

2006 TDA Fly-in
Background Paper #1
National & Wisconsin Transportation Needs

According to a recent study done by the U.S. Chamber of Commerce's National Chamber Foundation, maintaining the current condition of the nation's highway and transit systems requires expenditures by all levels of government of \$235 billion per year. Adjusting for expected inflation, this annual figure will grow to \$304 billion by 2015 and \$472 billion by 2030. Current revenue streams will fall well short. The projected shortfall through 2015 is \$500 billion. This doesn't even begin to address system improvements that would benefit our nation's economic productivity.

The enactment last year of the Safe, Accountable, Flexible and Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU) did little to address the serious long-term transportation funding challenges. The average annual highway program funding growth under this authorization is about 1.8 percent when projected inflation is taken into account. This compares with 6 percent real annual growth under TEA-21. The transit program will experience about 3.6 percent real annual growth.

Wisconsin shares the nation's transportation needs and funding challenges. A dramatic increase in volume – vehicle miles traveled, freight tonnage and airport passengers – has taken a toll on the infrastructure. Mobility needs continue to outgrow the amount of available funding for transportation programs. It is estimated that there is a \$500 million annual shortfall in program funding for transportation needs across all modes in Wisconsin.

Aging infrastructure and inadequate funding have presented glaring system shortfalls evidenced by unacceptable numbers of highway fatalities and increased congestion. In 2000, WisDOT completed 20-year state highway system, airport system, and bicycle and pedestrian system plans. The completed plans cited significant shortfalls between current funding levels and funding needs, despite the fact that many find the plans conservative. WisDOT is currently working on revised multimodal plans, which will likely highlight additional funding shortfalls.

- **Highways:** WisDOT's State Highway Plan noted significant shortfalls in the funding necessary to meet Wisconsin's highway construction needs for the next 20 years. The Major Highway Program, which is designed to manage congestion and capacity, is committed through at least 2013 with projects totaling over \$2 billion. Many other capacity projects have not even been considered for inclusion in the program due to a lack of resources. In addition, reconstruction of the seven-county Southeast Wisconsin Freeway System is estimated to cost approximately \$6 billion, beginning with the Marquette Interchange, which will be complete in 2008. A plan to fund \$5 billion of freeway reconstruction following the Marquette Interchange has yet to be put forward. Federal funds will be a vital component of any funding plan.
- **Local Roads:** Local roads provide a critical link between the state trunk highway system and businesses. Local governments statewide are developing inventories of their road systems and documenting current needs. Recent estimates suggest program funding to maintain and improve local roads is short by approximately \$75 million annually. Safety on rural two-lane roads, which claim a disproportionate share of traffic deaths, continues to be a primary concern in Wisconsin.

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- Transit: As urban areas expand, much of the job growth and development is occurring on the edges of these urban centers. Transit services must continue to expand in order to connect workers to jobs and ensure mobility for an aging population. Rural communities are also under served. Currently, 24 of Wisconsin's 72 counties have no service. Wisconsin must also upgrade an aging bus fleet. The average Wisconsin bus is 10 years old while the national average is closer to 8. A minimum increase of \$60 million annually will be necessary to meet the capital improvement needs of Wisconsin's transit systems. In addition, funding for the federal New Starts program is critical to future commuter rail projects in Southeast Wisconsin and Dane County.
- Airports: The State Airport System Plan projected an \$18 million per year shortfall between system needs and expected revenues. Because 60-70 percent of the funding for airport improvements has and will continue to be federal, Wisconsin's return from the federal government is critical. The current authorization bill, Vision 100 – Century of Aviation Reauthorization Act, provides \$60 billion for aviation programs over four years. Wisconsin will receive on average \$60 million per year under this legislation. Vision 100 expires September 30, 2007. It is crucial that the reauthorization of aviation programs in 2007 ensures the long-term solvency of the Aviation Trust Fund – now rapidly being depleted. In addition, there must be adequate annual appropriations to fund aviation programs.
- Deepwater Ports: Wisconsin has 15 commercial ports that serve as multimodal distribution centers linking waterborne vessels and their freight with our extensive network of highways and railroads. Each year these facilities handle 40 million tons of cargo worth approximately \$7 billion. Increased investment is vital in order to maintain and modernize these systems, and to ensure affordable and efficient access to U.S. and global markets. The state's Harbor Assistance Program has a \$36 million project backlog funded by an almost \$3 million annual budget.
- Rail: Amtrak's Hiawatha service connecting Milwaukee and Chicago offers an affordable and reliable option for travelers and continues to offer the best on-time rating in the country. During 2005, the Hiawatha carried more than 500,000 passengers, a record high. Reductions in federal funding for Amtrak will mean cost increases or reductions in service for Wisconsin. In addition, federal funding is critical to any future high-speed rail operation in Wisconsin.

Demand continues to increase on both state and local transportation systems. Adequate funding is essential in order for Wisconsin to address its mobility needs across all transportation modes. Reliable mobility is essential to grow Wisconsin's economy.

2006 TDA Fly-in
Background Paper #2
Federal Transportation Funding Process

Federal transportation funding comes to the states through two legislative mechanisms – authorizations and appropriations.

Authorizing Legislation

Authorizing legislation establishes, continues or modifies federal transportation programs and sets spending limits and formulas. Authorizing legislation also establishes discretionary spending programs and provides funding guidance for those programs. Transportation authorizing legislation is crafted by authorizing committees in Congress. A number of House and Senate committees preside over the development of specific transportation issues in reauthorization. In 2005 President Bush signed into law the Safe, Accountable, Flexible and Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU). This multi-year legislation authorizes programs and funding levels for highways and transit. It was nearly two years late and covered the early portion of its six-year span, 2004-2009, retroactively. The four-year federal aviation reauthorization, Vision 100 – Century of Aviation Reauthorization Act, was enacted in 2003 and will expire September 30, 2007.

Appropriations Legislation

Appropriations legislation is approved annually as part of the budget process. It provides a commitment of funds to ensure that an authorized program can be implemented in a given year. This is analogous to a credit card for which the authorizers decide the credit limit and the places where it will be accepted while the appropriators decide how much to spend. You cannot have an appropriation without an authorization. Senator Herb Kohl (D-WI) is a member of the Senate Appropriations Committee, and Representative Dave Obey (WI-7) is Ranking Minority Member of the House Appropriations Committee.

SAFETEA-LU Reauthorization Overview

SAFETEA-LU, as enacted last year, provides total guaranteed funding of \$286.5 billion – \$227.6 billion for highway programs and \$52.6 billion for state and local transit – but makes few significant changes to the administration of the Highway Trust Fund (HTF). The bill maintains a "firewall" for HTF funds, which mandates that HTF revenues be used only for transportation programs. The mechanism called Revenue Aligned Budget Authority (RABA), which allows the level of funding sent to the states to grow (or decline) as HTF revenues grow (or decline), is also retained. However the baseline in the RABA equation appears to be so low that there is little possibility of RABA reducing highway spending.

There is a change in how states are to be guaranteed a rate of return on HTF contributions. SAFETEA-LU replaces the TEA-21 Minimum Guarantee Program that promised each state a 90.5 percent rate of return on its HTF contributions with a new Equity Bonus Program. The Equity Bonus guarantees states 90.5 percent in 2005 with this percentage increasing to 92 percent by 2009. In addition, the Equity Bonus establishes a set percentage increase that all states must receive above the average six-year apportionment of federal highway funds they received under TEA-21.

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A separate provision says that states meeting certain requirements will receive the greater of the above rates of return or the share of total highway formula funds they received under TEA-21. It is under this provision, which includes a reward for states with a gas tax indexed for inflation and over 27 cents per gallon, that Wisconsin was able to achieve such a high rate of return for highway funds (\$1.06).

The HTF comprises two major accounts: the Highway Account (HA) and the Mass Transit Account (MTA). Nearly 80 percent of HTF revenues, derived primarily from the federal fuel tax, are directed to the HA, which funds highway and bridge infrastructure. Approximately 20 percent of HTF revenues are directed to the MTA, which funds transit programs. The MTA also receives revenue from the General Fund. In 2006, the Federal Highway Program was funded with \$35.9 billion, and the Federal Transit Program was funded with \$8.6 billion before both were included in the one percent cut to discretionary programs.

Federal funds make up a significant portion of the state's highway and transit programs. Unfortunately, SAFETEA-LU did little to address the serious long-term transportation funding challenges. The HTF is being threatened on two fronts – bankruptcy and high construction inflation.

A recent Congressional Budget Office (CBO) forecast shows receipts, primarily federal gas tax revenue, for the Highway Trust Fund for fiscal years 2006-2009 (the SAFETEA-LU years) will be \$5.9 billion below the estimates used at the time SAFETEA-LU was enacted. The Highway Account could be bankrupt as early as 2008. In addition, the purchasing power of the HTF has eroded over time and will continue to do so without a revenue enhancement. According to a recent study released by the U.S. Chamber of Commerce's National Chamber Foundation titled "Future Highway and Public Transportation Finance", the federal gas tax has lost about one-third of its purchasing power since 1993 because the gas tax is not indexed to inflation. In order just to maintain existing funding levels and purchasing power, additional revenue sources must be identified. While there does not appear to be the will in Congress at this time to raise user fees, TDA will continue to advocate for new revenue sources and increased federal funding to enable Wisconsin to address the critical needs of the state's aging transportation system.

Vision 100 Reauthorization Overview

In December 2003, President George W. Bush signed into law the Vision 100 – Century of Aviation Reauthorization Act. Among major provisions of the four-year, \$60 billion Vision 100 were:

- Retaining the AIR 21 budgetary protection ensuring revenues in the Aviation Trust Fund are fully spent and guaranteeing funding to improve airports at authorized levels.
- Authorizing federal airport-construction funding levels that would increase from \$3.4 billion in 2004 to \$3.7 billion in 2007.
- Limiting expenditure of airport improvement funds on airport security projects and establishing a separate airport security fund with \$500 million per year.
- Reducing the local match on airport improvement projects from 10 percent to 5 percent for certain airports.
- Expediting environmental review and approval processes for air-capacity projects.

Wisconsin relies on the federal program for 60-70 percent of the state's aviation program. However, like the HTF, the uncommitted balances in the Aviation Trust Fund (ATF) are declining. The ATF pays for airport infrastructure improvements and a portion of the Federal Aviation Administration (FAA) operating costs. Substantially lower estimates of future ATF revenue may result in the balances being spent by the end of the decade. TDA advocates for sufficient revenue to stabilize the trust fund and provide funding for needed system expansion.