

Surface Transportation Funding Trends

presented to
Maryland Mitigation Working Group

presented by
Susan J. Binder,
Principal

CAMBRIDGE
SYSTEMATICS



May 12, 2020

Think  Forward

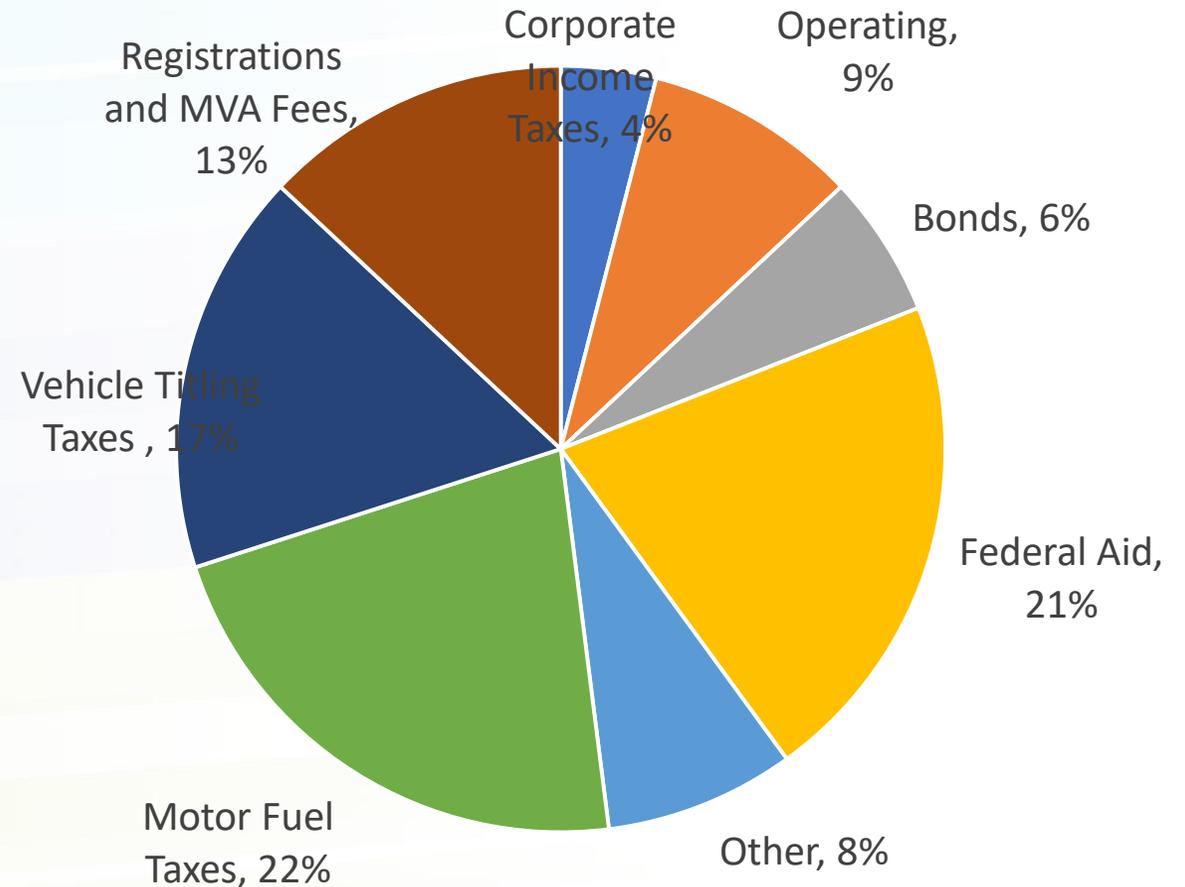
Surface Transportation Funding

- Classic user fee model dominates funding in this sector – paid by those who use a service and spent on the costs of providing that service. Both MD and Federal TF's rely on a variety of user fees
- TF's are vulnerable and potentially unsustainable at the extremes of revenue trends:
 - » Gross revenues under pressure due to fuel efficiency and alternative fuels
 - » Not keeping pace with roadway and transit needs (e.g., operations, preservation, capacity) as a growing population and increases in freight traffic mean more use
 - » Reduced buying power by 40% as prices fluctuate/increase for services and materials
 - » Federal fuel taxes (18.4cents/gal gasoline, 24.4 cents/gal diesel) was last raised in 1993.
- A band-aid approach has been used to fill Federal funding shortfalls, drawing on General Funds, with latest reauthorizations.

Maryland's TTF

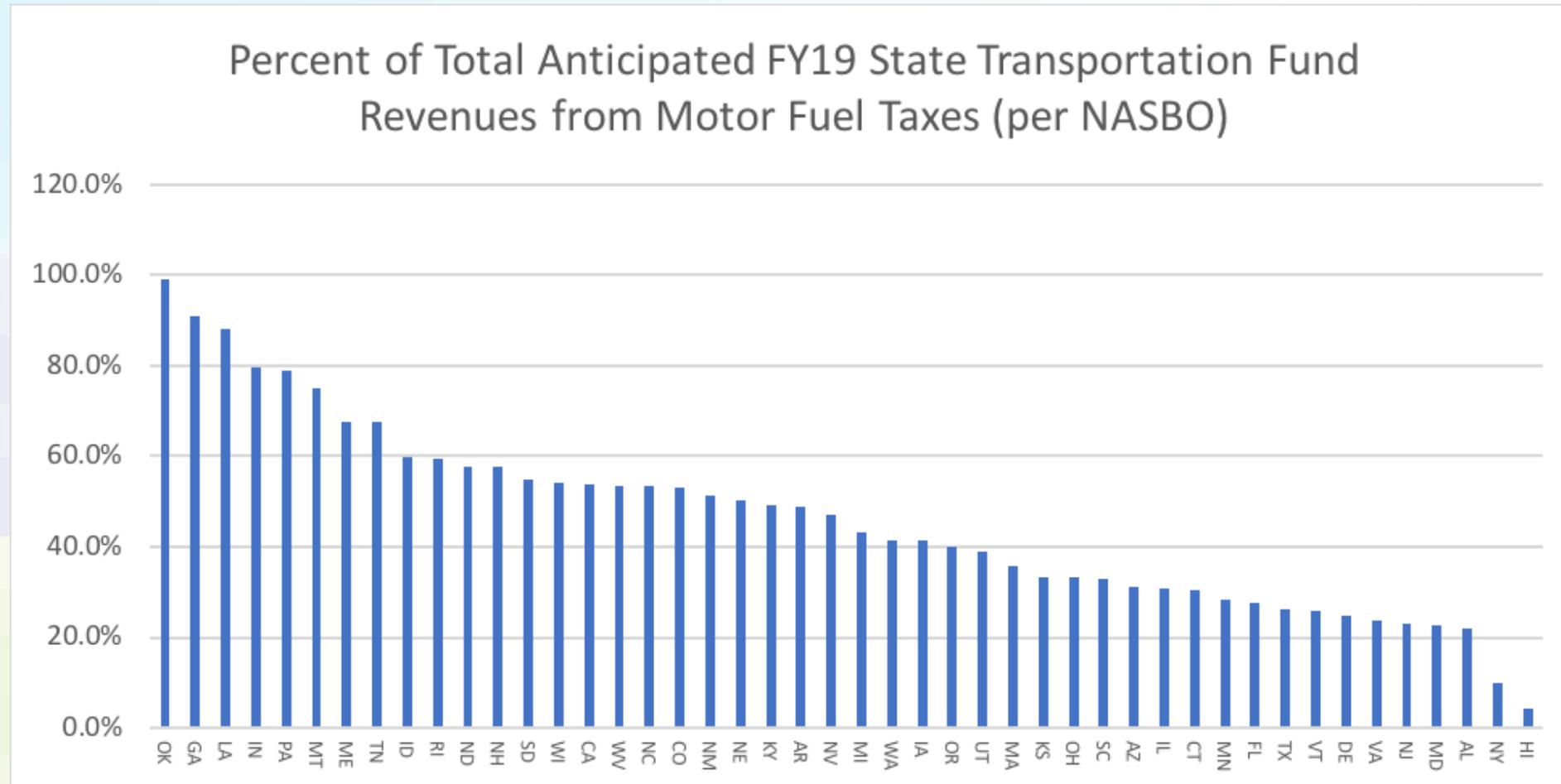
➤ Like many states, MD taps a combination of Federal-aid and a variety of revenue streams to support transport expenditures

- » Federal-aid (both formula grants, discretionary grants) 21%
- » Vehicle titling tax, registration, and other fees 30%
- » Motor fuel tax (gasoline and diesel) 22%
- » Operating revenues 9%
- » Bond sales 6%
- » Corporate income tax 4%



Source: Maryland Consolidated Transportation Plan FY2020-2025

State Transportation Funds Have Different Reliance on Motor Fuel Taxes



Uncertainty for Future Revenue

even before COVID

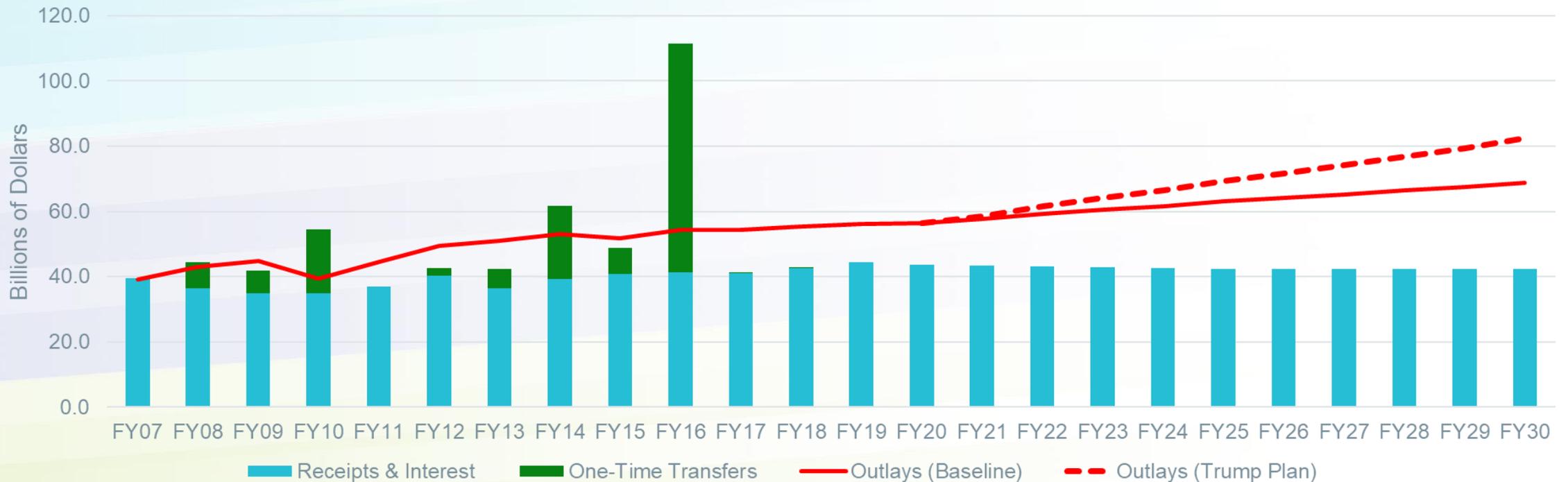
➤ Federal status:

- » Federal FAST Act expires Sept 30
- » S.2302 passed out of SEPW Committee last summer \$287 B over 5 years.
- » Senate Commerce and Finance still drafting their titles.
- » House Democratic Framework with \$319 B for highways over 5 years. 75.8% growth for highways, 24.2% growth for transit
- » Trump Budget \$810 B over 10 years (comparable 5 years \$273.3B or \$13.9% less than S.2032. Some championship for Barrasso (R-WY) bill.

➤ Federal HTF has been in serious jeopardy for some time, with programs exceeding annual revenues and relying on GF transfers.

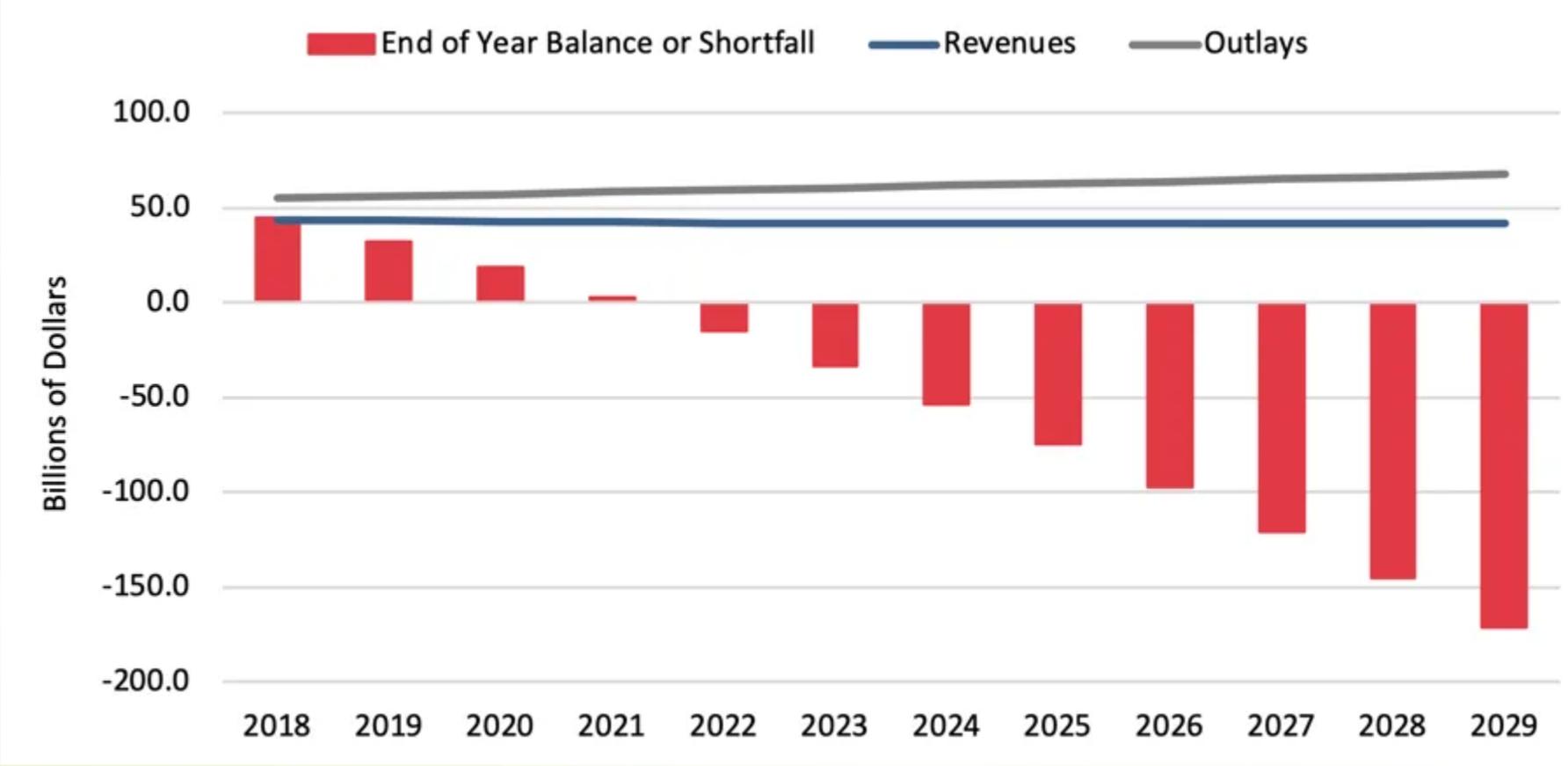
Longstanding Slide in FHTF Health

Highway Trust Fund - FY 2007-2019 (Actual), FY 2020-2030 (2 Scenarios)



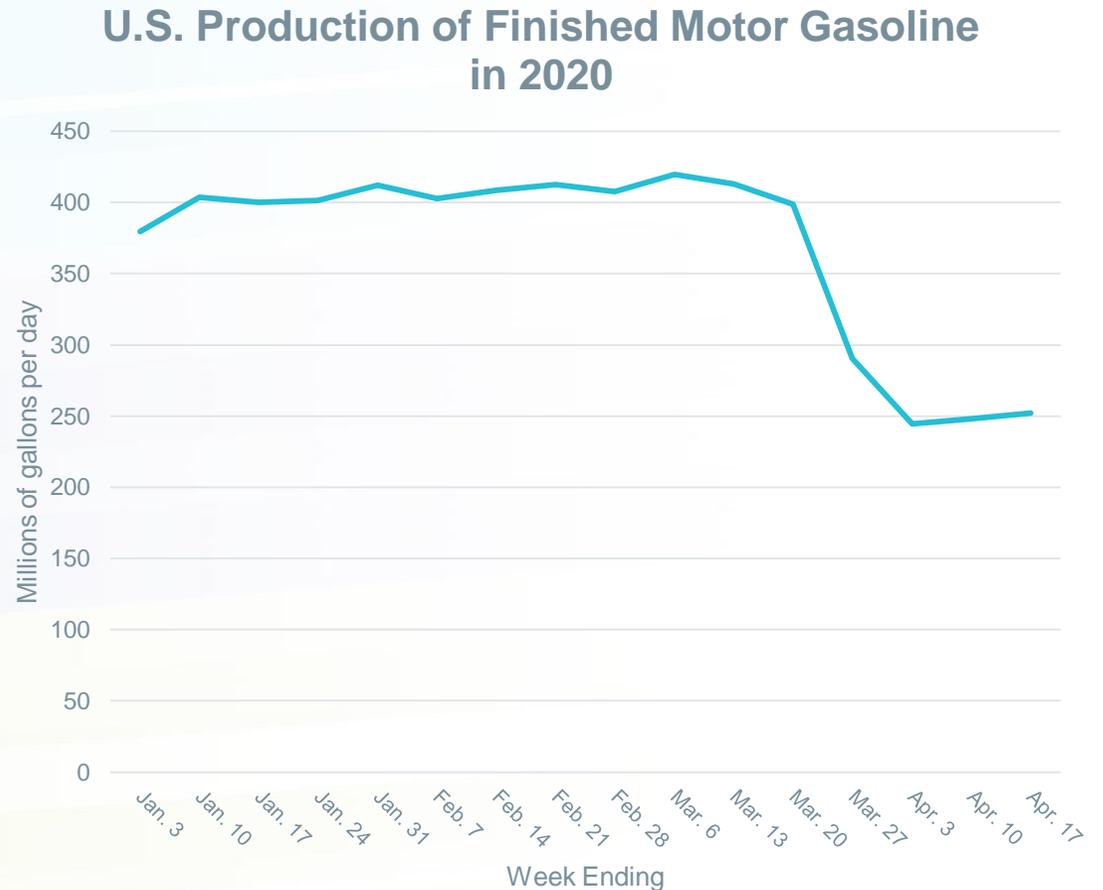
Unified Highway Trust Fund Accounts

Source: CBO, under its baseline



COVID Indicators

- State DOTs are projecting at least a 30% decline in transportation revenues on average for the next 18 months (AASHTO).
- US production down 40% from pre-COVID 400 M gal/day level. Stabilizing at 250 M gal/day. Diesel production seems steady.
- April 2020 net HTF tax receipts were down 14% over last year.



In the Press...

- Coronavirus could cost Illinois \$560 million in gas tax revenue this year, possibly delaying some road and rail plans (Chicago Tribune)
- Less Traffic Isn't Doing America's Roads Any Favors (Wall Street Journal)
 - » “...week ending April 3 saw the lowest motor gasoline consumption -- measured as product supplied -- since the U.S. Energy Information Administration started tracking that number in 1991.”
- State could lose \$1.3B in gas tax revenue during coronavirus shutdown (San Francisco Chronicle)

Timely Federal Actions?

- “Kick the can” delays typical with extensions of Federal-aid authorizations?
 - » Resolved in 2021, with a potentially new WH-House-Senate party dynamic?
- Infrastructure in future COVID/recovery bill?
 - » \$114 B transport COVID funding to date. McConnell and McCarthy opposed. Do deficit arguments apply?
 - » House Democrats may move their \$760 B infrastructure plan into recovery?
 - » Trump implicitly willing to borrow without pay-for.
- Agencies expect service cuts, cancelled contracts, employee furloughs
 - » State DOTs (AASHTO) \$50 B “Backstop Request” for FY20 & 21 with fully flexibility.
 - » Transit (APTA) urges its \$178B reauthorization included in next COVID (in addition to the \$25B authorized)

Some Implications

- Transport sector (e.g., transit operations, highway safety, maintenance, construction industry) continues to make case for additional emergency funding and responsible “stimulus” investment for short and long term.
- Will those messages recognize importance of sustainable and predictable funding and motivate decisions to deal with the chronic infrastructure challenges?
- Relevance and significance of strategic planning increases when uncertainties and risk are great
- Importance of data and scenarios to reality test alternative bundles of investments and expenditures against goals