The Federal Highway Bill and its Significance for Local Public Agencies

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The Federal Highway Bill finally cleared the United States Congress on December 23, 1982. The title is the “Surface Transportation Assistance Act of 1982.” It is mostly referred to as the nickel-a-gallon gasoline tax bill. No matter what it is called, its impact will be great for the state and local governments in Indiana. By outlining some major points of the bill, its significance to the local governments becomes apparent.

The roots of a federal aid project are the Federal Highway Funds, originating from federal taxes levied as a motorist user tax. These taxes make up the Highway Trust Fund and the total taxes collected each year average eight billion dollars. For this federal fiscal year, the total of all obligations for federal-aid highways and highway safety construction programs in the nation, may now equal 12 billion dollars, four billion more than last year, and a per centum increase of 50.

Indiana may be allowed to obligate 236 million dollars this year compared to 109 million dollars last year, 127 million more and a per centum increase of 116.

The new amount is substantial! It is greater in percent than any other state in the nation. The amount is even greater than the 130 million dollars originally expected in a proposed bill of last September. That proposed bill showed substantial increases for funding for bridges in Indiana. The final bill and its increases was created when the bill required that each state receive 85% of the money collected from the nickel a gallon gasoline tax. In the past, Indiana had not received a return in this amount, formally only 65% and thus was a “donor” state.

The funds available to local governments for projects will be assigned to the existing funding categories of Urban, Rural Secondary, Bridge Rehabilitation and Replacement, the Safety categories and to a new special category.

A county initiating a project, meeting the requirements of federal and state standards and located on a Rural Secondary System, may use Rural Secondary Funds. Towns along these RS routes may also apply for these funds with permission from the county.
The Highway Bill emphasizes that 3R projects shall be constructed in accordance with standards to: (1) preserve and extend the service life of the highways and (2) enhance highway safety. The legislation, along with supporting statements, stresses Congress' continuing concern that all federally-assisted highway improvements enhance safety to the maximum extent practical. The 3R symbolizes resurfacing, restoration or rehabilitation.

The funds in the rural secondary pot have been substantial for several years. The Federal Highway Bill has increased last year's amount and with the Highway Bill totaling a span of the next four years, this new amount can be expected annually thru this period. The Federal Highway Bill specifically mentions terms which in essence says if you don't use it; you lose it. Therefore, it is our purpose to make every county and eligible town requesting and being approved for federal aid aware of this fact in order that they may gear up and complete necessary phases.

The same idea applies for bridge replacement or rehabilitation. As long as the sufficiency rating is below 50 or 80 respectively, any bridge under your jurisdiction may be programmed for federal aid. These can be bridges on or off system. One stipulation though, we must make sure 65% of the bridges in total are on system. The Federal Highway Bill is allowing at the present time approximately 19 million for this category for local government use this year, another 19 million next year, the year after that, and the year after that—and at 80% federal participation. This is a far cry from what was happening last year.

Last year, due to the small funding—about eight million dollars, the existing bridge funds were being used for construction only, not design or R/W in this category. Many applications for construction even had to be returned! The Highway Bill is a start to improve over 8,000 of the state's local bridges that are classified as structurally or functionally deficient.

If you have a bridge federal aid project in progress at some stage of design or right-of-way, consider working hard to finish that which is required in order to place the project on a letting this year! Develop a four to five year plan where you might complete one or two of your highest priority bridges. For we hope to take advantage of the funds not only now, but in the out years coming.

This August 1st and every August of 1984, 1985, and 1986, the federal government will essentially freeze our ability to spend all remaining funds assigned for that year. Whatever remaining authority to spend for that year, may be offered to other states ready with projects. The freeze will be lifted the following October when the new federal fiscal year begins and the new year's amounts arrive. Our office will be striving to get projects ready between October and August of these years. You need to know this because the bulk and latitude of procedural respon-
ibility will rest with the local governments.

When federal aid is to be approved in the design, the selection procedures must be used to select a consultant and a federal aid type agreement submitted for review as soon as possible! However, it must be pointed out that doing the design using local funds must still be encouraged where possible. Funding the design and R/W by local money and using the federal aid for construction not only expedites things, often saving months and paperwork, but may be the wise move.

The safety categories include the railroad crossing projects, RRP, RRS and the hazard elimination projects, HES. The Federal Highway Bill addresses only the Railroad and Hazard Elimination Funding categories. There was nothing assigned the former 100% Pavement Marking Program. The funds allowed by the Federal Highway Bill for the Safety Categories RRP, RRS and HES are similar as in the past and with the amount accumulated there, the prospects look favorable for projects in these areas.

Special mention was given the Hazard Elimination Category. The law has relaxed and will allow projects to be located both on or off the federal system where formerly only on system projects could be considered. Intersection improvements may be accomplished thru this category when justified.

The Federal Highway Bill addresses the Urban Fund category by assigning similar amounts to them as they did last year. This holds true nation wide. For most urbanized areas, this fact is hard to swallow. For an example, last year in Indiana, one group of cities submitted projects totalling 20 million dollars when the funds available to them were only approximately three million. It is an excruciating experience when this happens!

Fortunately for Indiana, the Federal Highway Bill has assigned a lump sum of money to a Special Category. The bill calls them Minimum Allocation Funds, but they will be known as Special 85% Funds. Indiana is one of ten states eligible for this money, all of which have been donor states in the past.

The unique idea of these Special 85% Funds is that they may be spent in any of the just mentioned categories, Urban, Rural Secondary, Bridge Replacement or Rehabilitation and the Safety Categories. So, here is another source of funding for projects.

In February, the Transportation Coordinating Board met, and adopted a policy determining the amount of Special 85% Funds the local governments may receive, and how they may be spent in the just mentioned eligible categories. For Fiscal Year 1983 the amount equals 12 million dollars. The method of distribution will be reviewed before determining next year’s amount.

The funds in this Special 85% Fund category may be spent by any
Local Public Agency with two million dollars being the maximum allowed to any Local Public Agency during the four-year life of the Highway Act of 1982. This is in addition to an emergency project. These funds may not be used by a Local Public Agency until the funds available to it in a qualified funding category have been used. This means for an example, the pot or urban funds that the cities uses to build projects must be drawn down before the Special 85% Funds could be used by those cities. It also means the funds apportioned to an individual county in the Rural Secondary would have to be used before the Special 85% Funds may be available to it. The Special 85% Funds will in some ways act as a supplement should existing funds not be totally adequate.

Projects will be selected upon the following method of prioritization.

a. Emergency
b. Bridge
c. Existing Projects
d. New Projects

For the four-year period through fiscal 1986, Indiana's federal aid allocations will total over $1 billion. Whether this triggers the biggest highway improvement effort in the states' history depends on needed matching funds being provided. Present state and local revenue is insufficient, posing the very real threat that a large portion of the new federal aid funds could be lost within the next three to four years.

The new act includes a provision that states an eligible federal aid project may temporarily waive matching fund requirement for Fiscal Year 1983 and Fiscal Year 1984 where matching funds are unavailable, with requirement for repayment. Referred to as the Temporary Matching Fund Waiver, it may deserve consideration in developing your plan for federal aid in the future. Should this matching fund waiver be opted for, the project may be authorized without the match from the local government. The local government would have to provide an acceptable method to pay back the waived matching funds by September 1984.

This provision is more complicated and complex than it sounds. The total of all federal funds are not eligible to apply the Temporary Matching Waiver. An estimate of 29 million federal share for local projects must be obligated beginning in October each year before the waivers may begin. That would include a lot of projects by local governments who have match money. These local government's projects would have priority over local government's projects who require waivered funds. Therefore, the local governments cannot receive waivered matching funds for a project until after June 30, 1983 this year. It may be approximately the same date next year when using next year's money. The project must be in a ready state before using the waiver. The waiver cannot be reserved
now to be used at a later date.

The Indiana Legislature is addressing a method to provide match money on federal projects so there may be another possibility in borrowing matching funds in the near future.

The future looks brighter for energy impacted roads. The Indiana State Highway Department may give priority to projects where roads are incurring a substantial use as a result of transportation activities to meet national energy requirements. The Highway Bill allows 85% participation by the FHWA. Projects which are produced from recycled materials or which contain asphalt additives to strengthen the materials are allowed 80% participation by the FHWA. Such materials conserve energy and reduce the cost of resurfacing or restoring our highways.

The Division of Local Assistance is the first contact for federal aid. Our office will look forward to working with you and the opportunities that are derived from this Highway Bill.