



WHAT CAN WE DO?  
HIGHWAY FUNDING  
PROBLEMS AND SOLUTIONS



# HOW DID WE GET HERE?

- The Interstate System changed the nation's mobility and economics
- Our nation has grown dramatically
- We have underinvested in our system – and it shows!
- Highway Trust Fund – 53 years
- BROKE???

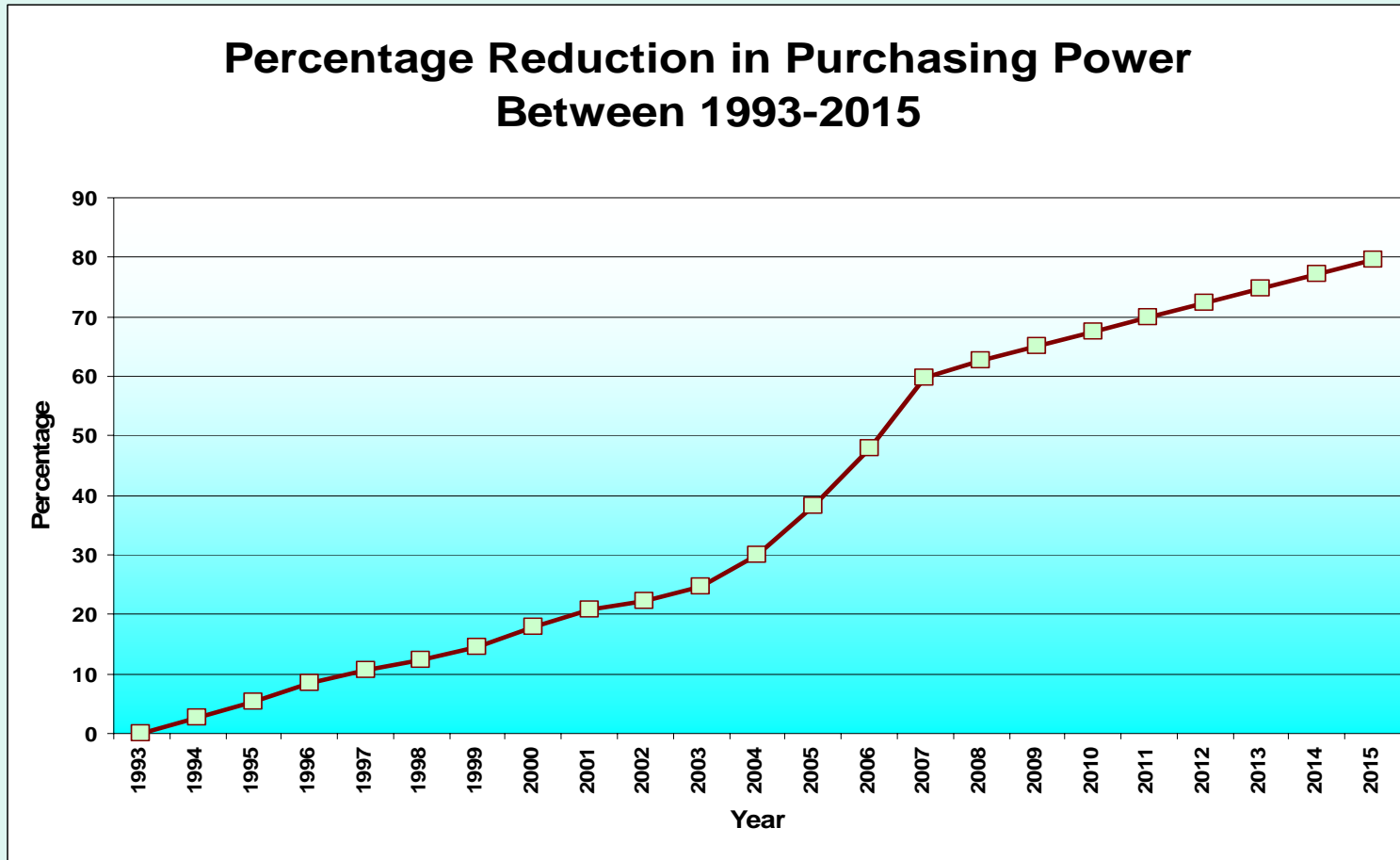
# CHALLENGES

- SYSTEM DESIGN DIDN'T KEEP UP WITH NATIONS GROWTH.....
- 1955      145 MILLION
- 2007      300 MILLION
- 2055      435 MILLION



# INFLATION

## 80 PERCENT LOSS



# FREIGHT

- FREIGHT NEEDS TO DOUBLE BY 2035



# WHAT DO WE NEED TO DO?

- REBUILD AMERICA (roads, bridges, system)
- PROVIDE DEPENDABLE FREIGHT SYSTEM
- PROVIDE CONGESTION RELIEF
- RURAL AND URBAN ACCESS
- KEEP AMERICA SAFE
- MERIT-BASED PROJECT SELECTION
- ACCOUNTABILITY FOR RESULTS

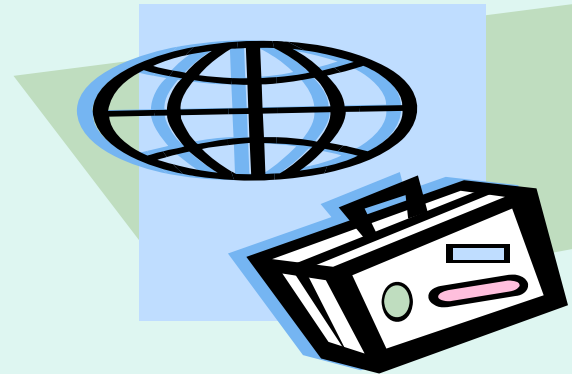
# CAN WE AVOID THE LOOMING CRISIS?

- PLAN
- BUDGET
- LEGISLATE



# PLANNING

- NATIONAL COMMISSION TO OVERSEE THE DEVELOPMENT OF A STRATEGIC PLAN FOR TRANSPORTATION INVESTMENT – LOOK AT THE BIG PICTURE



# BUDGET

- GAS TAX REMAINS VIABLE FOR NEXT 20 YEARS
- DEVELOP ALTERNATIVES TO FUEL TAX
- HAVE LONG TERM PLAN IN PLACE



# LEGISLATE

- MAKE AMERICAN INFRASTRUCTURE THE PRIORITY
- KEEP AMERICA SAFE!!



# THE TRUTH IS....

- Highway Trust Fund revenues are **NOT** declining
  - 1995-2005: \$22 billion to \$38 billion
  - 2005-2015: \$38 billion to \$47 billion
- Fuel tax is still viable
- But purchasing power eroding
- Spending has exceeded income

# THE REALITY IS...

- CUT PROGRAMS DRAMATICALLY
- RAISE MORE REVENUE
  
- TAX INCREASE
- GAS @ 10 CENTS = 18 BILLION
- DIESEL @ 13 CENTS = 6 BILLION

# FIND ALTERNATIVES



# Vehicle Property Tax

	Pros	Cons
<b>Yield, Adequacy, Stability</b>	Could be high yield, stable source of revenue	
<b>Cost Efficiency, Equity</b>	Value-based taxes can be progressive	Flat taxes can be regressive
<b>Economic Efficiency</b>	Newer vehicles are driven more than older ones	No correlation between miles traveled and fee
<b>Potential Applicability</b>	Applicable to broad programs	Not applicable to specific projects
<b>Potential Acceptability</b>		Virginia-style "No Car Tax" campaigns
<b>Implementation</b>	Could be deductible for federal income tax purposes	

# VMT Fees

	Pros	Cons
<b>Yield, Adequacy, Stability</b>	Excellent long-term option with high, stable yield	
<b>Cost Efficiency, Equity</b>	Fees could vary based on income/ability to pay	More costly to administer than fuel taxes
<b>Economic Efficiency</b>	Directly related to vehicle use; Combination with time/weight pricing can levy full “true” cost; Does not conflict with GHG reduction goals	
<b>Potential Applicability</b>	Applicable to broad programs, including local	Not applicable to specific projects
<b>Potential Acceptability</b>	Promising long-term revenue solution	Do not reward fuel efficient vehicles
<b>Implementation</b>		Technology must be developed and tested; Political will, privacy protection necessary

# TOLLS

	<b>Pros</b>	<b>Cons</b>
<b>Yield, Adequacy, Stability</b>	Stable generators of revenue; marketable bonds	
<b>Cost Efficiency, Equity</b>	Regressive, since fees are essentially “flat”	Higher admin/compliance costs than fuel tax
<b>Economic Efficiency</b>	High when varying tolls by miles traveled and weight	Most still do not reflect congestion levels
<b>Potential Applicability</b>	Could finance individual projects or state/local systems	Not applicable at federal level; Financing beyond toll corridor has been controversial
<b>Potential Acceptability</b>	Recent “greenfield projects” are toll-based	
<b>Implementation</b>		Controversy over concession deals

# Local Option Taxes

	Pros	Cons
<b>Yield, Adequacy, Stability</b>	Sales taxes generate high yield; Fuel taxes not as much	Sensitive to economic performance
<b>Cost Efficiency, Equity</b>	Collection mechanism already in place	Sales taxes considered more equitable since everyone pays
<b>Economic Efficiency</b>		Not economically efficient, since there is little link to use
<b>Potential Applicability</b>	Applicable at project or area-wide level	Not applicable at state/federal level by definition
<b>Potential Acceptability</b>	Better public perception of link between revenue and expenditure	
<b>Implementation</b>		State legislation must be in place

# Cigarette Tax

	Pros	Cons
<b>Ease of Implementation</b>	Tax is already in place	
<b>Revenue Yield and Adequacy</b>	Substantial revenue potential	
<b>Stability and Sustainability</b>	Predictable source of revenue	Tied to declining smoking rates; Not tied to inflation
<b>Fairness and Equity</b>		Places transportation funding burden on smokers
<b>Economic Efficiency</b>	Possible public health benefits due to greater discouragement of smoking	No effect on marginal cost of system use

# Earned Income Tax

	Pros	Cons
<b>Ease of Implementation</b>		For most places, new collection mechanisms will be needed
<b>Revenue Yield and Adequacy</b>	Can generate substantial revenue	
<b>Stability and Sustainability</b>	Predictable source of revenue; Inflation-adjusted	Susceptible to business cycles
<b>Fairness and Equity</b>	Workers pay for use of system; Less regressive than sales tax	
<b>Economic Efficiency</b>	Deduction from federal tax return possible	No effect on marginal cost of system use

# Liquor Tax

	Pros	Cons
<b>Ease of Implementation</b>	Tax is already in place	
<b>Revenue Yield and Adequacy</b>	Substantial revenue potential	
<b>Stability and Sustainability</b>	Predictable source of revenue; Inflation-adjusted	
<b>Fairness and Equity</b>	Somewhat accounts for drunk driving related societal costs	Places transportation funding burden on alcohol consumers
<b>Economic Efficiency</b>		No effect on marginal cost of system use

# Registration and Other Vehicle Fees

	Pros	Cons
<b>Yield, Adequacy, Stability</b>	Stable, major source of current revenue	Yield and adequacy is limited
<b>Cost Efficiency, Equity</b>	Fairly easy to administer	No correlation between miles traveled and fee
<b>Economic Efficiency</b>	Fee assessment level can vary by vehicle type	No correlation between miles traveled and fee
<b>Potential Applicability</b>	Applicable to broad programs	Not applicable to specific projects
<b>Potential Acceptability</b>	Could be used for both short and long-term	
<b>Implementation</b>	Already in place for most states	

# CREDITS

**Jack Basso**

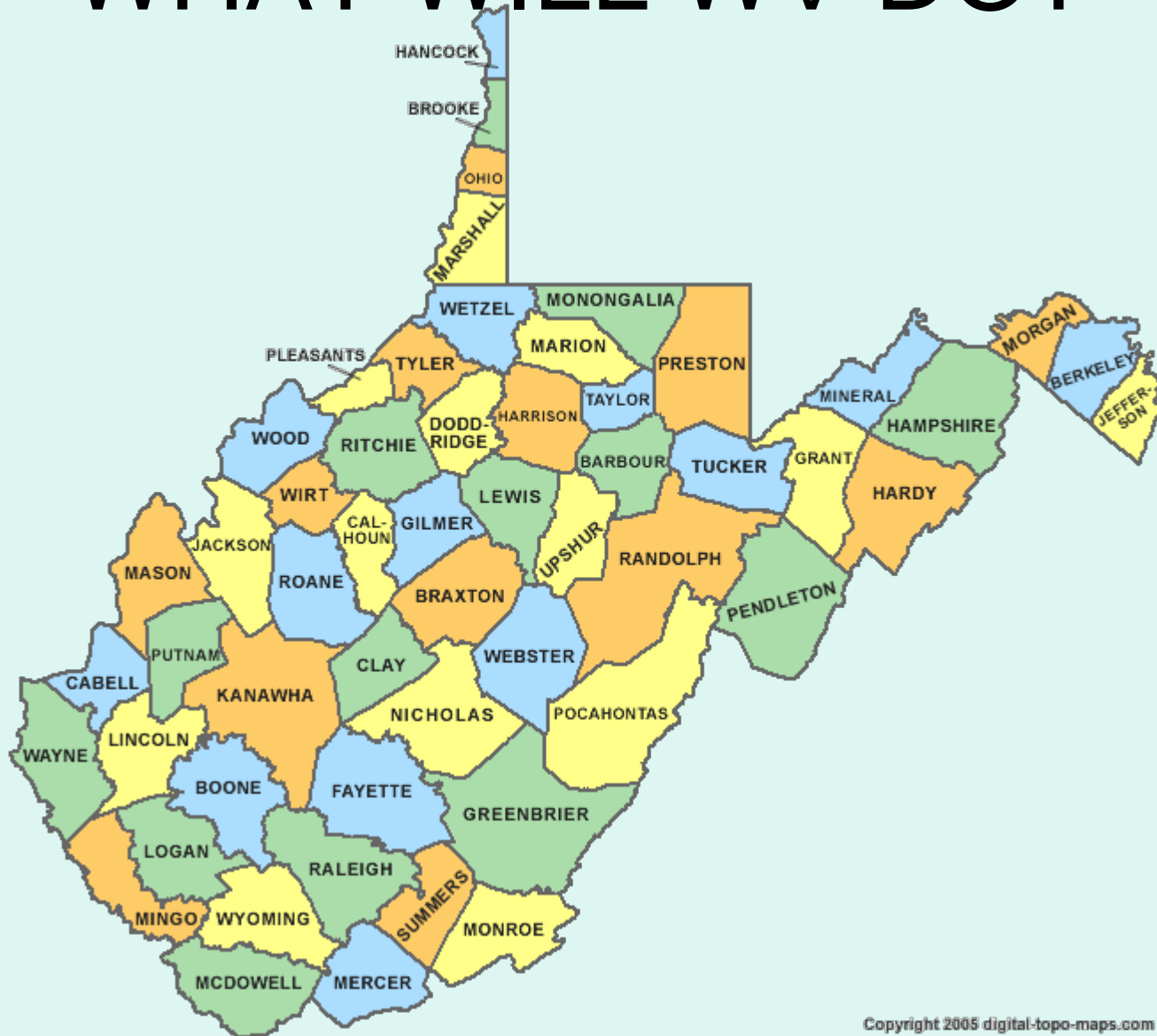
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# WHAT WILL WV DO?



# WV'S PLAN

- MINOR ACTIONS
- REPLACED 5% Motor Vehicle Privilege Tax with 5% Motor Vehicle Sales Tax
- MOVED funding requirements for State Police, weight enforcement and Courtesy Patrol from road fund to maximise road funds for highway uses only

# MINOR STEPS, cont.

- DIVERTED some General Revenue Funds to State Road Fund via a funding formula. WV transferred \$12.7 million in FY2008. The transfer is in lieu of a pass-through sales tax exemption for highway contractors

# WV'S PLAN

- WV's advantage – sales tax on fuel is equal to 5% of the average wholesale price of a gallon of fuel as measured between July and October of preceding year.
- Legislation enacted to freeze rate at current level for 2009

# RAINY DAY FUND

- Legislature set aside \$40 million in one time surplus funds to be transferred to Road Fund if motor fuel tax collections fall short of estimate. \$1.9 million have been transferred as of 9/1/08.

# LONG RANGE PLAN?

- WE ARE THINKING.....

