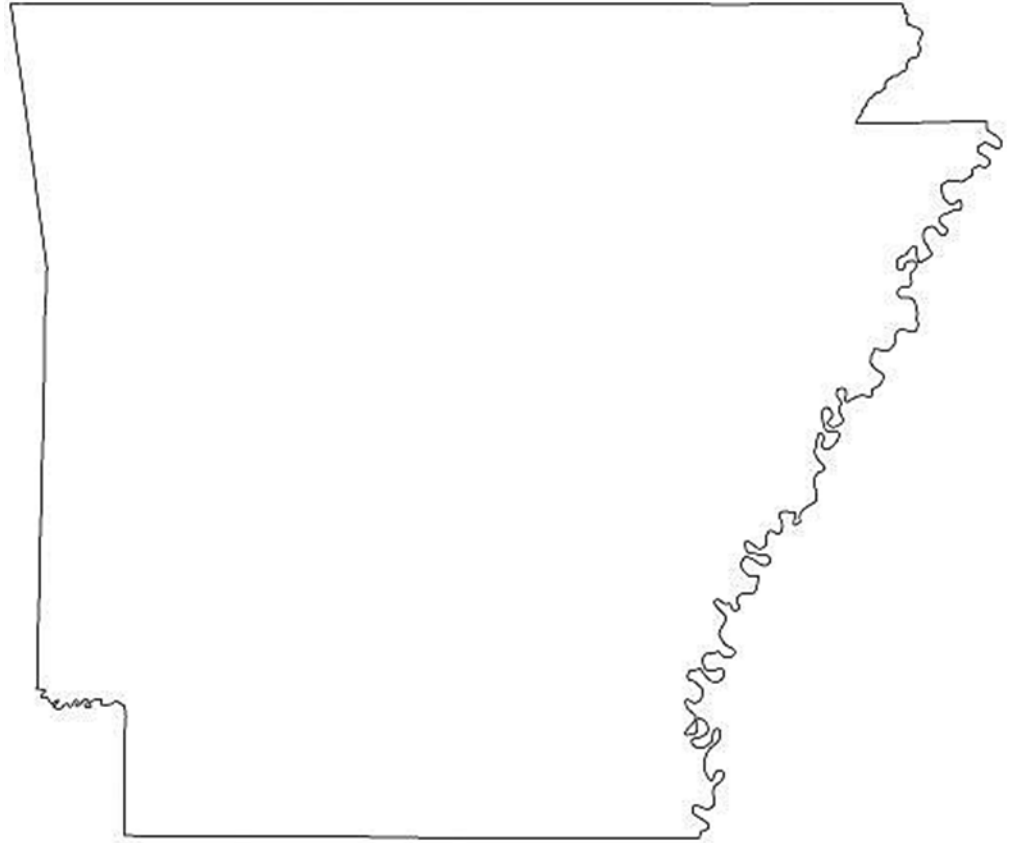
# SELECTED SLC STATE INITIATIVES AND PROPOSALS TO RAISE REVENUE FOR TRANSPORTATION IN RECENT YEARS

Source: AASHTO



# ARKANSAS

- ❖ In November 2012, a half-cent sales tax increase (from 6% to 6.5%) passed in a statewide ballot to fund \$1.8 billion in highway upgrades over the next 10 years;
- ❖ Sales tax increase will sunset after 10 years;
- ❖ Truck registration fee increased by 15% to raise \$6 million annually



# FLORIDA

- ❖ Exploring the possibility of moving to a vehicle mileage-based user fee;
- ❖ Implementing additional toll roads;
- ❖ Permitting more cellphone towers on state property to raise transportation funds;
- ❖ Allowing businesses to install signs on state nature and recreational trails to help pay for their maintenance.



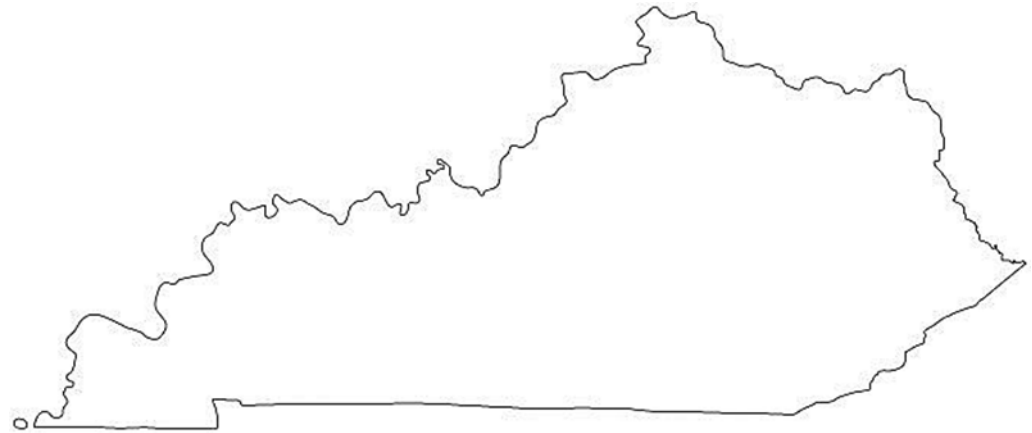
# GEORGIA

- ❖ In July 2012, Georgia Referendum 1, the *Sales Tax Increase to Fund Transportation Projects Referendum (TSPLOST)* failed to pass in 9 out of 12 regions of the state;
- ❖ TSPLOST, if passed, “...would have funded \$8.5 billion in transportation improvements through a regional one percent sales tax;”



# KENTUCKY

- ❖ Proposal to authorize Public Private Partnerships (P3s) passed both chambers but was vetoed over restrictions on P3s;
- ❖ Proposal to increase the statutory floor for the wholesale price of gasoline, a change that would have increased fuel tax revenues;
- ❖ Proposal to decrease the credit allowable to dealers on the number of gallons of gasoline sold, a change that would have increased fuel tax revenues.



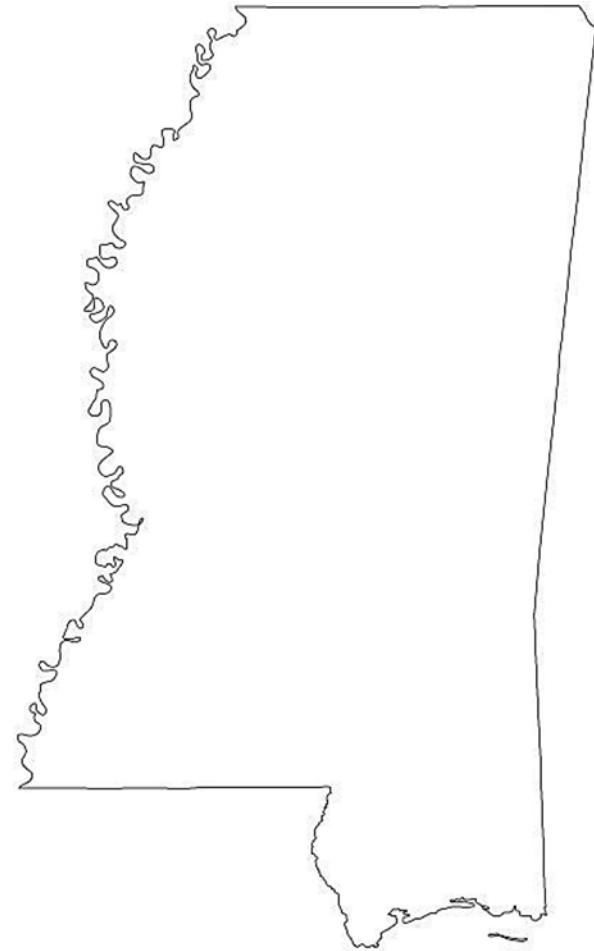
# MISSOURI

- ❖ Statewide ballot measure to raise the state sales tax  $\frac{3}{4}$  of a cent for 10 years for transportation purposes failed in August 2014;
- ❖ If passed, the measure would have raised a projected \$534 million annually;
- ❖ 10 percent of this new revenue would have gone to cities and counties for local transportation needs
- ❖ During the ten years, the state gas tax rate would have been frozen and existing roads could not be turned into toll roads. After the ten years, voters could decide whether to extend the tax.



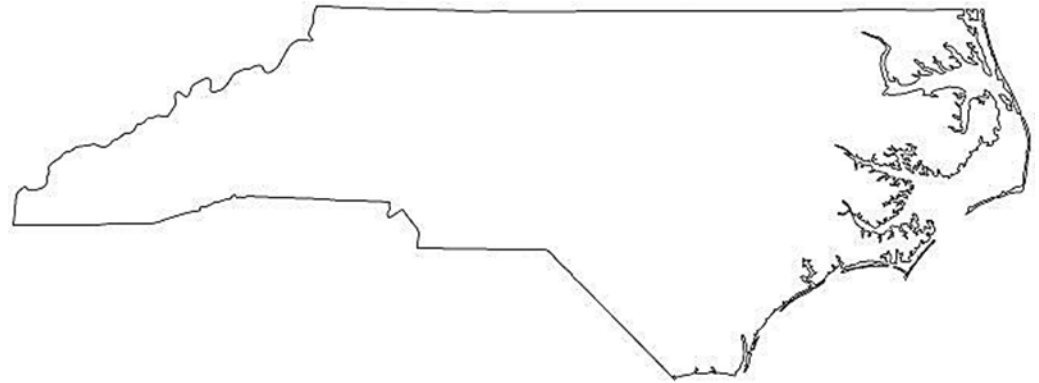
# MISSISSIPPI

- ❖ Proposal to establish a lottery in Mississippi with proceeds going to the newly created Mississippi Roads Improvement Fund;
- ❖ Proposal to direct a percentage of sales tax revenue to a newly created Mississippi Highway, Road, and Bridge Improvement Fund;
- ❖ Proposal to lower the fixed fuel tax from 18 cpg to 15 cpg and impose a 6% tax on the average wholesale price of fuel;
- ❖ Proposal to create new taxes on establishments and divert a portion of that revenue to the State Highway Fund.



# NORTH CAROLINA

- ❖ In 2014, a \$75 million transportation bond issue for the city of Raleigh, funded by a property tax increase, was approved by city voters.





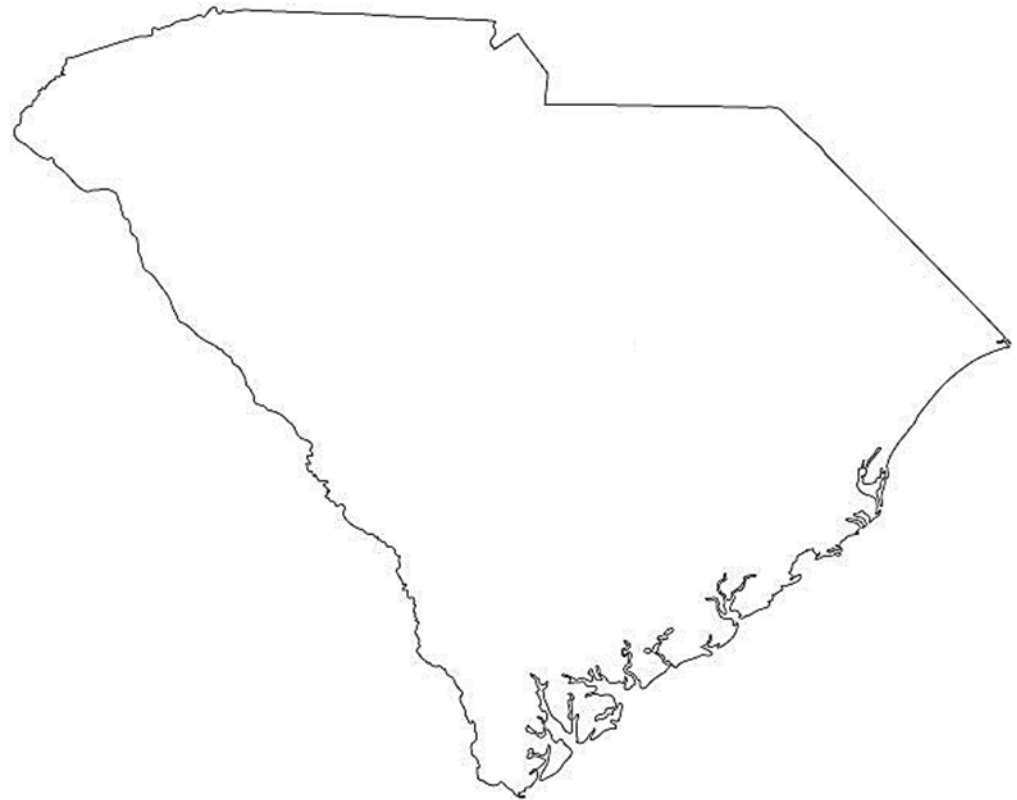
# SOUTH CAROLINA

- ❖ Proposal to allocate 100% of vehicle sales tax to SCDOT, an increase from current 50%;
- ❖ House/Senate Joint Panel approved a plan providing up to \$141 million in state taxes toward infrastructure, assigns \$50 million from the current year's surplus toward bridge repair and transfers \$41 million from the state sales tax on vehicles to the state DOT for repairing secondary roads;

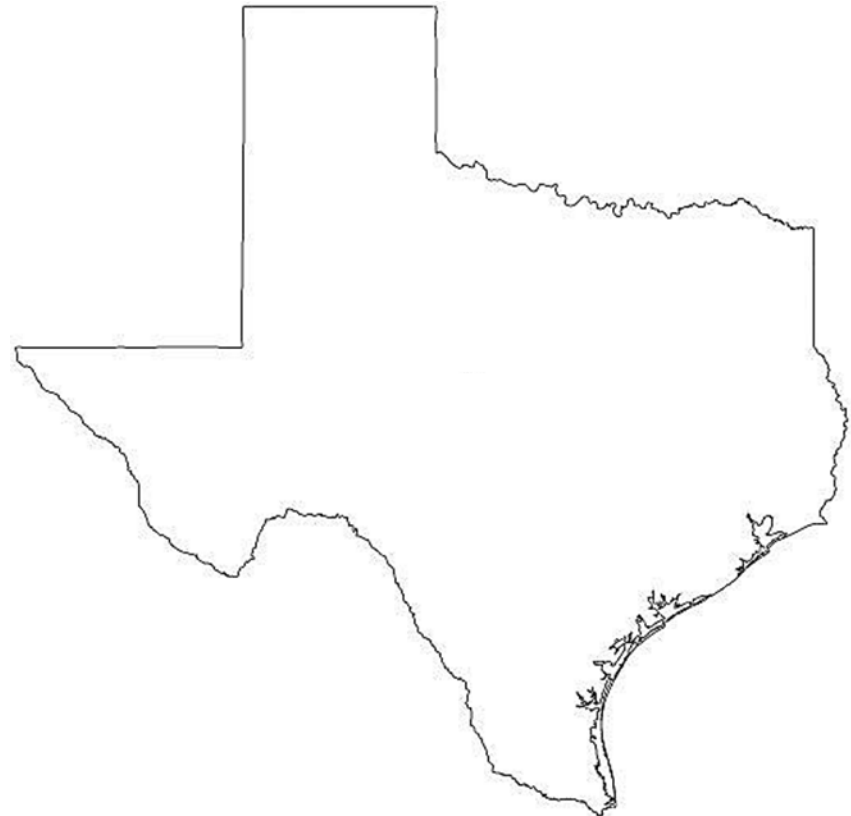


# SOUTH CAROLINA

- ❖ Governor proposes spending \$137 million of \$163 million that was added to state's transportation budget on bridges;
- ❖ South Carolina House of Representatives wants 80% of vehicle sales taxes to be set aside for road repair while Governor would like this money to be in addition to \$137 million she proposed;
- ❖ \$50 million from the state general fund provided to the state Transportation Infrastructure Bank, enabling these funds to be leveraged to borrow up to \$600 million.

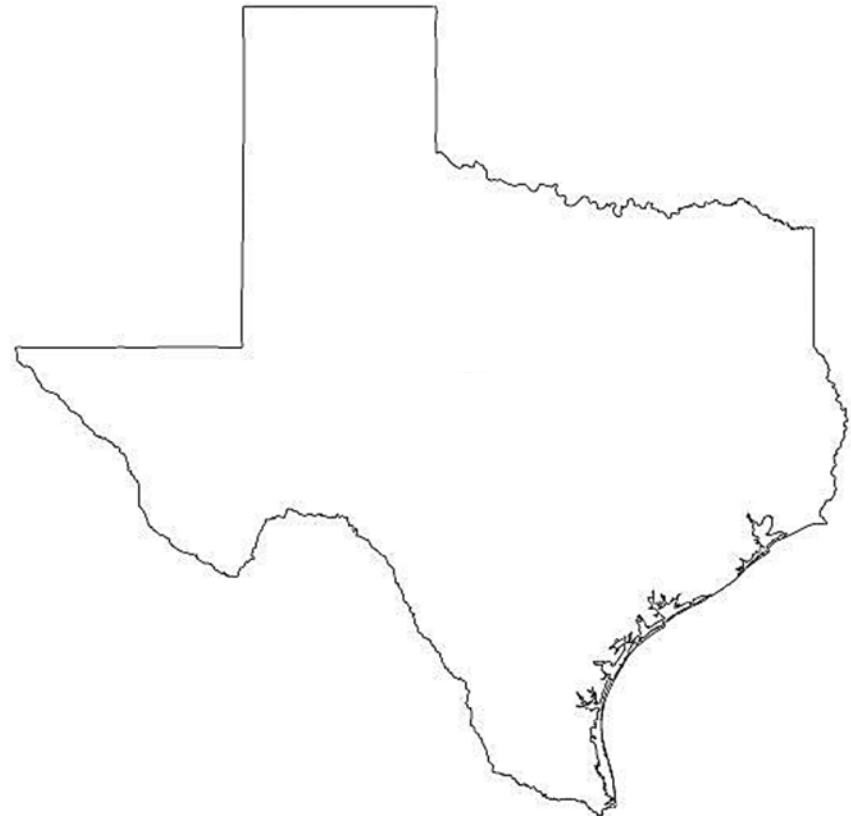


- ❖ Swapped funding sources for non-highway purposes to free up \$265 million in the FY 2014-2015 biennium for highway programs in the State Highway Fund;
- ❖ Proposed a constitutional amendment (on the ballot in November) to transfer half of new oil and gas severance tax revenues from the state's Economic Stabilization Fund to the State Highway Fund for non-toll highway improvements (estimated at \$1.4 billion for 2014);



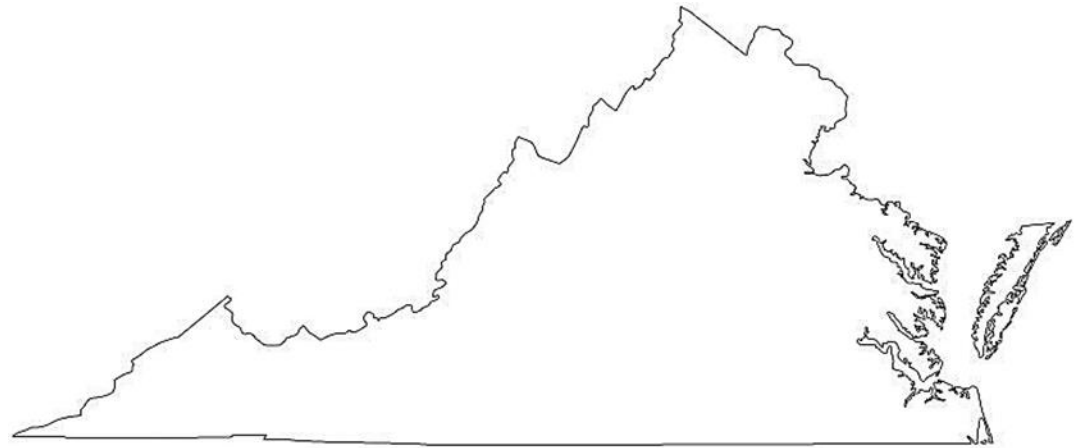
# TEXAS

- ❖ Proposal to rededicate all motor vehicle taxes for transportation;
- ❖ Leaders, including the Governor, advocated moving money from the state's Rainy Day Fund to set up a revolving loan fund for transportation and water;
- ❖ Coalition of business groups endorsed a plan to raise \$3.6 billion by tapping the Rainy Day Fund, ending some diversions from the gas tax, raising vehicle registration fees statewide by \$50 and dedicating a portion of sales tax revenue already collected from vehicle sales to fund highway projects.



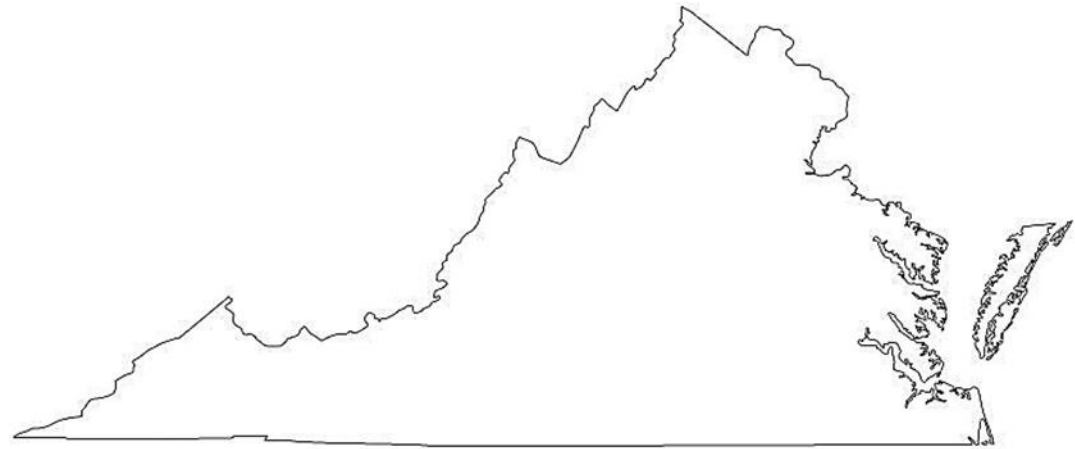
# VIRGINIA

- ❖ In May 2013, replaced the 17.5 cpg gas tax with a new 3.5<sup>0</sup>% wholesale gas tax (while proceeds will decline by 35<sup>0</sup>%, it will keep pace with inflation into future);
- ❖ Tax on diesel remains the same, but was converted from a flat per-gallon tax to a 6% wholesale tax;
- ❖ Raised the state sales tax by 0.3% and increased the dedication toward roads from 0.5% to 0.675% by 2018;
- ❖ Increased the vehicle title tax to 4.15% from 3% over four years;



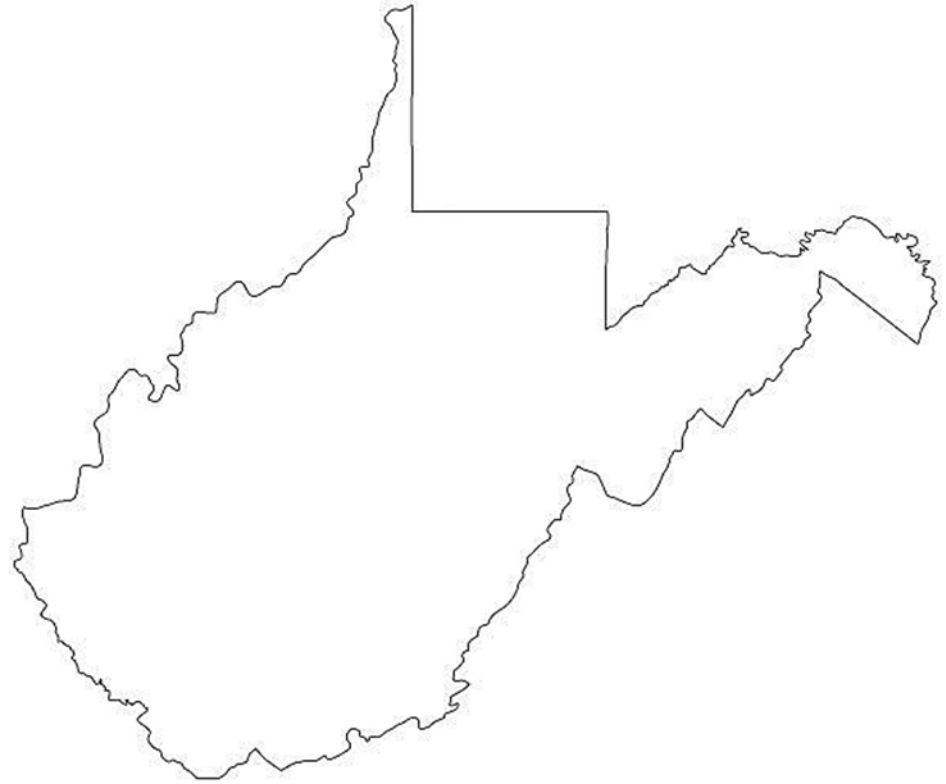
# VIRGINIA

- ❖ Increased the sales tax an additional 0.7% on top of the 0.3% statewide increase in Northern Virginia and Hampton Roads, the most populous areas of the state;
- ❖ Increased the hotel tax 2% in Northern Virginia;
- ❖ Increased the wholesale tax on motor fuels an additional 2.1% over the statewide level in Hampton Roads;
- ❖ Placed a “lockbox” on transportation funds so they cannot be used for other purposes.



# WEST VIRGINIA

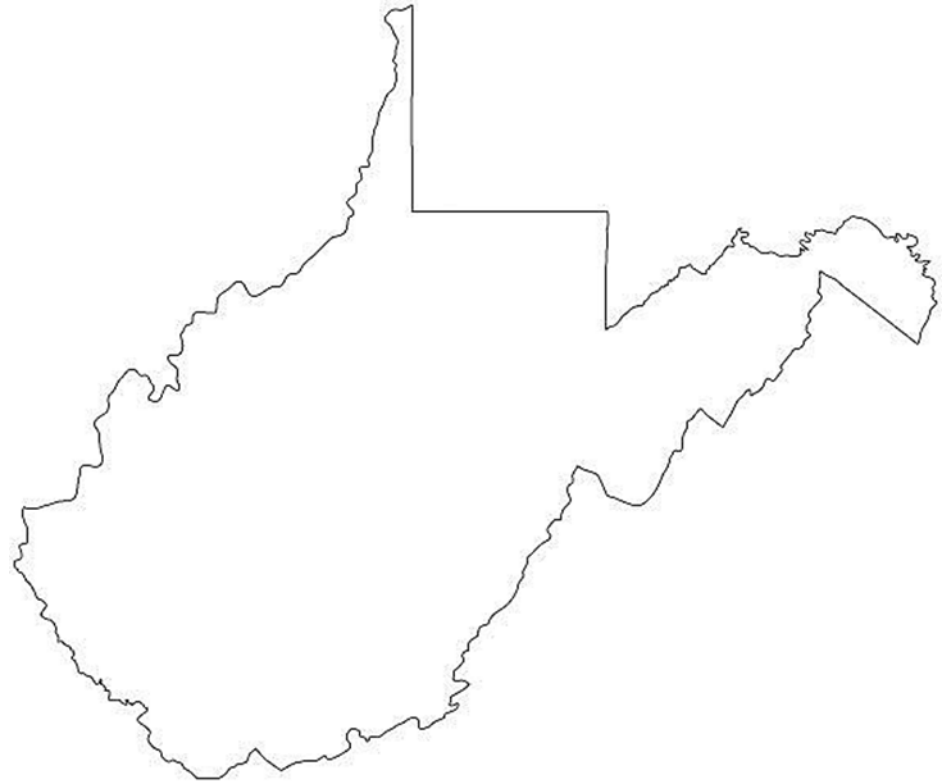
- ❖ Increase the sales tax from 6% to 7% with the increase dedicated to the Road Fund;
- ❖ Increase the Division of Motor Vehicle fees;
- ❖ Increase the cigarette tax by 50 cents a pack, with the increase dedicated to the Road Fund;
- ❖ Increase the excise tax on diesel fuel;





# WEST VIRGINIA

- ❖ Continue and increase tolls on the West Virginia Turnpike to finance \$1 billion in bond issues for road construction;
- ❖ Increase vehicle registration fees, vehicle titles and driver's license fees;
- ❖ Dedicate a portion of a proposed Marcellus Shale natural gas Future Fund to state roads;
- ❖ Study introduction of a vehicle miles traveled fee.



# STATE REVENUE ACTIONS OUTSIDE THE SLC REGION

- ❖ Raising fuel taxes – California, Maryland, Massachusetts, Vermont, Wyoming
- ❖ Reducing the gas tax but increasing other taxes for transportation – Pennsylvania
- ❖ Sales taxes on fuel, or other variable taxes/fees – Maryland, Massachusetts, Pennsylvania
- ❖ Vehicle registration fees – Pennsylvania
- ❖ Vehicle Miles Traveled (VMT) Fee – Oregon
- ❖ Framework to study a VMT Fee – Washington
- ❖ Special fees or taxes for electric or alternative fuel vehicles – Washington

# TRANSPORTATION FUNDING IN THE STATES

Thank You

For Additional Information or Questions,  
Please Contact:

Sujit M. CanagaRetna

The Council of State Governments' (CSG)

Southern Office, the Southern Legislative Conference (SLC)

404/633-1866

*[scanagaretna@csg.org](mailto:scanagaretna@csg.org)*