NADO
Annual Training Conference

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Topics

• Congressional landscape
• Highway Trust Fund outlook
• Funding and financing options
• Key issues to consider
House Makeup by Party

- Democrats: 201 Seats
- Republicans: 233 Seats

Total Seats:
- Democrats: 201
- Republicans: 233

Senate Makeup by Party

- Democrats: 53 Seats
- Republicans: 45 Seats
- Independents: 2 Seats

Total Seats:
- Democrats: 53
- Republicans: 45
- Independents: 2

Congressional Approval Hovers Near Three-Decade Low

Source: Gallup.com, March 2013
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 31st 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

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

- Historical CPI-U
- Estimated CPI-U Based on 18-year Average from 1993-2011

51% Purchasing Power Loss by 2022
Fuel Demand: 2010-2035

- Million Barrels per Day
- Fuel Demand: 2010 - 2035
- Motor Gasoline (REF)
- Motor Gasoline (CAFE)
- Diesel (REF)
- Diesel (CAFE)
Estimated Losses to HTF from 2017-2025

CAFE: 2010-2035

Motor Gasoline
Diesel
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

<table>
<thead>
<tr>
<th>Funding Mechanisms</th>
<th>Mechanism Yield 2014</th>
<th>Illustrative Rate</th>
<th>Revenues 2014</th>
<th>Average Revenues 2015-2020</th>
<th>Total Revenues 2015-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Container Tax</td>
<td>$1.00 per TEU</td>
<td>$421</td>
<td>$15.00</td>
<td>$6,317</td>
<td>$6,893</td>
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<tr>
<td>Customs Revenues (Partial Dedication)</td>
<td>1.0% of Receipts</td>
<td>$357</td>
<td>1.0%</td>
<td>$357</td>
<td>$408</td>
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<tr>
<td>Drivers License Surcharge (Annual)</td>
<td>$1.00 Surcharge</td>
<td>$222</td>
<td>5.00</td>
<td>$1,109</td>
<td>$1,154</td>
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<tr>
<td>Excise Tax on Diesel (Increase)</td>
<td>1¢ per Gallon</td>
<td>$399</td>
<td>15.0¢</td>
<td>$5,983</td>
<td>$6,480</td>
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<tr>
<td>Excise Tax on Diesel (Indexing)</td>
<td>n/a</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excise Tax on Gasoline (Increase)</td>
<td>1¢ per Gallon</td>
<td>$1,282</td>
<td>10.0¢</td>
<td>$12,823</td>
<td>$13,367</td>
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<tr>
<td>Excise Tax on Gasoline (Indexing)</td>
<td>n/a</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freight Bill - All Modes</td>
<td>1.0% of Sales</td>
<td>$8,318</td>
<td>1.0%</td>
<td>$8,318</td>
<td>$9,236</td>
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<tr>
<td>Freight Bill - Truck Only</td>
<td>1.0% of Sales</td>
<td>$7,221</td>
<td>1.0%</td>
<td>$7,221</td>
<td>$8,018</td>
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<td>Freight Charge - All Modes (Ton)</td>
<td>1¢ per Ton</td>
<td>$180</td>
<td>25.0¢</td>
<td>$4,492</td>
<td>$4,988</td>
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<tr>
<td>Freight Charge - All Modes (Ton-Mile)</td>
<td>1¢ per Ton-mile</td>
<td>$47,530</td>
<td>0.5¢</td>
<td>$23,765</td>
<td>$26,389</td>
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<tr>
<td>Freight Charge - Truck Only (Ton)</td>
<td>1¢ per Ton</td>
<td>$124</td>
<td>25.0¢</td>
<td>$3,098</td>
<td>$3,440</td>
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<tr>
<td>Freight Charge - Truck Only (Ton-Mile)</td>
<td>1¢ per Ton-mile</td>
<td>$13,911</td>
<td>0.5¢</td>
<td>$6,657</td>
<td>$7,264</td>
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<tr>
<td>Harbor Maintenance Tax (Increase)</td>
<td>0.1% Tax</td>
<td>$1,331</td>
<td>0.5%</td>
<td>$6,657</td>
<td>$7,264</td>
</tr>
<tr>
<td>Heavy Vehicle Use Tax (Increase)</td>
<td>100% Increase</td>
<td>$852</td>
<td>15.0%</td>
<td>$128</td>
<td>$163</td>
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<tr>
<td>Imported Oil Tax</td>
<td>$1.00 per Barrel</td>
<td>$3,528</td>
<td>1.0%</td>
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<td>$3,528</td>
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<td>Income Tax - Business (Partial Dedication)</td>
<td>0.1% of Current Taxes</td>
<td>$440</td>
<td>1.0%</td>
<td>$4,396</td>
<td>$4,847</td>
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<td>Income Tax - Personal (Partial Dedication)</td>
<td>0.1% of Current Taxes</td>
<td>$1,508</td>
<td>1.0%</td>
<td>$15,084</td>
<td>$18,393</td>
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<tr>
<td>Oil, Gas, Minerals Lease - Rent, Bonus, and Other Income (Partial Dedication)</td>
<td>1.0% of GF Revenues</td>
<td>$15</td>
<td>50.0%</td>
<td>$750</td>
<td>$750</td>
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<tr>
<td>Oil, Gas, Minerals Lease - Royalties (Partial Dedication)</td>
<td>1.0% of GF revenues</td>
<td>$55</td>
<td>50.0%</td>
<td>$2,750</td>
<td>$2,750</td>
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<tr>
<td>Registration Fee on Light Duty Vehicles (Annual)</td>
<td>$1.00 Fee</td>
<td>$259</td>
<td>$10.00</td>
<td>$2,594</td>
<td>$2,731</td>
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<tr>
<td>Registration Fee on Trucks (Annual)</td>
<td>$1.00 Fee</td>
<td>$9</td>
<td>$15.00</td>
<td>$131</td>
<td>$133</td>
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<tr>
<td>Sales Tax on Auto-related Parts and Services</td>
<td>1.0% of Sales</td>
<td>$2,567</td>
<td>1.0%</td>
<td>$2,567</td>
<td>$2,883</td>
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<tr>
<td>Sales Tax on Fuel - Diesel</td>
<td>1.0% of Sales</td>
<td>$1,253</td>
<td>11.0%</td>
<td>$13,782</td>
<td>$15,839</td>
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<tr>
<td>Sales Tax on Fuel - Gasoline</td>
<td>1.0% of Sales</td>
<td>$3,711</td>
<td>8.0%</td>
<td>$29,686</td>
<td>$31,126</td>
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<tr>
<td>Sales Tax on New and Used Light Duty Vehicles</td>
<td>1.0% of Sales</td>
<td>$2,619</td>
<td>1.0%</td>
<td>$2,619</td>
<td>$2,619</td>
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<tr>
<td>Sales Tax on New Light Duty Vehicles</td>
<td>1.0% of Sales</td>
<td>$1,625</td>
<td>1.0%</td>
<td>$1,625</td>
<td>$1,625</td>
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<tr>
<td>Sales Tax on Trucks and Trailers (Increase)</td>
<td>1.0% of Sales</td>
<td>$268</td>
<td>5.0%</td>
<td>$1,340</td>
<td>$1,677</td>
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<tr>
<td>Tire Tax on Light Duty Vehicles</td>
<td>$1.00 Fee</td>
<td>$195</td>
<td>$3.00</td>
<td>$584</td>
<td>$615</td>
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<tr>
<td>Tire Tax on Trucks (Increase)</td>
<td>100% Increase</td>
<td>$434</td>
<td>10.0%</td>
<td>$43</td>
<td>$54</td>
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<tr>
<td>Vehicle Miles Traveled Fee on Light Duty Vehicles (All Miles)</td>
<td>1¢ per VMT</td>
<td>$26,891</td>
<td>2.0¢</td>
<td>$53,781</td>
<td>$55,852</td>
</tr>
</tbody>
</table>

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

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.

Budget Resolution, 2014; Congressional Budget Office, April 2014.
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