Analysis of SAFETEA 2005 as Reported out of Senate Committee on 03/16/05
RTA-000-1232A

The following is a five-year apportionment analysis (FY 2005 through 2009) developed by the FHWA's Office of Legislation and Strategic Planning, based on SAFETEA 2005 as reported out of the Senate Environment and Public Works Committee on 03/16/05. The bill was generally consistent with S.1072 as passed by the Senate on 2/12/04, except that the authorized levels for most programs were reduced, and the Equity Bonus procedures were modified.

The apportionments used in this analysis were based on a new set of certified factors making use of the **latest data available** as of September 2004 **– (*Bridge factors as of February 2005)***, that would be used to compute actual FY 2005 apportionments upon passage of a multi-year bill. The results of this analysis are summarized in the attached "RTA-000-1232A.xls" Excel file.

Equity Bonus Provisions

The bill language includes a new "Equity Bonus" program, authorized as "such sums as are necessary". This Equity Bonus would replace the current law Minimum Guarantee approach ($1,000,000 minimum; keep States as close as possible to an initial set of shares while raising States to a specified percentage of their share of contributions to the Highway Account of the Highway Trust Fund (HTF)) with a modified approach that would only provide funding to States as necessary to bring them up to a specified percentage of their share of HTF contributions, subject to certain floors and ceilings. The Equity Bonus program would be calculated iteratively, to ensure that all basic criteria are met even after funding for some States has been adjusted.

The bill language specifies the following thirteen programs would be included in the Equity Bonus computation: Interstate Maintenance, National Highway System, Bridge Program, Surface Transportation Program, Congestion Mitigation and Air Quality, Highway Safety Improvement Program, Appalachian Development Highway System, Infrastructure Performance and Maintenance, Recreational Trails, Safe Routes to School, Rail-Highway Crossings, Metropolitan Planning, and the Equity Bonus itself.

The bill language sets a target relative rate of return at 92% for the Equity Bonus. However, a special provision provides that certain States would receive the greater of 92% of their share of HTF contributions, or their share of total apportionments over the 6-year period of TEA-21. This would include States with a population density of less than 20 persons per square mile, a total population of less than 1 million, a median household income of less than $35,000, based on the decennial census; or a fatality rate on Interstate highways in 2002 of greater than 1.0 per 100 million VMT. Twenty-five States would qualify for this provision. (AL-Alabama, AK-Alaska, AZ-Arizona, AR-Arkansas, CO-Colorado, DE-Delaware, DC-District of Columbia, FL-Florida, ID-Idaho, KY-Kentucky, LA-Louisiana, MS-Mississippi, MO-Missouri, MT-Montana, NE-Nebraska, NV-Nevada, NM-New Mexico, ND-North Dakota, OK-Oklahoma, SD-South Dakota, TX-Texas, VT-Vermont, UT-Utah, WV-West Virginia, and WY-Wyoming).

Another special provision in the draft legislation requires that in any fiscal year 2005 to 2009, no State may receive less than 110% of its average annual TEA-21 apportionments. In addition, a percentage ceiling relative to average annual TEA-21 apportionments is applied at a set level for each individual year: FY 2005-119%, FY 2006-122%, FY 2007-123%, FY-2008-128%**,** FY-2009-250%. The annual growth ceilings were to override all other provisions, except that no State may receive a negative equity bonus, and no State may receive less than 90.5 percent of its relative share of HTF contributions.

Technical Notes:

This analysis was based primarily on apportionment factors representing the latest available data as of September 2004 ***(Bridge factors as of February 2005)*** with the exception of the CMAQ factors, which were projected using the most recently available data concerning future non-attainment designations. As described below, the Highway Trust Fund contributions have been modified in the latter years to reflect changes to the taxation of gasohol and the crediting of gasohol taxes to the Highway Account. The bill language eliminated the percentage takedown for administration, while the Metro Planning takedown was increased to 1.5 percent. Additional takedowns, mostly stated in the bill as specific dollar amounts, were applied to individual programs.

The factors used to apportion funds for the Highway Bridge Program were updated in February 2005 to take into account new information on State transfers. The Surface Transportation Extension Act of 2004 allowed unobligated bridge funds (23 USC § 144) to be transferred without penalty. The Act goes on to say that the funds must be restored as soon as practicable upon enactment of a new highway bill. If any State does not restore these funds, then 23 U.S.C. § 144 would require that when the next National Bridge Inventory is completed and all needs have been assessed, the total needs figure for those States will be reduced by the amount which was transferred, which would affect the apportionment factors for the Highway Bridge Program. Several States did transfer bridge funds to other categories, but had not indicated as of September 30 whether the transfers were intended to be permanent or would be restored to their bridge accounts upon enactment of a new bill. All of these States have now clarified their intentions in this regard, and the apportionment factors have been revised accordingly.

The Surface Transportation Extension Act of 2004, Part V and the American Jobs Creation Act of 2004 [Public Law 108-357; 118 Stat. 1418] included provisions that would change the amount of revenue deposited into the Highway Account of the Highway Trust Fund per gallon of gasohol. The 2.5 cents per gallon of the gasohol tax previously retained by the General Fund was redirected to the Highway Account of the Highway Trust Fund retroactively, beginning October 1, 2003. Also, gasohol's partial exemption from the gas tax was eliminated effective January 1, 2005. Since Highway Account contributions are calculated based on revenue and gallonage data from prior years, there would normally be a lag between the timing of these tax changes and when they would begin to be reflected in the apportionment factors. The redirection of the 2.5 cent increment would begin to affect the apportionments starting in FY 2006, while the elimination of the partial exemption would begin to affect the apportionments starting in FY 2007. The HTF factors for FY 2008 and FY 2009 have also been modified to attribute combined gasoline/gasohol revenue using combined gasoline/gasohol gallonage, as tax revenue data for these different types of fuels will no longer be tracked separately once they are taxed at the same rate.

The bill language adds a new Highway Safety Improvement program, to be distributed among the States using the same formula as used for STP. Two of the takedowns applied to this program, for the Safe Routes to Schools program and the Protective Devices at Rail-Highway Crossings program, are also apportioned to States using this same STP formula. The bill also adds a new discretionary program for Infrastructure Performance and Maintenance (IPAM), but authorized its funding level at $0 and provided no distribution formula. The State-by-State distribution of IPAM funding was to factor into the computation of the Equity Bonus; however, absent of funding and a distribution formula, the IPAM program did not factor into the State-by-State apportionments shown nor the computation of the Equity Bonus.

The bill language adds a Border Planning, Operations, Technology, and Capacity Program, to be apportioned based on average annual weight of all cargo entering the border State by commercial vehicle across the international border with Canada or Mexico, the average trade value of all cargo imported into the border State and all cargo exported from the border State by commercial vehicle across the international border with Canada or Mexico, the number of commercial vehicles annually entering the border State across the international border with Canada or Mexico, and the number of passenger vehicles annually entering the border State across the international border with Canada or Mexico. This program is not included within the Equity Bonus computation.

Guide to Tables

The attached Excel file contains 10 tables. (The following list is based on the names on the tabs in the Excel spreadsheet, rather than the titles on the printed output.)

The "Return Summary" page compares average annual funding for each State under this five-year scenario with that under TEA-21. This table also includes each State's relative rate of return on their contributions to the Highway Trust fund. (This later computation is used in the rate of return floors and target level, used in the Equity Bonus computation).

The "Aggregate" page contains the 5-year total apportionments by program and State. This is followed by the "Average" page, which shows average annual values, and the "2005", 2006", "2007", "2008" and "2009" pages, which show the same information for individual years.

The "Share Comp" page shows each State's percentage of the total apportionments for each individual year under TEA-21, and under the draft bill language.

The "Annual Comp" page shows each State's total apportionments by year, and compares them with their average annual apportionment under TEA-21. (This latter computation is used in the percentage floors and ceilings set relative to TEA-21 in the Equity Bonus computation).

Findings

Based on the latest available data as of September 2004 (Bridge Data- February 2005), and the assumptions listed above, the required five-year cost of the Equity Bonus would be $23.0 billion.

Equity Bonus Summary						
	Assumed in Analysis				Calculated in Analysis	
	Floor Relative to TEA-21 Avg.	Ceiling Relative to TEA-21 Avg.	Rate of Return Floor	Rate of Return Target	Equity Bonus	Lowest Rate of Return
2005	110%	119%	90.5%	92.0%	$ 4.7 bil.	90.5%
2006	110%	122%	90.5%	92.0%	$ 4.3 bil.	90.5%
2007	110%	123%	90.5%	92.0%	$ 4.5 bil.	90.5%
2008	110%	128%	90.5%	92.0%	$ 4.3 bil.	90.5%
2009	110%	250%	90.5%	92.0%	$ 5.3 bil.	92.0%
Total					**$23.0 bil.**	

While the target for the relative rate of return on HTF contributions is 92%, the annual percentage ceilings relative to TEA-21 prevent some States from reaching that level in FY 2005 through FY 2008, and some States' relative rates of return on HTF contributions remain at the minimum level allowed of

90.5%. In FY 2009, the percentage ceiling relative to TEA-21 is set high enough so that all States can receive a 92% relative rate of return on HTF contributions.

The twenty-five States (identified above) that are eligible for the greater of a 92% relative rate of return on their HTF contributions or their share of total apportionments under TEA-21 can also affected by the annual percentage ceilings relative to TEA-21. However, in this analysis, this did not occur; all 25 States grew by at least the national average percentage of 24.38% relative to TEA-21 (based only on those programs included in the Equity Bonus computation).

Adding the estimated cost of the Equity Bonus to the authorized program levels directly identified in the draft language brings the total amount to be apportioned to States to $174.5 billion.

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