

# NADO

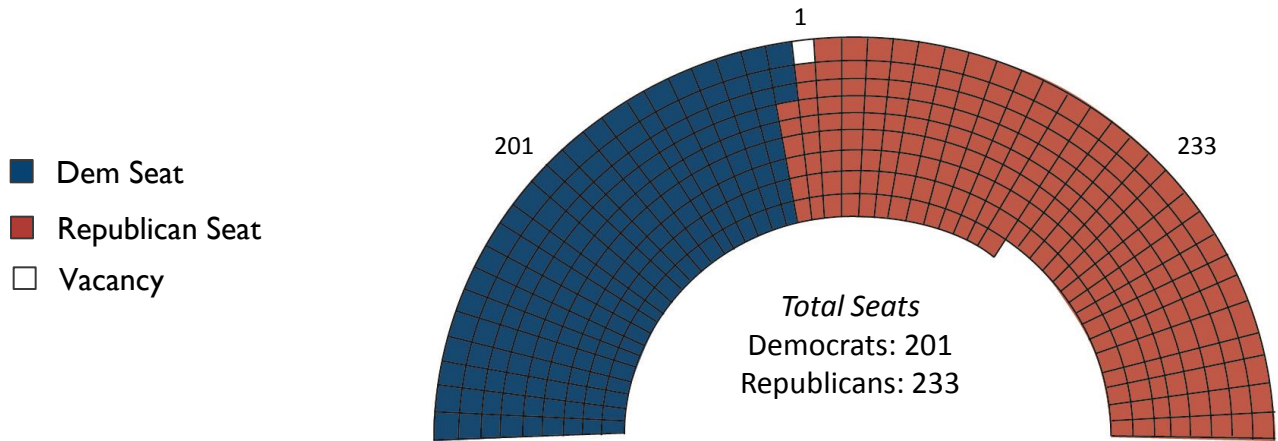
# Annual Training Conference

Kathy Ruffalo  
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August 25, 2014

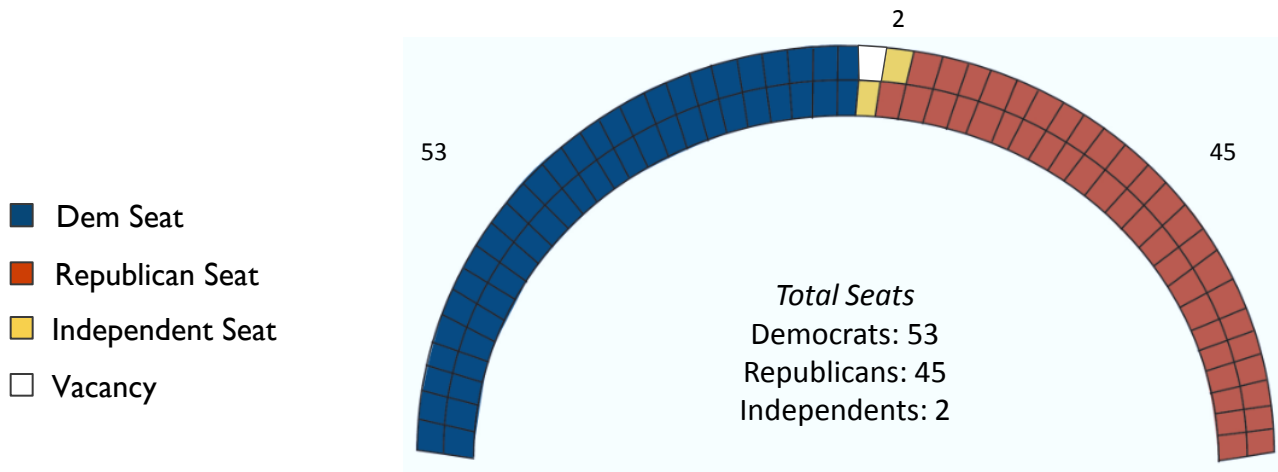
# Topics

- Congressional landscape
- Highway Trust Fund outlook
- Funding and financing options
- Key issues to consider

### House Makeup by Party

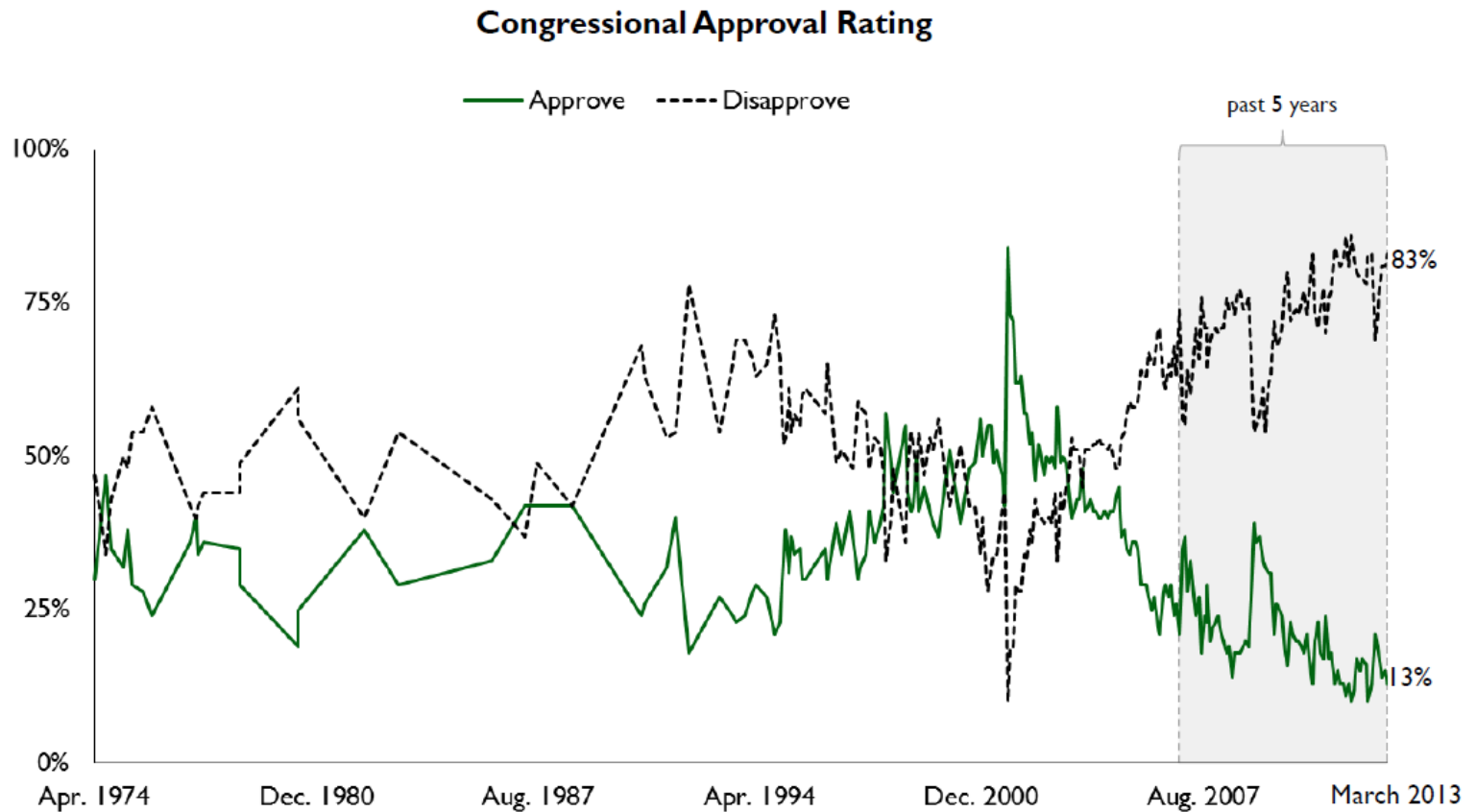


### Senate Makeup by Party



# Political Context

## Congressional Approval Hovers Near Three-Decade Low



# Know your audience.....

- Or at least know what people think of your audience.....

# Opinion of Congress\*

Favorable - 13%

Unfavorable – 83%

\*Gallup – March 2013

# Congress MORE popular than\*

- Fidel Castro
- North Korea
- Meth labs
- The Kardashians/Lindsey Lohan
- Lobbyists

\*Public Policy Polling

# Things MORE popular than Congress\*

- Lice
- Used car salesman
- Root canals
- Carnies
- Cockroaches
- Colonoscopies
- NFL replacement refs

\*Public Policy Polling



# Pew Research Poll

- Listed top 20 priorities for Congress
  - Top three:
    - Strengthening nation's economy
    - Improving job situation
    - Defending against terrorism
- Improving roads, bridges and transit - #17
- 81% feel partisanship will get worse or stay same

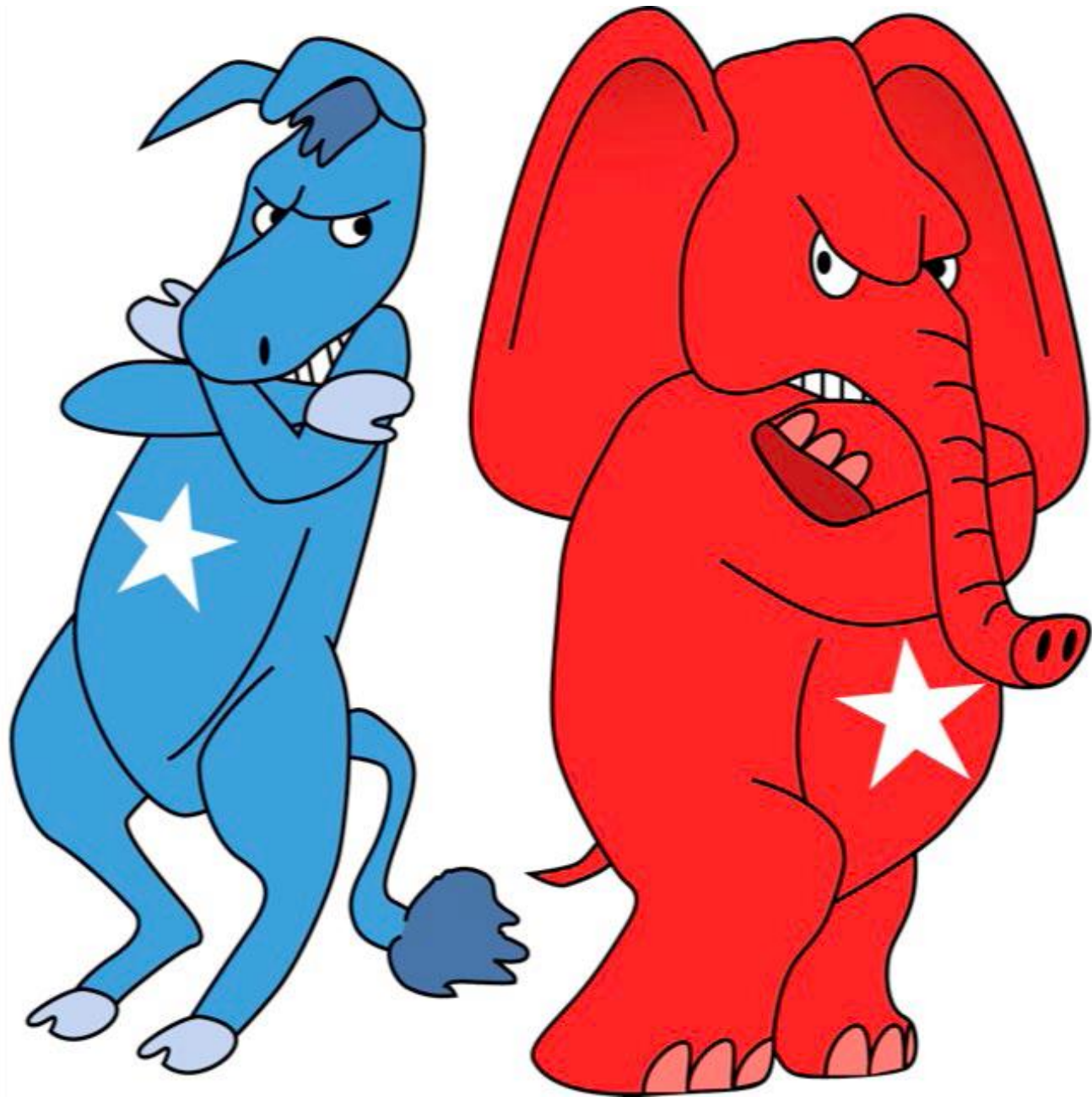
# Current focus of Congress

Besides the elections....

- Conflicts around the world
- Immigration reform/border crisis
- IRS scandal
- Budget/appropriations/debt ceiling/sequester

# September schedule

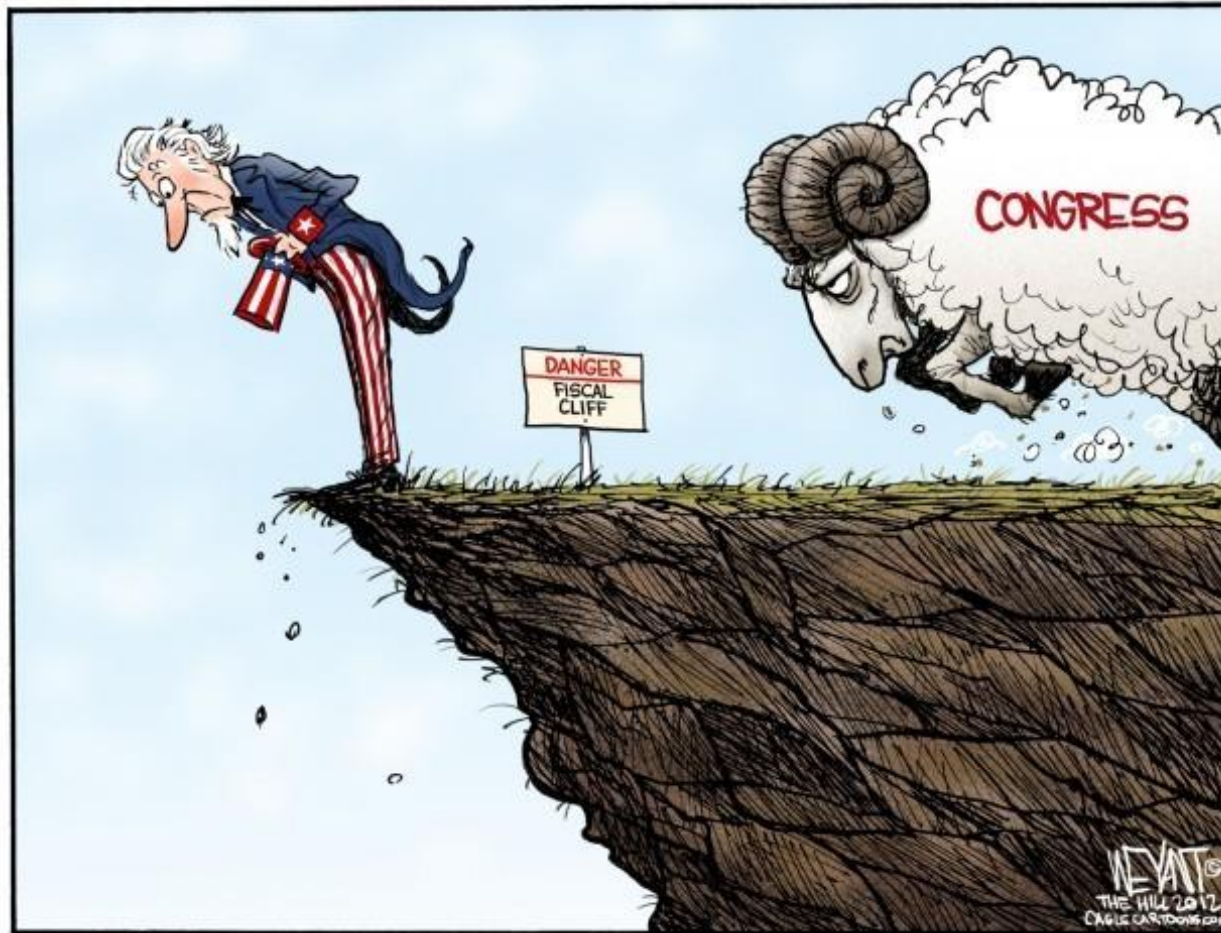
- Only in session 12 – 15 days
- Still have to pass a continuing resolution to keep the government running – how long?
- Messaging their opponents!



Where does transportation fit in this puzzle?



# Transportation's fiscal cliff



# Just last month.....

- Congress extended MAP-21 policies through May 31, 2015
- Congress also transferred \$10.8 billion into the Highway Trust Fund to maintain current funding levels – “estimated” to last until May 31, 2015



# Two problems

- What happens after May 31<sup>st</sup> next year?
- “Longer” term shortfall

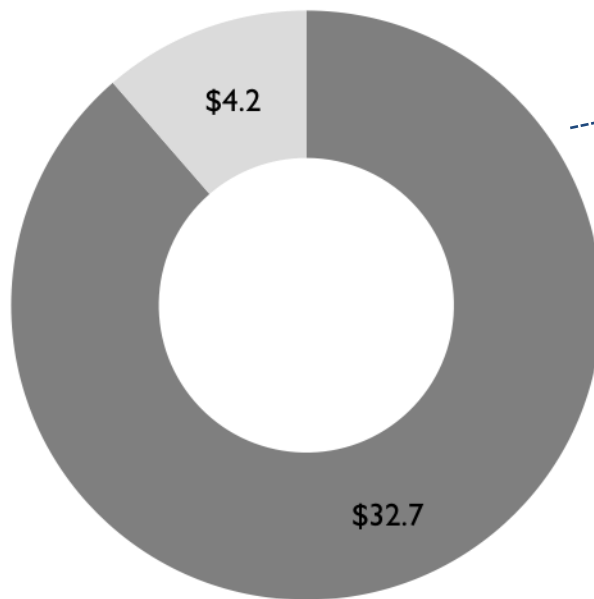
# Deposits into HTF

- Federal gasoline taxes
- Federal diesel taxes
- Federal retail tax on truck and trailer sales
- Truck tire tax
- Heavy vehicle use tax

# Fuel Taxes Power Fund

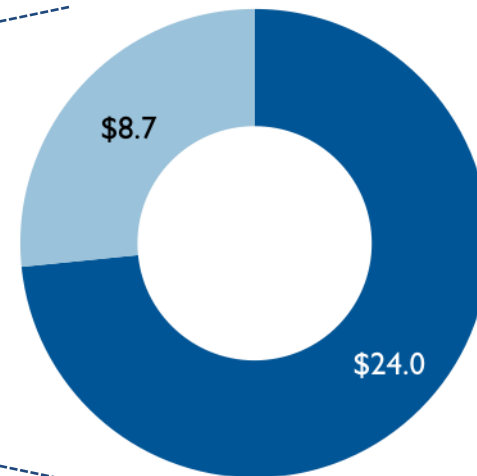
**Sources of Highway Trust Fund Revenue (Billions)**

■ Fuel Taxes ■ Non-Fuel Taxes



**Breakdown of Fuel Tax Revenue (Billions)**

■ Gasoline Tax ■ Diesel Tax



**Analysis**

- 90% of the Highway Trust Fund’s revenue comes from fuel taxes (imposed at the federal level but collected by state retailers), and gas taxes comprise 75% of fuel tax income
- The fund’s relative dependence on a small number of sources makes it vulnerable to revenue and consumption fluctuations

# History

- Since 2000, Congress has spent more from the Highway Trust Fund than revenue collected
- Congress has transferred funds from the General Fund to the HTF to keep spending at current levels
  - Approximately \$65 billion transferred
  - Some transfers “paid” for

# HTF outlook

- In order to keep current funding levels, need revenue from “somewhere” .....
- Current funding gap – roughly \$15 - \$18 billion needed annually to maintain current funding levels

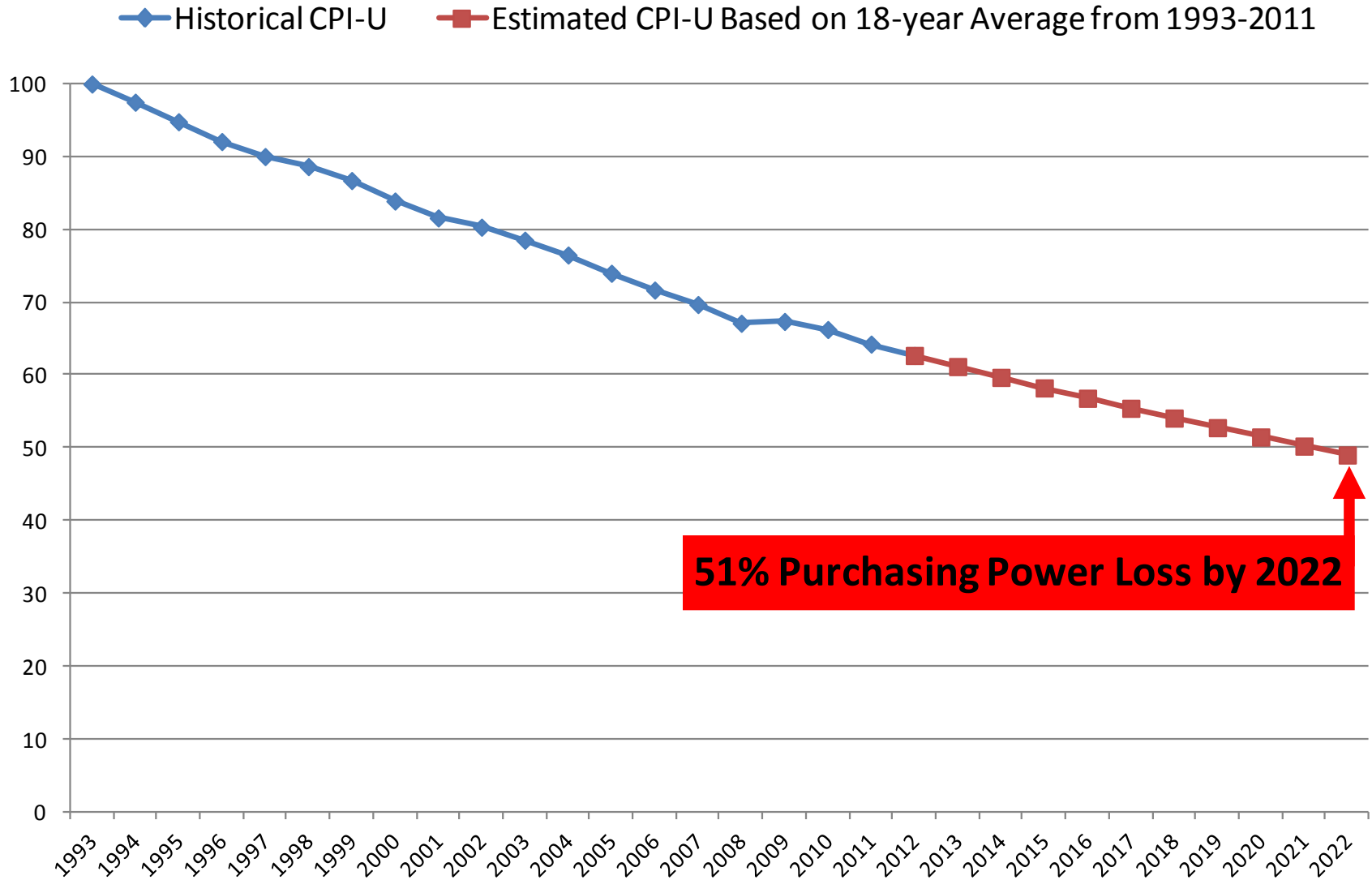
“Today’s problems cannot be solved by thinking the way we thought when we created them.”

- Albert Einstein

# What do I mean by that?

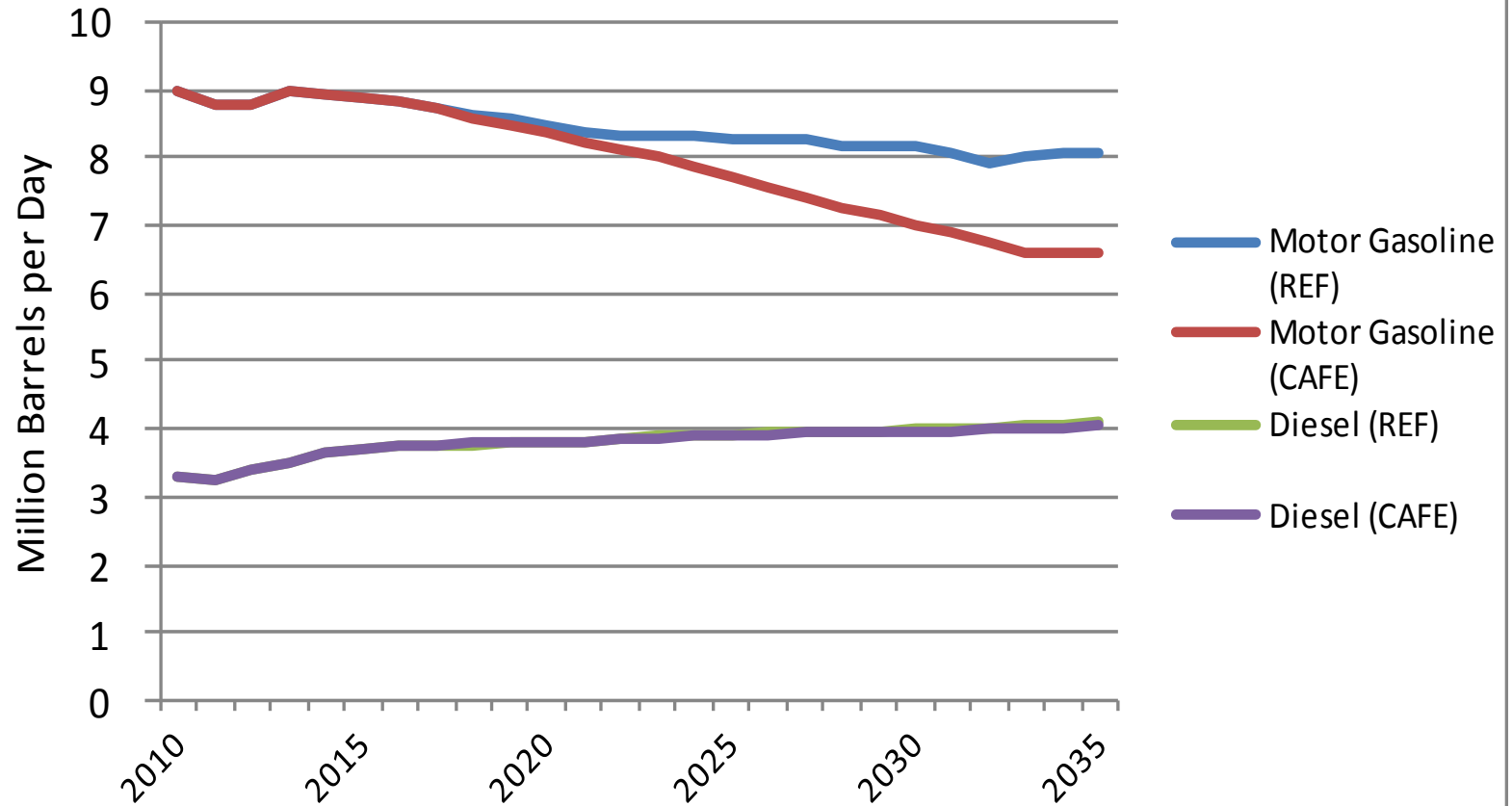
- We pay for federal transportation programs based upon how much fuel you use.....
- While at the same time, federal policy discourages the use of that fuel
- New fuel economy standards – 54.5 mpg by 2025

# PURCHASING POWER LOSS OF GAS TAX DUE TO INFLATION



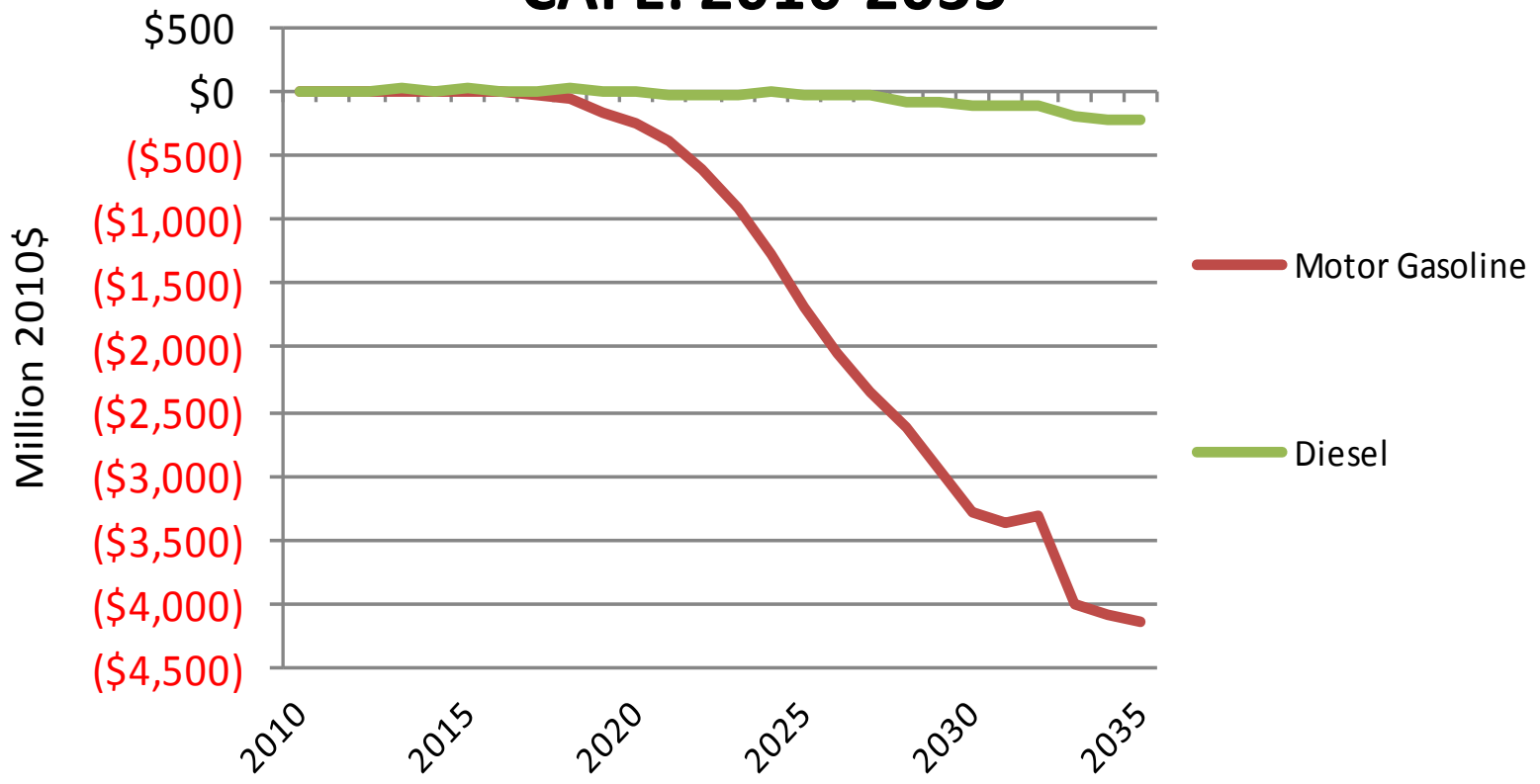


# Fuel Demand: 2010-2035



# Estimated Losses to HTF from 2017-2025

## CAFE: 2010-2035



# Choices

- Reduce spending
- Go to the General Fund – again
- Raise current taxes or fees
- Create new funding mechanism

# Funding vs. Financing

## Funding

- Collection of taxes, fees, and other charges and the allocation of these revenues for transportation purposes

## Financing

- Leveraging or upfront monetization of revenue streams

# MATRIX OF ILLUSTRATIVE SURFACE TRANSPORTATION REVENUE OPTIONS

All revenue estimates in millions of dollars

Funding Mechanisms	Mechanism Yield 2014	Illustrative Rate	Revenues 2014	Average Revenues 2015-2020	Total Revenues 2015-2020
Container Tax	\$1.00 per TEU = \$ 421	<b>\$15.00</b>	\$ 6,317	\$ 6,893	\$ 41,361
Customs Revenues (Partial Dedication)	1.0% of Receipts = \$ 357	<b>1.0%</b>	\$ 357	\$ 408	\$ 2,451
Drivers License Surcharge (Annual)	\$1.00 Surcharge = \$ 222	<b>\$5.00</b>	\$ 1,109	\$ 1,154	\$ 6,926
Excise Tax on Diesel (Increase)	1¢ per Gallon = \$ 399	<b>15.0¢</b>	\$ 5,983	\$ 6,480	\$ 38,877
Excise Tax on Diesel (Indexing)	n/a		\$ 440	\$ 1,031	\$ 6,183
Excise Tax on Gasoline (Increase)	1¢ per Gallon = \$ 1,282	<b>10.0¢</b>	\$ 12,823	\$ 13,367	\$ 80,202
Excise Tax on Gasoline (Indexing)	n/a		\$ 1,046	\$ 2,384	\$ 14,303
Freight Bill - All Modes	1.0% of Sales = \$ 8,318	<b>1.0%</b>	\$ 8,318	\$ 9,236	\$ 55,415
Freight Bill - Truck Only	1.0% of Sales = \$ 7,221	<b>1.0%</b>	\$ 7,221	\$ 8,018	\$ 48,110
Freight Charge - All Modes (Ton)	1¢ per Ton = \$ 180	<b>25.0¢</b>	\$ 4,492	\$ 4,988	\$ 29,929
Freight Charge - All Modes (Ton-Mile)	1¢ per Ton-mile = \$ 47,530	<b>0.5¢</b>	\$ 23,765	\$ 26,389	\$ 158,334
Freight Charge - Truck Only (Ton)	1¢ per Ton = \$ 124	<b>25.0¢</b>	\$ 3,098	\$ 3,440	\$ 20,641
Freight Charge - Truck Only (Ton-Mile)	1¢ per Ton-mile = \$ 13,911	<b>0.5¢</b>	\$ 6,956	\$ 7,724	\$ 46,342
Harbor Maintenance Tax (Increase)	0.1% Tax = \$ 1,331	<b>0.5%</b>	\$ 6,657	\$ 7,264	\$ 43,584
Heavy Vehicle Use Tax (Increase)	100% Increase = \$ 852	<b>15.0%</b>	\$ 128	\$ 163	\$ 977
Imported Oil Tax	\$1.00 per Barrel = \$ 3,528	<b>\$1.00</b>	\$ 3,528	\$ 3,528	\$ 21,171
Income Tax - Business (Partial Dedication)	0.1% of Current Taxes = \$ 440	<b>1.0%</b>	\$ 4,396	\$ 4,847	\$ 29,082
Income Tax - Personal (Partial Dedication)	0.1% of Current Taxes = \$ 1,508	<b>1.0%</b>	\$ 15,084	\$ 18,393	\$ 110,356
Oil, Gas, Minerals Lease - Rent, Bonus, and Other Income (Partial Dedication)	1.0% of GF Revenues = \$ 15	<b>50.0%</b>	\$ 750	\$ 750	\$ 4,500
Oil, Gas, Minerals Lease - Royalties (Partial Dedication)	1.0% of GF revenues = \$ 55	<b>50.0%</b>	\$ 2,750	\$ 2,750	\$ 16,500
Registration Fee on Light Duty Vehicles (Annual)	\$1.00 Fee = \$ 259	<b>\$10.00</b>	\$ 2,594	\$ 2,731	\$ 16,387
Registration Fee on Trucks (Annual)	\$1.00 Fee = \$ 9	<b>\$15.00</b>	\$ 131	\$ 133	\$ 797
Sales Tax on Auto-related Parts and Services	1.0% of Sales = \$ 2,567	<b>1.0%</b>	\$ 2,567	\$ 2,883	\$ 17,299
Sales Tax on Fuel - Diesel	1.0% of Sales = \$ 1,253	<b>11.0%</b>	\$ 13,782	\$ 15,839	\$ 95,033
Sales Tax on Fuel - Gasoline	1.0% of Sales = \$ 3,711	<b>8.0%</b>	\$ 29,686	\$ 31,126	\$ 186,753
Sales Tax on New and Used Light Duty Vehicles	1.0% of Sales = \$ 2,619	<b>1.0%</b>	\$ 2,619	\$ 2,619	\$ 15,715
Sales Tax on New Light Duty Vehicles	1.0% of Sales = \$ 1,625	<b>1.0%</b>	\$ 1,625	\$ 1,625	\$ 9,752
Sales Tax on Trucks and Trailers (Increase)	1.0% of Sales = \$ 268	<b>5.0%</b>	\$ 1,340	\$ 1,677	\$ 10,062
Tire Tax on Light Duty Vehicles	\$1.00 Fee = \$ 195	<b>\$3.00</b>	\$ 584	\$ 615	\$ 3,687
Tire Tax on Trucks (Increase)	100% Increase = \$ 434	<b>10.0%</b>	\$ 43	\$ 54	\$ 326
Vehicle Miles Traveled Fee on Light Duty Vehicles (All Miles)	1¢ per VMT = \$ 26,891	<b>2.0¢</b>	\$ 53,781	\$ 55,852	\$ 335,111

# Key issues to consider at Federal level

- How much revenue do we ask for? Enough to close the gap? Growth in the program?
- Do we need more than one funding option to give to Congress? Pros and Cons?
- How do we sell a skeptical public and Congress to raise revenue?

# Key issues continued

- Do we focus only on options that can generate revenue “immediately” – i.e., change the rate of a current funding stream?
- Or do we consider options that may take time to implement and what are the implications on revenue into the Highway Trust Fund and spending from the HTF?
- Do we consider revenue streams from other “users” of the system?

# Other key issues

- Should we maintain any “user fee” concept?
- Does the source of the dollar matter anymore or just having the dollar in our pocket is enough?
- What are implications of losing the user fee concept?



# Examples of financing methods

- National Infrastructure Bank or Fund
- TIFIA Expansion
- Private Activity Bonds
- Tax credit bonds
- Tax exempt bonds

# So – how can we fix this mess?

- Lame duck session?
  - Tax extender legislation
- Comprehensive tax reform?
  - Corporate inversions
- Debt ceiling debate?
  - Another “grand bargain”?

# CBO Continues to Project a High Deficit

## U.S. Deficit and Surplus



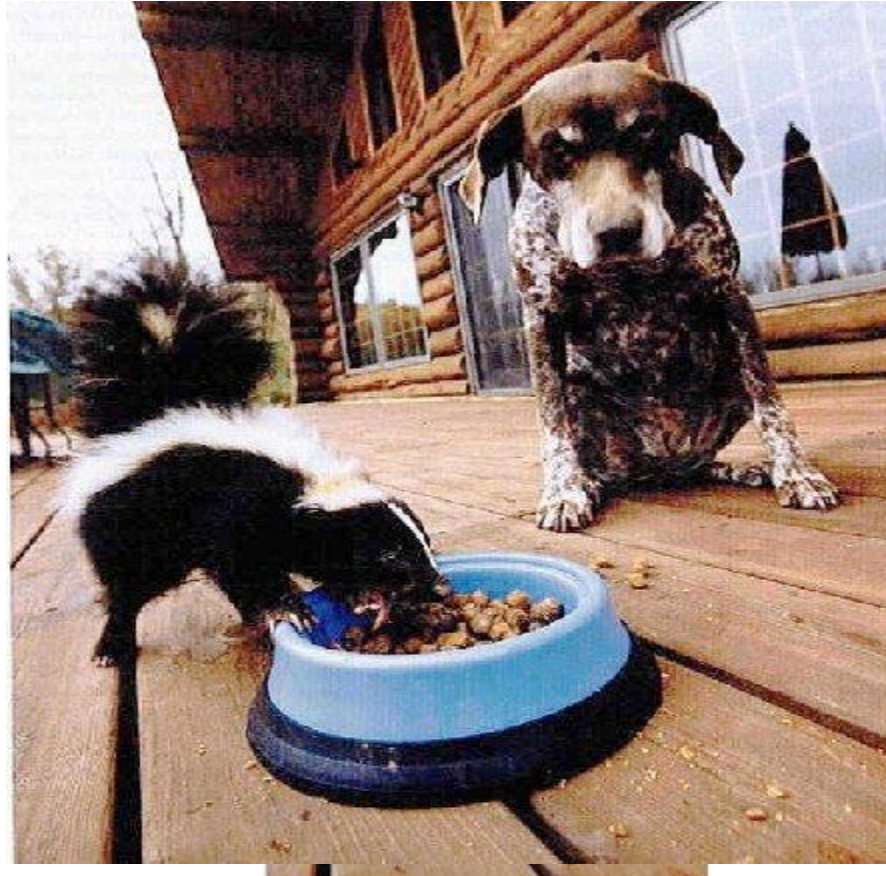
### Analysis

Although the deficit has decreased since FY2009 and is projected by the CBO to continue to do so through FY2015, it remains at historically high levels

# States taking the lead

- Sales taxes
- Indexing transit fares and fuel taxes
- Moving taxation to wholesale level
- Internet sales tax revenue
- Oil and gas impact fees
- Vehicle miles traveled
- Tolling, managed lanes
- Lottery proceeds
- Raising DL fees, titling, registration, emission
- Alternative fuel vehicle fee
- Regional congestion relief fees for real estate
- Rest stop sponsorship

# Patience and Wisdom



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