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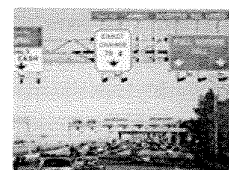
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Highway bill draft high on tolls, user fees

May 3, 2011 10:41 AM, By Sean Kilcarr, senior editor

A draft of a six-year surface transportation funding bill released late last week by the Obama administration seeks to allow state and local governments more flexibility to impose roadway and bridge tolls and also proposes to create a study group to examine the feasibility of moving to mileage-based user fees as an alternative to using fuel taxes to fund infrastructure needs.



The 60-plus page draft of the bill  dubbed the Transportation Opportunities Act  is being characterized in many circles as a  trial balloon  by the administration to test the political waters on several potentially contentious proposals, especially the wider use of tolls.


Two new toll collection options are being touted as a way to provide more flexibility to finance new construction and capacity and/or manage congestion.


The first option focuses on Metropolitan Congestion Reduction and permits state and local governments to impose tolls on existing Interstate and non-interstate facilities for the purposes of improving or reducing congestion in metropolitan areas with populations over one million people.

Critical caveats to this tolling option is that they must vary in order to manage demand, may only be collected through electronic toll collection systems, and that toll revenues must first be used for the improvement, operation and maintenance of the facilities where the tolls are collected.

The second toll collection option proposed in the draft bill is focused on the national Interstate system, permitting state and local governments to impose tolls for the purpose to initially construct Interstate facilities and/or constructing one or more lanes. Again, any tolls collected under this program may only be collected through electronic toll collection systems and toll revenues may only be used for the improvement, operation and maintenance of the facilities where the tolls are collected.

The bill also seeks to establish and fund a Surface Transportation Revenue Alternatives Office for six years within the Federal Highway Administration (FHWA) to analyze the feasibility of implementing a national mileage-based user fee system. That group will be charged with studying the technologies that might be used to implement mileage-based user charges and deliver a final report at the end of its term detailing what steps would be required to potentially implement such a system.

In an interesting counterpoint, the U.S. Conference of Mayors (USCM) released the results of a 176-city survey concerning the future direction of local transportation infrastructure investments  and calling on the federal government to lower the priority of highway funding in favor of metropolitan needs.

 As the federal government sets priorities for long-term spending and deficit reduction, future

transportation infrastructure investments should focus spending on pressing metropolitan transportation infrastructure needs as opposed to low-priority highway expansion projects, said Atlanta Mayor Kasim Reed, during a conference held at the National Press Club in Washington D.C. today.

The long-term productivity of transportation infrastructure spending is greater when it is invested where economic growth will occur, which is in the metropolitan areas, he added.

Among the survey's major findings:

93% of the mayors urge reforms in federal transportation programs to allow cities and their metropolitan areas to receive a greater share of federal funds directly.

Absent a greater share of funding directly to cities and metropolitan areas, only 7% of the mayors indicate support to increase the federal gas tax.

96% of the mayors believe that the federal government should increase spending on transportation infrastructure to reverse decades of underinvestment in cities, with strong majorities indicating support to increase the federal gas tax to improve transportation infrastructure if a greater share of the funding were invested in local road and bridge infrastructure (89%), and public transit (65%).

75% of the mayors indicate support to increase the federal gas tax if a greater share of the funding were invested in bicycle and pedestrian projects.

80% of the mayors indicate that highway expansion should be a low priority.

The largest metropolitan areas account for 87% of the nation's traffic, noted Tom Corchran, the USCM's CEO and executive director. The three most congested areas Los Angeles, New York, and Chicago account for 27% of that traffic. Our metropolitan cities are saddled with bus and rail systems at capacity and aging roads and bridges that will undermine their ability to meet the nation's future economic output. Given these factors, metropolitan areas should be at the center of federal transportation infrastructure investment.

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The Federal Transportation Program and the New Budget Realities

Posted by Ken Orski on Thursday, April 7th, 2011

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As Budget Committee chairman Paul Ryan is fond of saying, the debate in Congress has changed from how much we should spend to how much spending we should cut. The April 5 release of his proposed FY 2012 Budget Resolution, subtitled “The Path to Prosperity,” testifies to this new resolve. The New York Times’ David Brooks calls Ryan’s report “the most comprehensive and most courageous budget reform proposal any of us have seen in our lifetimes.” Although the Budget Resolution nominally addresses the FY 2012 budget, its message is likely to resound and influence the debate about fiscal policy and the role of the federal government in the U.S. economy long into the future.

The House budget resolution proposes to bring domestic discretionary spending down to 2008 levels and freeze this category of spending for five years. For the transportation sector this means a cut of at least \$17 billion per year over the next several years in mandatory budget authority, according to Jeff Davis, Editor of Transportation Weekly. The budget resolution does not recommend specific funding levels or cuts for individual programs. Exceptionally, however, it does specifically call for a total elimination of the federal high speed rail program.

How big a multi-year transportation bill can we expect in light of the GOP long-range budget plan? By now, we have heard from multiple sources and on multiple occasions that future surface transportation funding will be limited to the tax revenues deposited into the Highway Trust Fund. Most recently, this position was reaffirmed by the House Transportation and Infrastructure Committee in its “Views and Estimates for Fiscal Year 2012” report, published on March 15 (See Innovation NewsBriefs, Vol. 22, No. 9, March 19).

While the Committee has not released any dollar figures, one can get a pretty accurate estimate of the size of the program that the Trust Fund can support by consulting the Congressional Budget Office (CBO) projections.

The latest CBO report (March 2011) projects total Trust Fund revenues (tax revenues and interest) at \$230 billion over the next six years, or approx \$38 billion/year. Add to this sum another \$20 billion in unspent HTF balance at the end of Fiscal Year 2011, and we get a total of \$250 billion available to fund a six-year bill, or an average of \$42 billion/year.

This may require a narrowing of the scope of the federal-aid transportation program. Its primary mission will need to be confined to keeping the existing transportation assets in a state of good repair. Discretionary awards such as the TIGER and high-speed rail grants

will probably have to be eliminated. So will programs that are deemed of little national significance or do not serve the national need — such as local community enhancements, various set-asides, earmarks, and “livability” projects that cater to narrow constituencies.

Most of these Trust Fund “hitchhikers,” as Sen. James Inhofe calls them, will have to be handed off to state and local governments because the full resources of the Trust Fund will be needed to fund the federal share of maintaining and preserving the nation’s highway and transit infrastructure. Assuming a traditional 25-75 percent split between federal and state/local expenditures for system maintenance and preservation, this federal-aid contribution could generate a total national surface transportation program of \$170 billion per year— \$50 billion short of the level recommended by the National Transportation Policy and Revenue Commission, but still a respectable level of funding.

Will states and local governments be willing and able to pick up the slack? Some will, others may not. Many states and localities have been wiling to approve significant transportation improvement programs— provided the objectives are clearly spelled out. Virginia, for example, has recently enacted a \$3 billion transportation bill that identifies some 900 discrete transportation improvement projects. The law passed because people knew what they were voting for. Many other states and localities have been willing to do the same. In fact, voters approved 77 percent of local transportation ballot measures in 2010 according to the Center for Transportation Excellence.

While the above scenario may sound depressing to some who have become accustomed to the recent discretionary spending levels—distorted by the stimulus spike which nearly doubled transportation spending in one year— to others it sounds like returning the federal-aid program to its original roots. It means refocusing the federal mission on legitimate federal objectives, restoring the program’s lost meaning and sense of purpose, and giving states and localities more voice in managing their transportation future.