Legislative Initiatives in Transportation
Infrastructure
Funding and Financing

WEBINAR SERIES: INNOVATION IN PRACTICE
WEBINAR 6

June 6, 2017
Legislative Initiatives in Transportation Infrastructure Funding and Financing
Webinar Logistics

- PowerPoint Presentation available on BATIC Website

- Submit questions in Q&A box

- Webinar will be available on BATIC Website
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Webinar Overview

- Overview of Recent Legislative Activity
- State Highlights
  - California
  - Tennessee
  - Indiana
- Questions Submitted by Webinar Participants
Overview of Recent Legislative Activity

Kevin Pula
Policy Specialist
National Conference of State Legislatures
State vs. Local vs. Federal

All Levels of Government Fund Highways and Transit
Average annual own-source spending by level of government, 2008-12

Federal
$54 billion

State
$84 billion

Local
$75 billion

Source: Pew’s analysis of U.S. Census Bureau’s Annual Survey of State and Local Government Finances, 2008-12; U.S. Office of Management and Budget, Public Budget Database
© 2015 The Pew Charitable Trusts
Nominal vs. Real Spending

Various Measures of Public Spending on Transportation and Water Infrastructure, 1985 to 2014
Trends in Construction Cost Growth and Vehicle Fuel Economy Since 1990
• Transportation Governance and Finance: A 50-State Review of State Legislatures and Departments of Transportation

• Found 50+ funding mechanisms for transportation

- 19 States & D.C. enacted legislation between 2013 and 2016
- No strong demographic, regional or political trends
- Trend towards variable rate or indexed structures
Motor Fuel Tax Legislation 2013 Through 2017

2017 Bills

- California SB 1
- Indiana HB 1002
- Montana HB 473
- South Carolina HB 3516
- Tennessee HB 534
Trend 1: Motor Fuel Tax Indexing

19 states, representing 54% of population, now index their state MFT

2013
Aggressive Indexing
- MA (later repealed), MD, PA, VA, VT & D.C. enacted legislation to index MFT.
- Only WY chose to keep a fixed structure.

2014
Mild Indexing
- RI – Decided to index but no immediate increase.
- NH – Fixed increase but based on CPI trends.
- MA – Voters repealed indexing measure.

2015
Mixed Bag
- GA (CPI & CAFE), MI (inflation), NC (pop. & CPI) and UT (% of retail) all chose to use indexing.
- ID, IA, NE, SD and WA chose to use fixed increases.
- KY adjusted % on wholesale tax to implement a price floor and limit losses.
Trend 2: Electric Vehicle Fees

2017 Bills

- California
- Indiana
- Minnesota
- Tennessee
- South Carolina
### Trend 3: Non Fuel Tax Approaches

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Connecticut</strong> – Authorized $2.8 billion in bonding</td>
<td><strong>Indiana</strong> – Budget Reserve Transfers &amp; Local Wheel Tax</td>
<td><strong>Idaho</strong> – Authorized highway transportation GARVEE bonds</td>
<td></td>
</tr>
<tr>
<td><strong>Delaware</strong> – Increased various transportation fees and taxes</td>
<td><strong>Maine</strong> – Authorized up to $100 million in bonds for transportation</td>
<td><strong>Minnesota</strong> – Authorizes $940 million in highway bonds, $300 million in general fund transfers to transportation and reallocates various tax revenues for use on transportation. Establishes a $75 fee on electric vehicles.</td>
<td></td>
</tr>
<tr>
<td><strong>Georgia</strong> – Hotel tax and local option taxes for transportation</td>
<td><strong>New Hampshire</strong> – Adopted a 10 year transportation improvement plan and authorized GARVEE bonds</td>
<td><strong>Utah</strong> – Authorized $1 billion in general obligation bonds for transportation over the next four years</td>
<td></td>
</tr>
<tr>
<td><strong>Massachusetts</strong> – Authorized $200 million in bonding</td>
<td><strong>Rhode Island</strong> – Established commercial vehicle only tolls &amp; authorized GARVEE bonds</td>
<td><strong>West Virginia</strong> – Authorized $500 million in grant anticipation notes for transportation</td>
<td></td>
</tr>
<tr>
<td><strong>North Dakota</strong> – Dedicated oil &amp; gas revenues to transportation</td>
<td><strong>South Carolina</strong> – Moved $200 million in various transportation fees from GF to TTF. Restructured State Infrastructure Bank, allowing up to $2.2 billion in bonds.</td>
<td><strong>Wyoming</strong> – Increased vehicle registration fees, commercial vehicle fees and other transportation fees. Cut general fund transfers to transportation by approximately the same amount.</td>
<td></td>
</tr>
</tbody>
</table>
| **Texas** – Dedicated oil & gas severance taxes to transportation | **Washington** – Authorized the issuance of bonds for transportation payable with excise tax revenues from 2015 fuel tax increase | }
<table>
<thead>
<tr>
<th>State</th>
<th>Gas Tax Increase (Diesel)</th>
<th>Indexing Provisions</th>
<th>Registration Fee Increases</th>
<th>Establishes Electric Vehicle Fee</th>
<th>Estimated Revenue Increase</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>California SB 1</td>
<td>12 CPG (20 CPG)</td>
<td>Yes, indexed to inflation</td>
<td>Creates Transportation Improvement Fee ranging from $25 to $175 based on vehicle value</td>
<td>New $100 fee, indexed to inflation</td>
<td>$52.4 billion over ten years</td>
<td>Eliminates “Gas Tax Swap”; Stops diversions of $706 million to the General Fund from Transportation Fund</td>
</tr>
<tr>
<td>Indiana HB 1002</td>
<td>10 CPG</td>
<td>Indexed to inflation but limited to 1 CPG annual increase</td>
<td>$15 new improvement fee</td>
<td>New annual $150 fee for EVs and $50 for hybrids</td>
<td>$1.2 billion annually</td>
<td>Establishes framework for tolling highways; Increases tax on aviation and alternative fuels; adjusts distribution formulas</td>
</tr>
<tr>
<td>Montana HB 473</td>
<td>6 CPG over 6 years (2 CPG over 6 years)</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>$27 million + annually</td>
<td>Allows state to meet federal match; Adjusts distribution formulas</td>
</tr>
<tr>
<td>South Carolina HB 3516</td>
<td>12 CPG over 6 years</td>
<td>X</td>
<td>$16 increase to biennial fees and $250 first time registration fee</td>
<td>New $120 fee for EVs and $60 for hybrids (both biennial)</td>
<td>$181 million in FY 17-18 growing to $727 million by FY 23-24</td>
<td>Establishes a road use fee for commercial motor vehicles; Increases driver license fees; Requires Transportation Asset Management Plan; Makes various tax reforms</td>
</tr>
<tr>
<td>Tennessee HB 534</td>
<td>6 CPG over 3 years (10 CPG over 3 years)</td>
<td>X</td>
<td>$5 increase</td>
<td>New $100 fee for EVs and increased tax rates on alternative fuels</td>
<td>$350 million annually</td>
<td>Makes various income and sales tax reforms</td>
</tr>
<tr>
<td>Utah SB 276</td>
<td>Neutral</td>
<td>Accelerated indexing provisions from 2015 legislation</td>
<td>X</td>
<td>X</td>
<td>N/A</td>
<td>No immediate increase but will lead to an effective increase if fuel prices rise.</td>
</tr>
</tbody>
</table>

* The New Mexico Legislature passed legislation to increased motor fuel taxes in both the 2017 regular session and 2017 special session. The Governor vetoed both bills.
NCSL’s Transportation Funding Deep Dive

Gas Tax Legislation

National Overview

Transportation Funding by the Numbers

What’s New

Transportation Funding Options

California

Norma Ortega

CHIEF FINANCIAL OFFICER
California Department of Transportation
CA’s SB 1 Highlights

- Increases transportation funding by $5.2 billion annually
- New taxes and fee increases are permanent and indexed for inflation
- Focuses on “Fix It first”
- Splits Funding equally between State and Local needs
- Calls for Accountability and Transparency
- Calls for a Constitutional Amendment to protect funds for transportation purposes
# 10-Year Revenue Timeline

<table>
<thead>
<tr>
<th>Tax/ Fee Type</th>
<th>Timeline</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline Excise Tax – Road Maintenance &amp; Rehabilitation Account and Remaining funds for SHOPP and Local Streets and Roads</td>
<td>November 1, 2017</td>
<td>18 cents to 30 cents</td>
</tr>
<tr>
<td>Diesel Excise Tax – Trade Corridor and Road Maintenance &amp; Rehabilitation Account</td>
<td>November 1, 2017</td>
<td>16 cents to 36 cents</td>
</tr>
<tr>
<td>Diesel Sales Tax – State Transit Assistance, Intercity and Commuter Rail, Transit and Intercity Rail Capital Program, and Local Streets and Roads (effective July 2020)</td>
<td>November 1, 2017</td>
<td>9% to 13%</td>
</tr>
<tr>
<td>Transportation Improvement Fee – Road Maintenance &amp; Rehabilitation Account, Public Transportation Account, State Highway Account</td>
<td>January 1, 2018</td>
<td>$25 to $175 (60% will pay $50 or less)</td>
</tr>
<tr>
<td>Gasoline Price-Based Excise Tax – State Highway Account and Local Streets and Road</td>
<td>July 1, 2019</td>
<td>17.3 cent reset + CPI</td>
</tr>
<tr>
<td>Zero Emission Vehicle Fee – Road Maintenance &amp; Rehabilitation Account</td>
<td>July 1, 2020</td>
<td>Fee on model 2020</td>
</tr>
</tbody>
</table>
### 10-Year Revenue Forecast

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>$ in millions</th>
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<tbody>
<tr>
<td>Gasoline Excise Tax</td>
<td>$24,823</td>
</tr>
<tr>
<td>Diesel Excise Tax</td>
<td>$7,086</td>
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<tr>
<td>Diesel Sales Tax</td>
<td>$3,533</td>
</tr>
<tr>
<td>Transportation Improvement Fee</td>
<td>$16,716</td>
</tr>
<tr>
<td>ZEV Fee</td>
<td>$191</td>
</tr>
<tr>
<td>Loan Repayment</td>
<td>$706</td>
</tr>
<tr>
<td>Caltrans Efficiencies</td>
<td>$1,000</td>
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</tbody>
</table>

**10-Year Total - $54 billion**
## 10-Year Allocation per Program

<table>
<thead>
<tr>
<th>State</th>
<th>Local Streets and Roads</th>
<th>State Transit Assistance</th>
<th>Transit &amp; Intercity Rail Capital Program</th>
<th>Local Partnership</th>
<th>Active Transportation</th>
<th>STIP (Local Share)</th>
<th>Commuter Rail &amp; Intercity Rail</th>
<th>Local Planning Grants</th>
<th>RMRA - Administration</th>
<th>Local Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHOPP</td>
<td>$14,894</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$14,833</td>
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<tr>
<td>Bridge and Culverts</td>
<td>4,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,255</td>
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<tr>
<td>Trade Corridor Enhancement</td>
<td>3,059</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,970</td>
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<tr>
<td>Congested Corridor</td>
<td>2,500</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,000</td>
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<tr>
<td>Parks</td>
<td>823</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td>1,000</td>
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<td>Agriculture</td>
<td>258</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>993</td>
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<tr>
<td>STIP (State share)</td>
<td>331</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>442</td>
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<td>Freeway Service Program</td>
<td>250</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>250</td>
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<tr>
<td>RMRA - Administration</td>
<td>38</td>
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<td></td>
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<td>38</td>
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<tr>
<td>Transportation Workforce Training</td>
<td>50</td>
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<tr>
<td>UC/CSU Transportation Research</td>
<td>70</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td><strong>State Total</strong></td>
<td><strong>$26,273</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>$26,782</strong></td>
</tr>
</tbody>
</table>
## 2017 TN IMPROVE Act - Highlights

<table>
<thead>
<tr>
<th>Description</th>
<th>FY’20</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% reduction on food</td>
<td>($126.6M)</td>
</tr>
<tr>
<td>Franchise &amp; excise tax – manufacturing</td>
<td>($119.7M)</td>
</tr>
<tr>
<td>Hall tax (income tax)</td>
<td>($114.7M)</td>
</tr>
<tr>
<td>Gasoline – 6 cent increase</td>
<td>$129.1M</td>
</tr>
<tr>
<td>Diesel – 10 cent increase</td>
<td>$79.1M</td>
</tr>
<tr>
<td>Vehicle registration increase</td>
<td>$34.7M</td>
</tr>
<tr>
<td>New electric vehicle fee</td>
<td>$0.3M</td>
</tr>
<tr>
<td>CNG, LP – 8 cent increase</td>
<td>$0.9M</td>
</tr>
<tr>
<td><strong>Net Impact</strong></td>
<td><strong>($116.9M)</strong></td>
</tr>
</tbody>
</table>
2017 TN IMPROVE Act - Highlights

Plan Details

962 Projects IN ALL 95 Counties

All projects complete, under construction, or under contract by 2030

94% of backlog projects under construction within six years
56% of interstate projects under construction within six years

Plan Includes

- 45 projects to improve interstates in Tennessee
- 89 projects to improve access in rural communities
- 51 projects geared toward creating economic opportunities
- 526 local bridges repaired
- $35 M additional for cities
- $70 M additional for counties
Indiana

Ed Soliday
CHAIRMAN OF ROADS AND TRANSPORTATION COMMITTEE
Indiana House of Representatives
Funding Indiana’s Infrastructure for the Next Generation

- **House Enrolled Act 1002**
  - Comprehensive
  - Sustainable
  - Responsible
Past Achievements

- In 2006, Mitch Daniels’ Major Moves Plan fully funded $11 billion in roadway projects and maintenance over 10 years.

- In 2013, lawmakers improved ongoing funding by eliminating $140 million in annual diversions from gas taxes and redirecting one-fifth of the gas sales tax toward roads.

- Last year, lawmakers provided local communities with more funding tools, created a matching grant program that has already awarded $150 million.
Funding Indiana’s Infrastructure for the Next Generation
House Enrolled Act 1002

Correct for inflation:
- 10 cent fuel tax increase
- 10 cent diesel tax increase
- 10 cent commercial diesel tax surcharge increase
Indexes taxes to adjust for inflation

$15 registration fee increase
$50 hybrid car registration fee
$150 electric car registration fee
25 percent commercial truck registration fee increase

Require INDOT to further study tolling
Transfer the remaining sales tax on gasoline from the General Fund to the State Highway Fund by FY 2025

SAFE      EFFICIENT      WELL-MAINTAINED      MINIMUM DEBT

USER PAYS

DATA DRIVEN

STABLE & FLEXIBLE FUNDING TOOLS

STATE & LOCAL PARTNERSHIP

SUSTAINABLE

LONG TERM

28
State and Local Funding Needs

- Over the past 6 years we thoroughly studied the funding levels needed to properly build and maintain state and local roads, culminating in the Funding Indiana Roads for a Stronger, Safer Tomorrow (FIRSST) Task Force report in 2016.

- House Enrolled Act 1002 used this data-driven report as the foundation for a long-term, sustainable plan that will help build and maintain Indiana’s roads and bridges for the next 20 years.
Questions and Answers

Jennifer Brickett

DIRECTOR
BATIC Institute: An AASHTO Center for Excellence
Discussion

Kevin Pula
Policy Specialist
NCSL Transportation Program

Norma Ortega
Chief Financial Officer
California Department of Transportation

John Schroer
Commissioner
Tennessee Department of Transportation

Ed Soliday
Chairman of Roads and Transportation Committee
Indiana House of Representatives

Please submit any questions to our panel using the Q&A box in the bottom left corner of your screen
The most recent edition can be found here

http://scofa.transportation.org/Documents/State%20Transportation%20Funding%20Proposals.pdf

Previous updates can be found here

http://scofa.transportation.org/Pages/State-Transportation-Funding-Successes-and-Proposals.aspx
Wrap-Up

- The BATIC Institute will post responses to all questions received today on its website
- The recorded webinar will also be available on the BATIC Institute website:
  www.financingtransportation.org

UPCOMING BATIC INSTITUTE OFFERINGS

P3 Peer Exchange
July 12, 2017

CFO Peer Exchange
July 31 and August 1, 2017

Public-Private Partnerships (P3) Basics Overview Training
August 5-6, 2017

Thank you for attending today’s webinar