

Commission Briefing Paper 6C-03

Scenario Findings: Highway Component Subsets

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Introduction

This document is intended to serve as a reference guide to a set of charts developed to compare Federal funding with subsets of the highway components of the three individual scenarios discussed in Papers 6B-01 through 6B-03 (values for Scenarios 4 and 5 are not shown). Specifically, this paper looks at the portion of capital investment that would be directed toward the Interstate, the (non-Interstate) remainder of the National Highway System, and the (non-NHS) remainder of Federal-Aid Highways.

Highway Authorizations Under SAFETEA-LU

Exhibit 1 shows total 5-year highway authorizations for the 2005 to 2009 period covered in SAFETEA-LU. This chart includes amounts authorized in Titles I and V of SAFETEA-LU taken from Appendix B of *Financing Federal-Aid Highways*. (The scheduled FY 2009 rescission of contract authority specified in Title X of SAFETEA-LU is not reflected in these figures).

Based on these figures, the total amount authorized for the six core formula programs amounts to only about 61.3 percent of the total amounts authorized in Titles I and V of SAFETEA-LU. This includes:

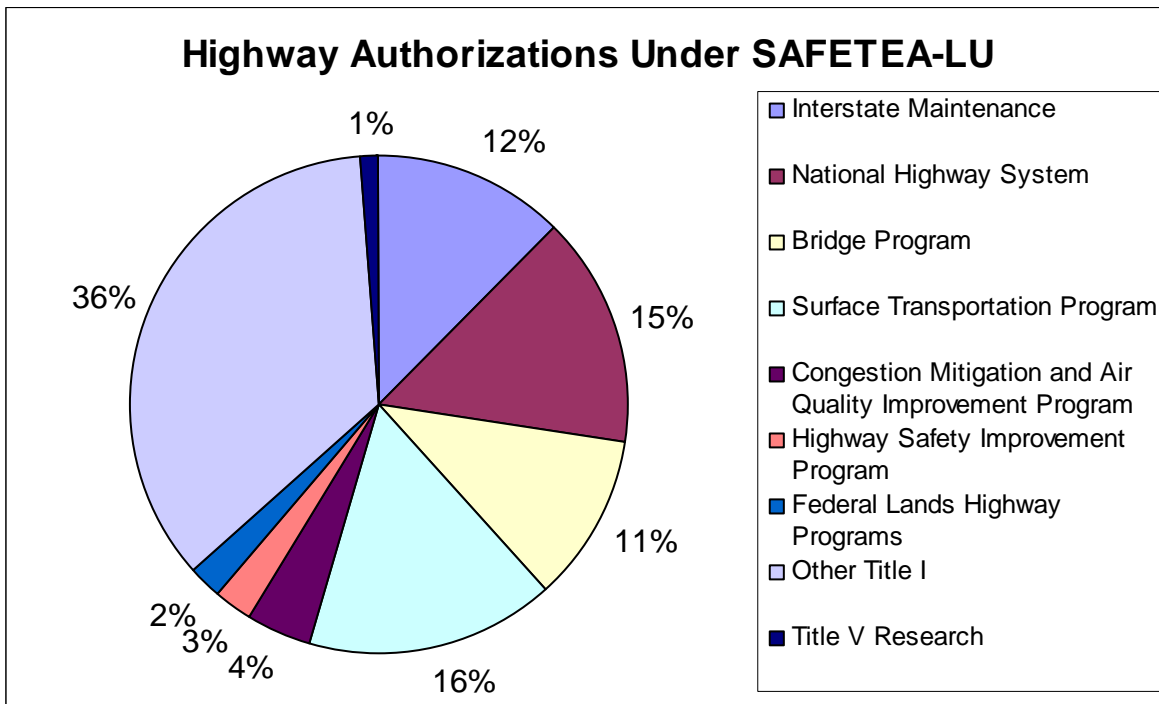
- 12.5 percent for the Interstate Maintenance program
- 15.1 percent for the National Highway System program
- 10.7 percent for the Highway Bridge Rehabilitation and Replacement program
- 16.1 percent for the Surface Transportation Program
- 4.3 percent for the Congestion Mitigation and Air Quality Improvement Program
- 2.5 percent for the Highway Safety Improvement Program.

Approximately 1.1 percent of the amounts authorized in SAFETEA-LU are directed towards the research activities listed in Title V (although these are heavily earmarked) and 2.2 percent is directed towards the Federal Lands Highway Programs; these have been identified in previous Commission discussions as potential areas of high Federal interest in terms of long term program design. The remaining 35.4 percent is directed towards a wide variety of other programs and activities in which the level of Federal interest in terms of long term program design could vary significantly.

The values shown in Exhibit 1 represent just one of many different ways in which the authorization data can be sliced. For example, the six core programs are subject to certain percentage and dollar takedowns that reduce the amount of funding available to the States; subtracting these amounts would bring the total amount for the six core programs down below 60 percent. Alternatively, a case can be made that amounts authorized under the Equity Bonus program (included as “other Title I” in the Exhibit) should be counted as core program receipts, since they are ultimately distributed among the core programs for those States that receive them.

The counter argument to this position is that while the Equity Bonus funds wind up being available for the purposes envisioned in the core formula programs, they are not distributed among States on the basis of those formulas. For example, while the Bridge program formula is needs-based, States that receive significant funding under the Equity Bonus formula will have more funding available for bridges relative to their overall needs than will States that receive no funding under the Equity Bonus formula.

Exhibit 1



Total 5-Year Authorizations

Interstate Maintenance	\$25,201,594,690	12.5%
National Highway System	\$30,541,832,710	15.1%
Bridge Program	\$21,607,441,525	10.7%
Surface Transportation Program	\$32,549,756,505	16.1%
Congestion Mitigation and Air Quality Improvement Program	\$8,609,099,956	4.3%
Highway Safety Improvement Program	\$5,063,922,785	2.5%
Federal Lands Highway Programs	\$4,465,000,000	2.2%
Other Title I (a)	\$71,451,828,343	35.4%
Title V Research	\$2,271,000,000	1.1%
Total	\$201,761,476,514	100.0%

Authorizations from "Financing Federal-aid Highways", Appendix B: Highway Authorizations.
Does not reflect Title X rescission or takedowns from the apportioned programs.

(a) The "Other" category includes an estimate of \$40,895,552,163 for the Equity Bonus Program, which is authorized as such sums as may be necessary. These funds are distributed among the six core formula programs for those States that receive them.

Irrespective of the method used to derive the specific percentages shown, Exhibit 1 should serve to highlight the fact that a significant portion of total Federal highway funding is currently being used to support a large number of activities beyond the six core formula programs.

Subsets of the Highway Scenarios

Exhibit 2 includes a series of 4 charts, identifying the portion of the total funding levels identified for the Base Case, Scenario 1, Scenario 2, and Scenario 3 that are associated with the Interstate Highway System, the National Highway System, and Federal-Aid Highways. These charts are all based on average annual funding over the 30-year period from 2005 to 2035.

Each chart includes a bar showing Federal Income; this represents the level of anticipated receipts to the Highway Account of the Federal Highway Trust Fund, stated in constant 2006 dollars, that are expected to be available to support highway programs in the near term, absent any legislative changes. (Note that the decline in purchasing power due to inflation over time would be somewhat offset by increases in nominal revenues due to growth in VMT over time). This estimated amount represents a subset of the Current Sustainable funding level identified for each of the scenarios, which also includes investment from non-Federal sources (these were assumed to grow by the rate of inflation, thus remaining steady in constant dollar terms). It should be noted that all of the bars in these exhibits reflect only Federal-aid highways, as the scenarios do not include investment on lower-ordered road system components that are not currently eligible for Federal-aid.

Base Case

In terms of the Base Case, the size of the current Federal Income bar (\$33.2 billion) is roughly equivalent to the size of the Interstate and other NHS components of the Current Sustainable funding level bar (\$32.8 billion). This equivalence means that if the current level of sustainable investment were directed to the various components of the system based on benefit-cost criteria, the Federal funding would be sufficient to cover all of the amounts to be expended on the National Highway System (including the Interstate System). If alternatively the Federal government were to provide only a percentage of the funding for the NHS, this would allow some Federal revenues to be directed to other areas of interest in terms of capital or non-capital spending.

The Interstate component of the Medium funding level bar (\$45.2 billion) is higher than the current Federal Income bar, indicating that current Federal revenues alone could not support an investment in the Interstate system (much less the other NHS components) of this magnitude. The Interstate component of the High funding level bar (\$47.8 billion) is even higher.

Scenarios

The interpretation of Scenario 1 (described in Paper 6B-01) is not significantly different than for the Base Case. Under Scenario 2 (described in Paper 6B-02), however, the Interstate component of the Medium funding level (\$31.9 billion) is significantly lower than in the Base Case, and the amount shown on the current Federal income bar (\$33.2 billion) would be sufficient to cover all

of it, if desired. For the Medium funding level, the Interstate and other NHS components combined (\$59.5 billion) would remain significantly higher than current income. For the High funding level, the Interstate component (\$42.1 billion) would remain higher than current Federal income.

Exhibit 2 Highway Funding by System Component

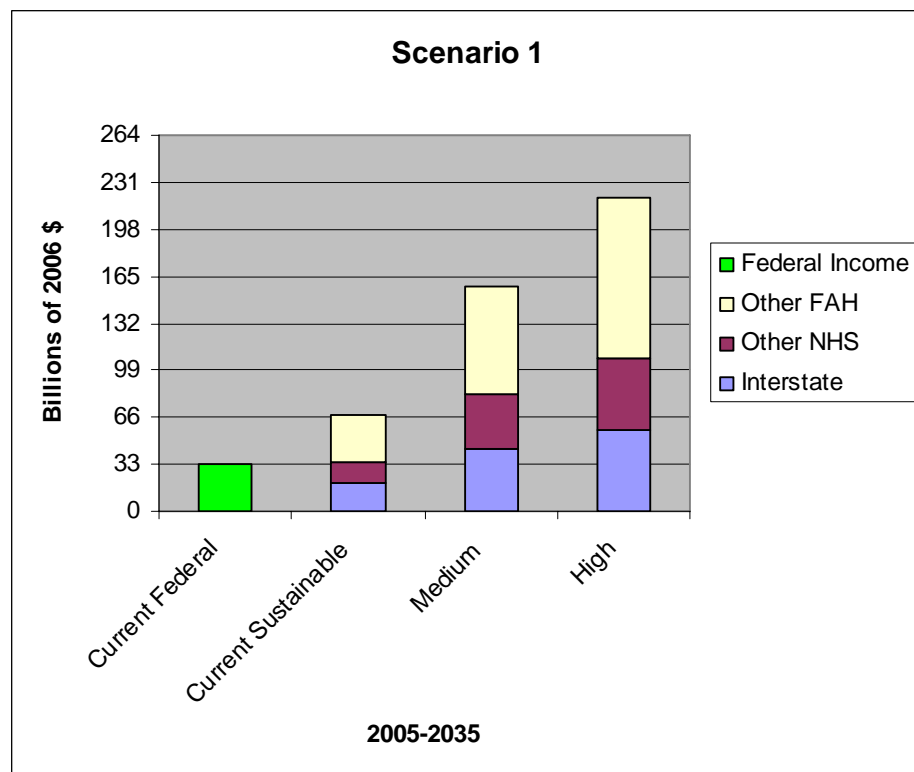
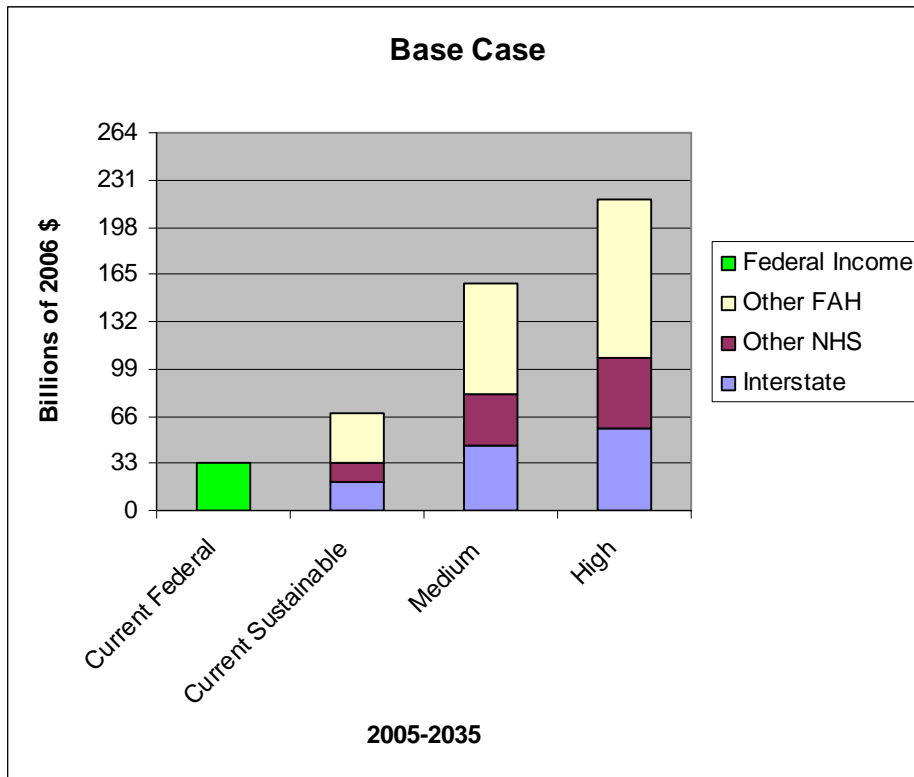
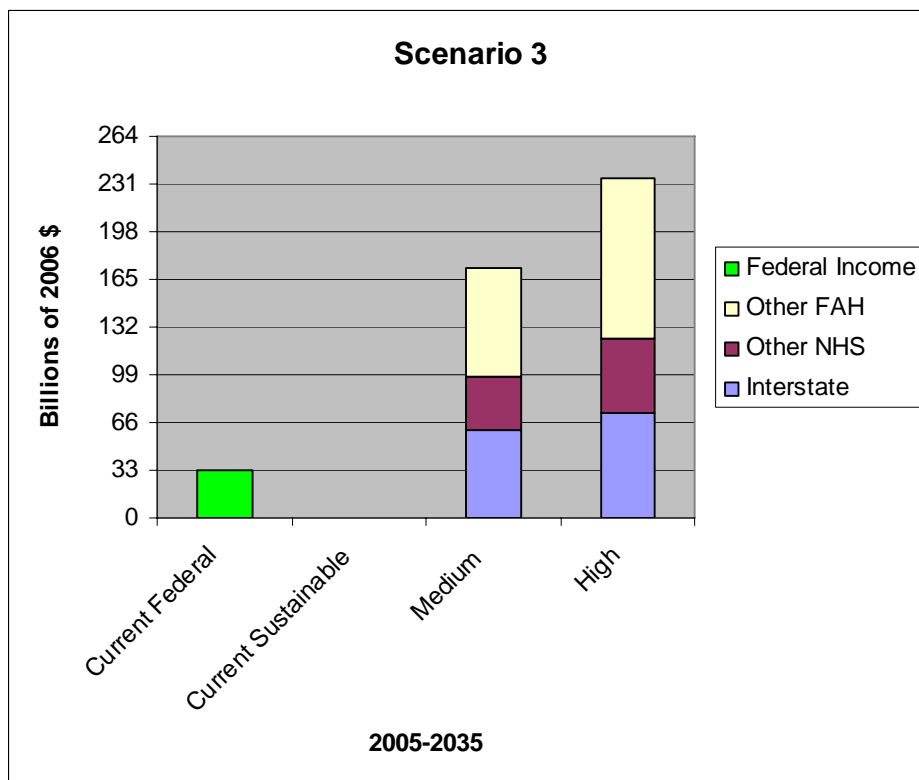
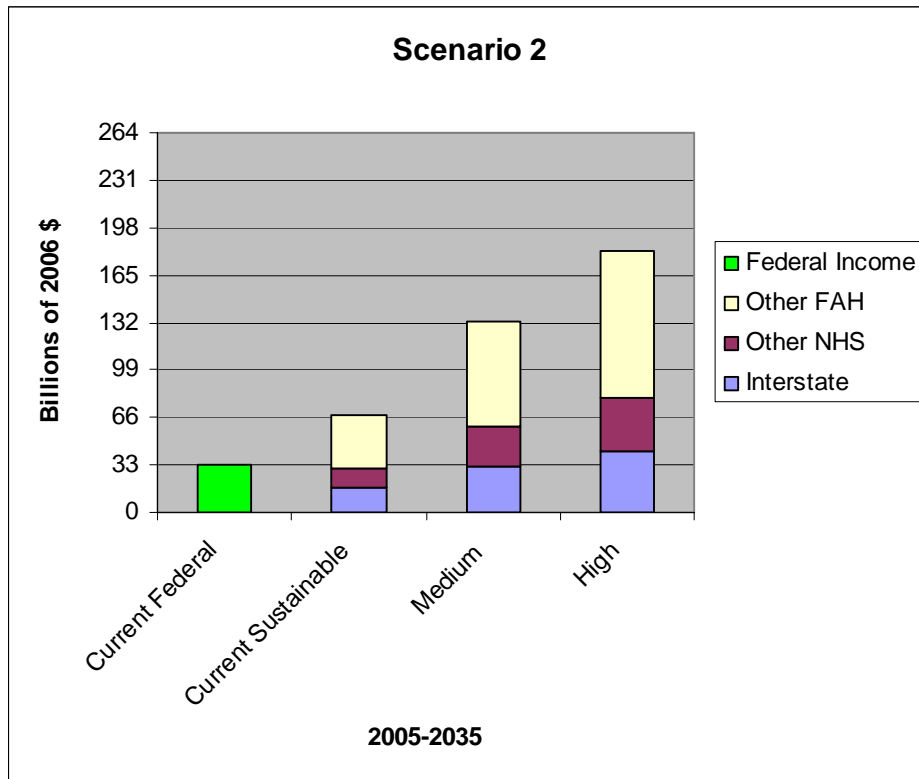


Exhibit 2 Highway Funding by System Component



The Interstate component of Scenario 3 (described in Paper 3B-03) is considerably larger than that shown for the Base Case, as this scenario explicitly involves an expansion of the coverage of the Interstate system. The High funding level includes an additional \$15.6 billion of Interstate investment relative to the Base Case (\$72.6 billion compared to \$57.0 billion). The Interstate component of the Medium funding level is \$14.9 billion larger than that of the Base Case (\$60.1 billion compared to \$45.2 billion). Clearly, these spending levels for the Interstate alone are significantly higher than current Federal revenue alone could support.