

House Transportation Committee Federal Funding Outlook

January 7, 2014



Today's Discussion

- Federal Funding Process
 - Authorization
 - Appropriation
 - Obligation
- Current State
 - MAP 21
 - FFY2014 Continuing Resolution
- Future Concerns
 - Highway Trust Fund Insolvency
 - Potential Funding Scenarios



Federal Funding Process

Transportation Authorization
Legislation



Annual Transportation
Appropriation



Annual Obligation Limitation

Transportation Authorization

- Usually multi-year bill – 5 or 6 years
 - MAP-21 was only two years: 2013 and 2014
 - SAFETEA-LU was five year bill: 2005 – 2009 but was extended for three years to 2012
- Establishes levels of annual *apportionments*
 - Provides long range funding assurance for planning
- Apportionments usually allocated to States by formula
 - MAP-21 used SAFETEA-LU averages
- VT has \$198 million apportionment for FFY2014

Transportation Appropriation

- Provides annual spending limitation
- Establishes levels of annual *obligation limitation*
- *Obligation limitation* is effectively the amount of cash that can be committed (obligated) to projects
- Usually less than apportionment amount
 - Averages around 90% of apportionments

Obligation Limitation

- Amount available in fiscal year to obligate to specific projects
- Must be obligated by specific project phase only when that phase is ready
 - Preliminary Engineering; Right of Way; Construction
 - Once obligation occurs a project appears in the Transportation Program
- Must be fully obligated by end of each fiscal year or money is returned to Washington
- VT estimated to get approximately \$185 - \$190 million of obligation limitation in FFY2014
- Multi-year projects can be obligated by cash flow over several years using “advanced construction”

Current Federal Funding Status

- MAP-21 expires September 30, 2014
- FFY2014 appropriation under continuing resolution expires January 15, 2014
 - VT has received prorated obligation limitation
 - Budget “deal” likely to result in level funding
- Solvency of the Highway Trust Fund
 - 1/3rd of MAP-21 funding from General Fund transfers
 - \$41 billion transferred since 2008
- Timing issues related to Congressional action, or lack thereof

HTF/Fiscal Cliff Scenarios

- HTF estimated to become insolvent in FFY2015
 - Reduce FFY2015 apportionments by 99.5%
 - Worst case scenario
 - Reduced spending: Need 25% (or more) annual cut
 - Beginning FFY2014 – current year – \$48M cut for VT
 - Beginning FFY2015 would require more than 1/3rd cut - \$62+M
 - Continued GF transfers to HTF
 - \$15B to fund FFY2015 - more in subsequent years
 - New revenues: 10 cents on gas tax would fix
 - Combination of revenues and spending cuts

Timing and Planning Issues

- Uncertainty due to Congressional inaction
 - Congress not likely to fix before crisis time
 - States will need to mitigate risk associated with potential funding scenarios
 - States may need to plan for the worst
 - Adversely affects States ability to plan projects

Scenario Impacts – Worst Case

- Worst case - 99.5% reduction in FFY2015
 - No new obligation limitation available in FFY2015
 - Should VT take precautionary measures?
 - Delay projects beginning FY2014 to avoid potentially over-committing?
 - Focus delays on large advanced construction projects
 - Need to reduce (or eliminate) year-end balance in advanced construction projects
 - Need to avoid stopping projects under construction
 - No new projects could be advertised after 10/1/2014 if this scenario occurs

Scenario Impacts - Funding Cut

- Possible 25% annual cut beginning FFY2014
 - Approx \$48M reduction from current level
 - Would affect FY2015 budget
 - Could be handled in budget adjustment
 - Impact would be greater in FY2016 and beyond
- Possible 33% annual cut beginning FFY2015
 - \$62M+ reduction from current level
 - Minimal affect on FY2015 budget
 - Impact would be greater in FY2016 and beyond

Other Possible Scenarios

- Continued transfers from the GF to supplement HTF
- New HTF revenue package
 - 10 cent gas tax would work: \$1.5B per penny
- Least impact to VT – hopefully most likely outcome