

# CALIFORNIA SENATE OFFICE OF RESEARCH

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## *Federal Update*

### **FEDERAL HIGHWAY TRUST FUND SOLVENCY PRESERVED (TEMPORARILY)**

#### **PRESIDENT OBAMA SIGNS BILL AUTHORIZING FEDERAL TRANSPORTATION SPENDING FUNDING THROUGH OCTOBER 2015**

On July 31, President Obama signed legislation extending authorization of the Federal Surface Transportation Program (MAP-21) through October 29, 2015. The legislation also authorizes nearly \$8 billion in General Fund offsets that will ensure solvency of the Highway Trust Fund at least through October.

#### **WHY IS THIS ISSUE IMPORTANT?**

This extension ensures that allocation of federal funding to states for transportation will continue uninterrupted. Without the extension, the Federal Highway Administration (FHWA) would have lacked authority to obligate funds or issue reimbursements to states for new and ongoing projects. Additionally, in mid-July, U.S. Transportation Secretary Anthony Foxx had warned state Departments of Transportation that the fund balance in the Highway Trust Fund (HTF) was nearing critical status and that without Congressional action by early August, FHWA would have been forced to delay or limit reimbursement payments to states. Such actions would have hampered the ability of the California Department of Transportation and other agencies to pay contractors as required and eventually could have impacted delivery of new projects.

#### **HOW DID WE GET HERE?**

Since its creation in the 1950s, the HTF has been the principal source of federal surface transportation funding. Created as a user-fee supported account, it is funded primarily through a federal excise tax collected on the sale of motor fuel. Over the years, Congress has acted periodically to increase the tax, most recently in 1993 when it was set at

18.4 cents per gallon. Since then, the average fuel economy of U.S. light-duty vehicles has increased from 20.6 mpg to 23.3 mpg, while growth in per-capita vehicle miles traveled has slowed. These trends have combined to exert significant downward pressure on fuel tax revenue, even as the nation's highway infrastructure is increasingly in need of repair and rehabilitation.

In recent years, revenues generated by the fuel excise tax have been insufficient to support the level of expenditures authorized by Congress, causing the balance in the HTF to dwindle. However, in lieu of increasing the fuel tax to ensure HTF solvency, in 2009, Congress instead authorized the transfer of general fund revenue for this purpose. Since then, including the most recent legislation, Congress has authorized more than \$73 billion in general fund transfers.

## WHAT'S NEXT?

On the same day that it passed the bill extending MAP-21, the Senate also passed legislation that would reauthorize the federal surface transportation program for six years. The bill, titled the "Developing a Reliable and Innovative Vision for the Economy (DRIVE) Act," generally follows the policy priorities and program structure of MAP-21, albeit with important modifications. It would modestly increase funding for most programs (though it would cap growth in the Transportation Alternatives program, a primary funding source for California's Active Transportation Program), and unlike MAP-21, it would authorize grant funding (\$200 million annually) for freight projects. Importantly, however, while the bill provides six years of program authority, it does not address the HTF's structural funding gap and would authorize general fund offsets sufficient to pay for only the first three years of the bill.

House leadership, however, declined to consider the DRIVE Act prior to leaving for its August recess, indicating that the House will consider its own multi-year transportation authorization bill in September. If the House passes its own bill, a conference committee would be formed to reconcile differences between the two before final legislation could be sent to the President.

**Written by Ted Link-Oberstar.** The California Senate Office of Research is a nonpartisan office charged with serving the research needs of the California State Senate and assisting Senate members and committees with the development of effective public policy. The office was established by the Senate Rules Committee in 1969. For more information, please visit <http://sor.senate.ca.gov> or call (916) 651-1500.

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