



FINANCING TRANSPORTATION IN THE 21ST CENTURY:

AN INTERGOVERNMENTAL PERSPECTIVE
January 2008

“Today’s problems cannot be solved by thinking the way we thought when we created them.”

- Albert Einstein

Biggest Threat is the Greatest Opportunity

More Demand than Money

- Highway Trust Fund out of money by 2009
- Outlays exceeded receipts by \$2 to \$4 billion dollars each year from 2001-2004
- Total needs are estimated at \$4.9 trillion through 2020
- 29% of the nation's 585,500 bridges are structurally deficient or functionally obsolete

Transportation today

- Steady increase in congestion rates
- Continued loss of life on our highways
- Freight tonnage moving by truck and rail increasing
- Transit ridership is increasing
- Global competitors have aggressive transportation policies
- Continued need to balance economic development, environmental, social and consumer demands

Congress created two commissions

- Congress is searching for long-term solutions to the growing funding gap and its consequences
- National Surface Transportation Policy and Revenue Study Commission
- National Surface Transportation Infrastructure Financing Commission

Policy and Revenue Study Commission

- 12 members
- Appointed by the President or Congressional leaders
- Began work in late 2005
- Just completed and released their final report

Highlights

- Agreed there is a short and long-term crisis
- Called for a continued strong federal role
- Advocated for a 25 – 40 cent fuel tax increase over the next 5 years
- Called for program consolidation
- Recommended streamlining of the program delivery process

National Surface Transportation Infrastructure Financing Commission

- 15 Commissioners- appointed by Congress or Secretary of Transportation
- Began work in April 2007
- Recently released interim report
- Two years to release final report

Commission required to examine:

- Current Highway Trust Fund (HTF) revenues
- Project how HTF revenues may change
- Alternatives for funding the HTF
- Highway and transit needs for HTF funds
- State “opt-out” program

State of Tennessee

- Transportation Funding Options Study Committee
- 20 members – lawmakers & stakeholders
- Report back to the General Assembly with recommendations by February 15, 2009

Ancient wisdom says that when you discover you are riding a dead horse, the best strategy is to dismount.

Too often, in government, we try other strategies – such as:

- Buy a stronger whip
- Change riders
- Appoint a committee to study the horse
- Arrange a visit to other sites to see how they ride dead horses
- Provide additional funding to increase the horse's performance
- Study alternative uses for dead horses....and

My personal favorite.....

- Promote the dead horse to a supervisory position

So.....what do we do?

- Need a national transportation policy
- Need a bi-partisan solution
- Need to recognize intergovernmental relationships
- Modal fights will only ensure failure

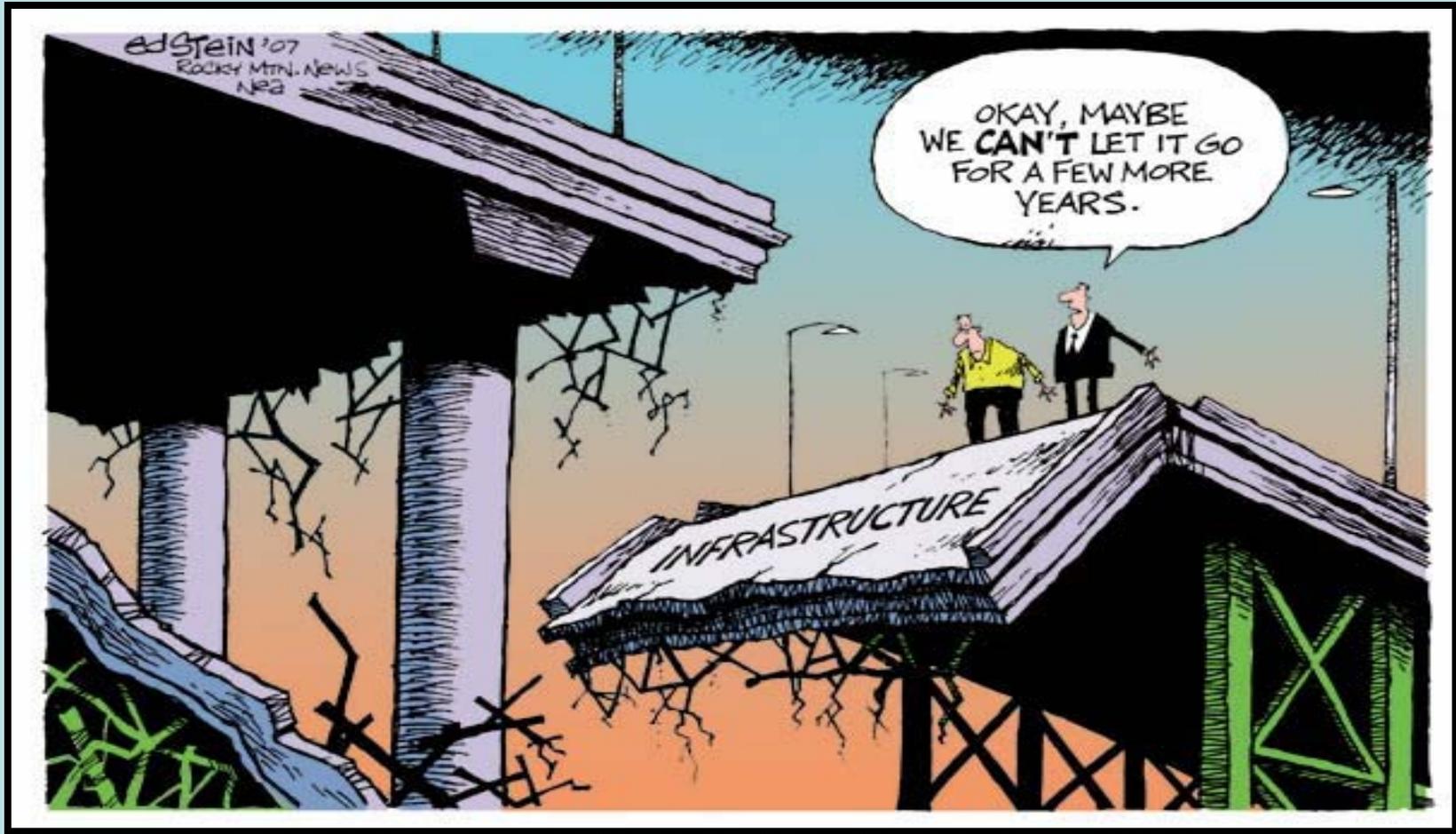
So.....what do we do?

- Historic opportunity to revolutionize federal and state transportation programs
- Cannot wait for someone else to fix the problem – need to address head-on
- Business as usual is not going to work and doing nothing is not an option

Financing Transportation in the 21st Century: An Intergovernmental Perspective

- **A Major Financial Problem**
- **Intergovernmental Challenges**
- **Options for Strengthening Transportation Financing**

Time is of the Essence



Recommendations

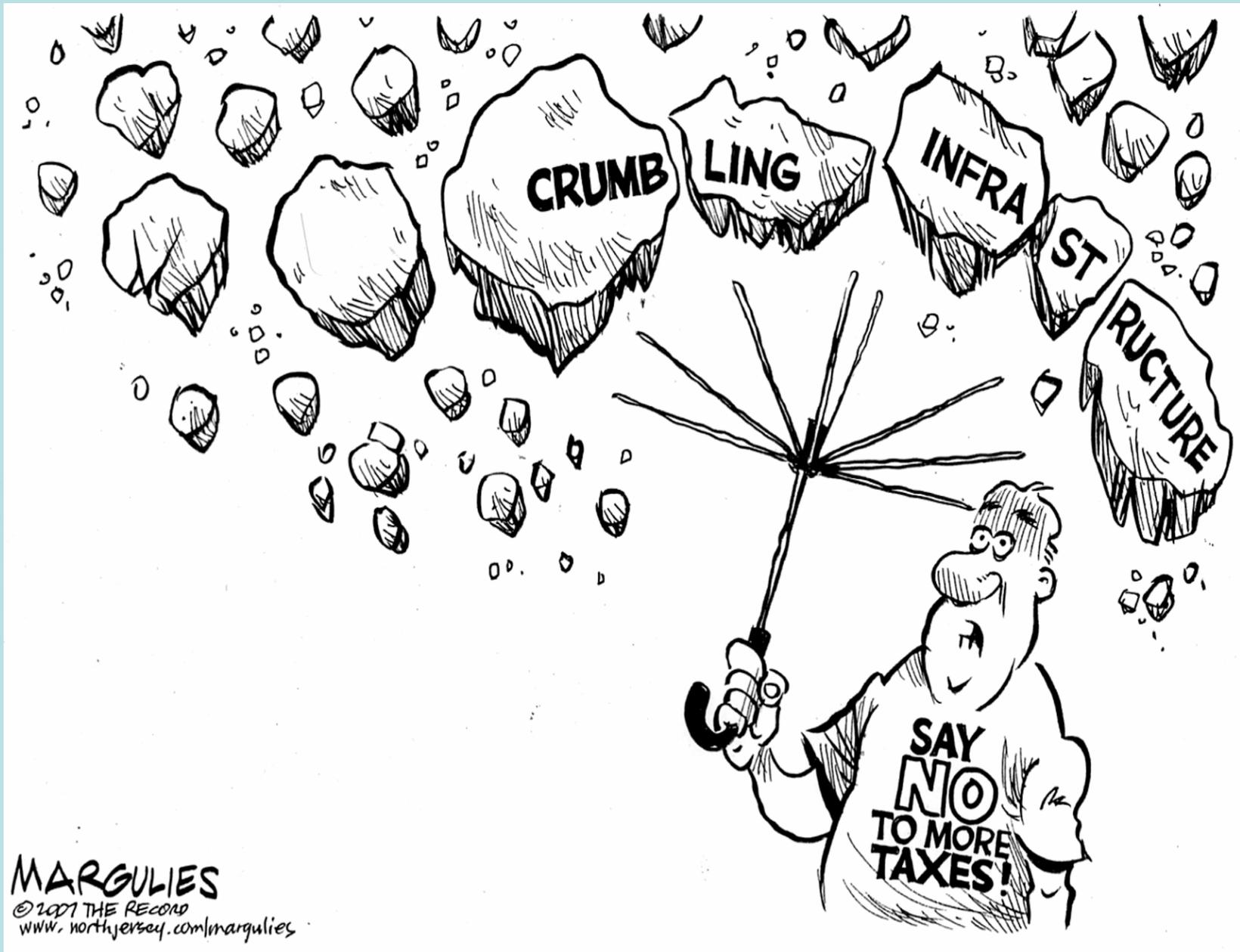
- 1. Take prompt action to sustain the Federal Highway Trust Fund and other surface transportation revenue sources.**

Recommendations

2. Collaboratively establish national performance goals and intergovernmental roles and responsibilities to achieve them.

Recommendations

3. Maintain the principle that users and beneficiaries should pay to meet established needs to the greatest extent possible.

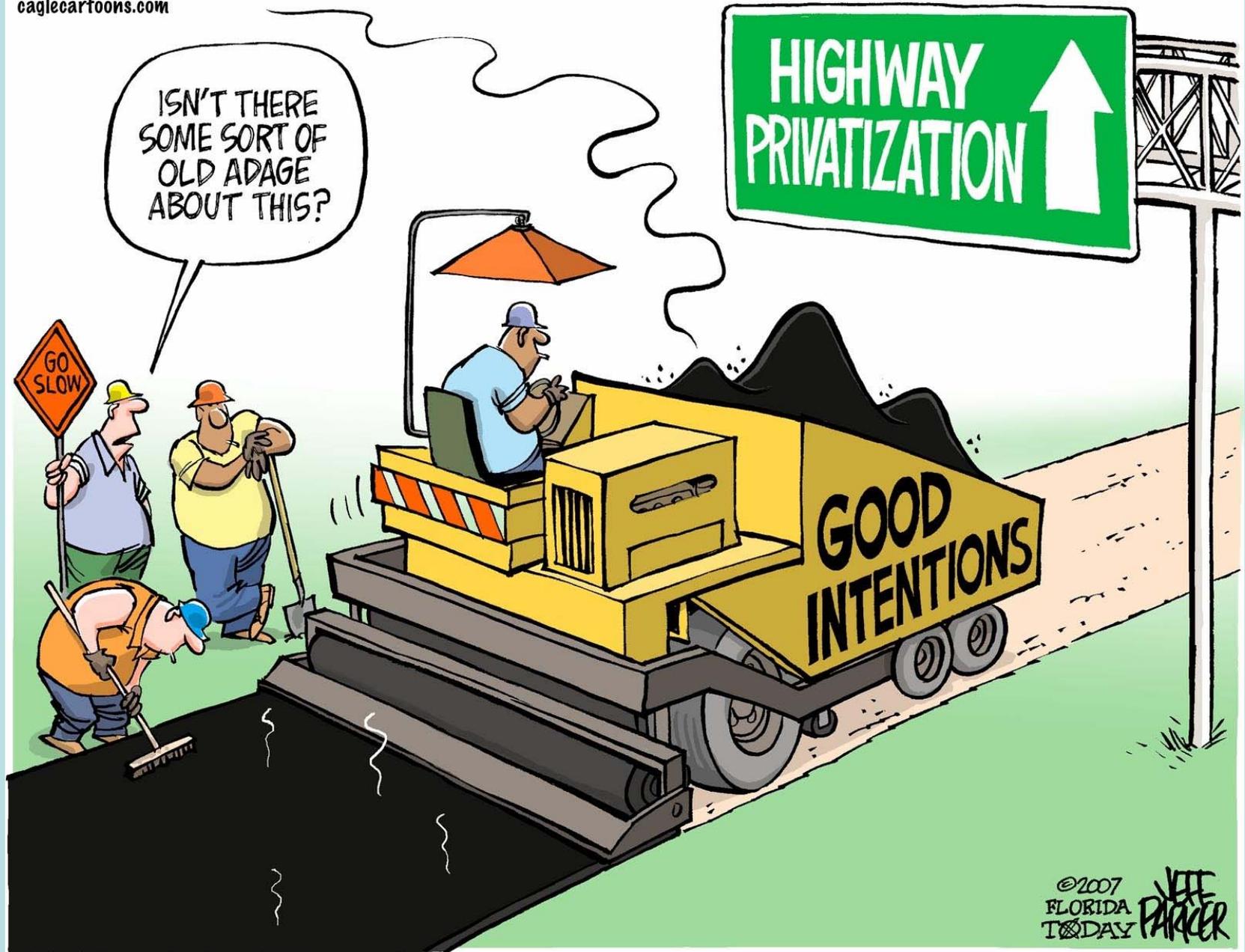


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Recommendations

4. Examine a wide range of scenarios for increasing revenues.



ISN'T THERE SOME SORT OF OLD ADAGE ABOUT THIS?

GO SLOW

HIGHWAY PRIVATIZATION ↑

GOOD INTENTIONS

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Recommendations

5. Consider the intergovernmental impacts of financing proposals.

**More from the
blogs.....**



“..... Memphis has all the roads that it needs. At the same time, we have serious needs in pre-K and health care, so if the Governor could earmark the \$44 million for our community, it would be the best use of highway money we’ve gotten lately.”

SmartCityMemphis.blogspot

Recommendations

**6. Transition time for major shifts
in financing**

Funding vs. Financing

- Fuel tax
- Vehicle fees
- Direct user fees
- Indirect user fees
- General Fund or other sources
- General obligation debt
- Grant anticipation borrowing
- User fee revenue bonds
- Federal credit assistance
- Toll road concessions
- Asset leases