“Federal-aid 101”

A Financial Overview.

Mark Newland
FHWA, Financial Manager
Purdue Road School, 2014
Objectives for “Federal-aid 101”

Provide an Overview of:

- What federal-aid funding is and where it comes from;
- How much is there and when it is available;
- How to receive federal-aid funds;
- Overview of MAP-21 Programs.
Federal-aid Program

- Established in 1956 at the start of the Interstate era;
- Generally funded every 4-6 years by new legislation;
- Moving Ahead for Progress in the 21st Century (MAP-21)...a two year bill.
- Highway Trust Fund (HTF) is its foundation;
Highway Trust Fund

- Has worked well over the years;
- More recently...
- Spending more per year than revenues coming in. Possibly in the red this summer.
- Tapped into to General Fund to cover shortfall in 2012;
- More fuel efficient cars;
- Vehicle Miles Traveled (VMT) is down.
Federal Tax on Gasoline and Gasohol/Ethanol

Tax of 18.4 Cents Per Gallon

Set Aside 0.1 Cent for Leaky Underground Storage Tank Fund

15.44 Cents Highway Trust Fund Account

2.86 Cents Mass Transit Account
Federal Tax on Diesel Fuel

Tax of 24.4 Cents Per Gallon

Set Aside 0.1 Cent for Leaky Underground Storage Tank Fund

21.44 Cents Highway Trust Fund Account

2.86 Cents Mass Transit Account
Apportionments

- “The distribution of funds as prescribed by statutory formula”.
- Often referred to as “Formula Funds”.
- Program specific as per formula.
- Lane miles, population, fuel usage, etc.
- Apportionment does not equal spending authority!
Obligation Authority (OA)

- OA = Spending Authority
- A restriction or “ceiling” on the amount of Federal assistance that may be promised (obligated) during a specified period.
- Amount and period are determined annually by Congress.
- Not program specific – applies to total program.
- OA ~90%-92% of apportionment.
Indiana Federal Funds

- Indiana’s apportionment = \(~$919.7M\) for FFY 2014.
- Obligation authority = $834.9M or 90.8% of apportionment.
- What happens to the $84.8M difference?
- Unused contract authority.
  - Generally rescinded by Congress
## FY 2014 Federal-Aid Highway Program Apportionments Under the Moving Ahead for Progress in the 21st Century Act (MAP-21)

### (before post-apportionment set-asides; before penalties)

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**U.S. Department of Transportation**

**Federal Highway Administration**

**FY 2014 Federal-Aid Highway Program Apportionments**

**The Moving Ahead for Progress in the 21st Century Act (MAP-21)**

(before post-apportionment set-asides; before penalties)
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Federal Participation Share

- “Standard” Federal Share:
  - Up to 90% on the Interstate
  - Up to 80% on all other projects

- Can be adjustments under certain programs:
  - Safety – Up to 100%
    - But no more than 10% of apportionments
  - Freight – Up to 95% - under certain conditions.

- Congress can change rules midstream
Federal Funding Approval Process

LPA Contacts INDOT District LPA Coordinator

Determine the phase(s) of work for which Fed-Aid will be requested: PE, R/W, Construction

INDOT/LPA Contract is executed

INDOT requests FHWA authorization via FMIS

FHWA authorizes via FMIS

Begin phase of work
To receive Federal-aid Funding Reimbursement

- Federal planning, environmental, and design standards **must** be followed:
  - **Must** be in TIP (MPO) and/or STIP
  - **Must** follow NEPA
  - **Must** follow the Uniform Act (R/W)
- Federal-aid funds are **reimbursed** rather than provided “up front.”
- Federal authorization of funds must be obtained **before** beginning any work of any phase (PE, R/W, CN).
Costs are **Reimbursed** with Federal Funds

**Cycle 1**

- FHWA Authorizes Funding
  - Contractor does work
  - State pays contractor
  - State invoices FHWA
  - FHWA approves invoice
  - US Treasury pays State

**Future Cycles**

- Contractor does work
  - State pays contractor
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MAP-21 Major Provisions

- Two-year Act as opposed to 4-5 years.
- Continues the basic structure established by the 1991 ISTEA legislation.
- Establishes a performance and outcome based program (Performance Management).
- Reduces the number of programs, which as a byproduct...
- Eliminates most discretionary programs...
  - But keeps eligibility for most of these activities.
MAP-21 Major Provisions

- Increases funding for TIFIA (innovative financing/P3).
- Expands the National Highway System (NHS).
- Establishes a National Freight Network.
- Accelerates Project Delivery.
- Funding near SAFTEA-LU levels.
- No Earmarks.
Core Funding Categories in MAP-21

- National Highway Performance Program (NHPP)
- Surface Transportation Program (STP)
- Congestion Mitigation & Air Quality Improvement Program (CMAQ)
- Highway Safety Improvement Program (HSIP)
- Railway-Highway Grade Crossing
- Metropolitan Planning
- Transportation Alternatives.

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Transportation Performance Management (TPM)

- Major new focus of MAP-21.
- *States will invest resources in projects to achieve individual targets that collectively will make progress toward national goals.*
- To be carried out through the following:
  - National Highway Performance Program (NHPP)
  - Highway Safety Improvement Program (HSIP)
  - Congestion Mitigation Air Quality Improvement Program (CMAQ)
  - National Freight Policy
TPM National Goals

- Safety
- Infrastructure Condition
- Congestion Reduction
- System Reliability
- Freight Movement and Economic Vitality
- Environmental Sustainability
- Reduce Project Delivery Delays
National Highway Performance Program (NHPP)

- New program funded at $21.8 billion.
- Indiana apportionment = ~$553M/year.
- Provides support for the condition and performance of the NHS.
- Ensure construction $ are directed toward the achievement of performance targets.
- NHPP Combines the functions of prior NHS, IM and Bridge Programs.
Freight Provisions

- MAP-21 establishes National Freight Policy, and requires DOT to do the following:
  - Establish national freight network;
  - Develop a national freight strategic plan;
  - Report on freight conditions and performance;
  - Other provisions.

- DOT must encourage states to establish freight advisory committees and develop state freight plans.

- Freight projects identified in a state freight plan may qualify for increased federal share (up to 95% on Interstate and 90% elsewhere).
P3 Initiatives

- Public-private partnerships (P3s) are contractual agreements formed between a public agency and a private sector entity that allow for greater private sector participation in the delivery and financing of transportation projects.
P3 Projects in Indiana

- Ohio River Bridges
- I-69 Section 5
- Illiana Corridor

P3 advantages:
- Can result in lower costs;
- Shorter development & construction timeframe;
- Shifts risk.
Transportation Infrastructure Finance and Innovation Act (TIFIA)

- One tool in Innovative Financing ("P3")
- TIFIA Offers 3 credit assistance products:
  - Direct Loans – up to 49% of total cost of project
  - Lines of Credit – up to 33% of total cost of project
  - Loan Guarantees
- All designed to encourage & leverage private co-investment by providing projects with supplemental or subordinate debt.
National Highway System (NHS)

- NHS has been enhanced. Includes:
  - Existing NHS
  - All principal arterials
  - STRAHNET (Defense)
  - All intermodal connectors – Highways that provide access between the NHS and major intermodal transportation facilities.
# Program Changes (S-LU v. MAP-21)

## SAFETEA-LU Programs
- NHS, IM, & Bridge (portion)
- STP & Bridge (portion)
- Congestion Mitigation & Air Quality Improvement Program (CMAQ)
- HSIP (includes High Risk Rural Roads)
- Rail-Highway Grade Crossing
- Metropolitan Planning
- TE, Recreational Trails, and Safe Routes to School

## MAP-21 Programs
- National Highway Performance Program (NHPP)
- Surface Transportation Program (STP)
- Congestion Mitigation & Air Quality Improvement Program (CMAQ)
- Highway Safety Improvement Program (HSIP)
- Rail-Highway Grade Crossing
- Metropolitan Planning
- Transportation Alternatives (takedown from NHPP, STP, HSIP, CMAQ, and Metro Planning)
Future of the Federal-aid Program

- MAP-21 will expire in July, 2014
- CR or new bill – President has proposed new 4-year bill;
- Emphasis on tying performance management/outcomes to funding;
- Funding level and resources are big questions.
Financing in the Future

- Fuel taxes will be one of principle revenue sources for the foreseeable future.
- Alternatives to fuel tax will need to be explored.
  
  Example: Mileage based user fees, i.e. VMT tax.
For further information on Financing Federal-Aid Highways:

- FHWA Website –

- Publication No. FHWA-PL-07-017
Questions?

Mark Newland
Financial Manager
FHWA Indiana Division
mark.newland@dot.gov
317-226-7482