



Highway funding concerns emerge at state, federal level

by *Tim Anderson*

State leaders and transportation officials say the road to economic recovery will be much more difficult to traverse if the possible decrease in federal highway funding for fiscal year 2003 becomes a reality.

The proposed budget of President George Bush would result in about an \$8.6 billion drop in funding levels (27 percent) for states compared to last year's totals.

Citing shaky economic conditions, rising unemployment rates and the number of jobs created by highway construction, the nation's governors have led lobbying efforts to secure more money for roads.

"The fundamental issue here is we need to keep America working and keep America moving," says Republican Gov. John Engler, speaking on behalf of the National Governors' Association, which he currently chairs.

The current problems in transportation financing sharply contrast what has been seen in recent years, when states received more money than expected from the Revenue Aligned Budget Authority funding formula (created in 1998 as part of the Transportation Equity Act for the 21st Century). However, the calculation methods are working against states now. The current situation provides yet another illustration of the unfavorable cycle created during an economic slowdown.

The Highway Trust Fund is financed by calculations based largely on federal motor fuel taxes and truck sales, both of which are down. Difficult financial times are being blamed for the revenue drop-off, as is another factor that would generally be viewed favorably by many Midwestern lawmakers: a rise in the use of ethanol, which is taxed at a lower rate.

States have summarized the effects that the loss of federal funding would have on road repairs and the economy (available via www.transportation.org), and as of late February, their concerns appeared to be receiving at least somewhat of a receptive ear in Washington.

Governors want the federal aid highway program to be funded in fiscal year 2003 at levels equal to 2002. The American Association of State Highway and Transportation Officials

(AASHTO) has proposed dipping into the Highway Trust Fund surplus in order to financially support states at higher levels.

Projected effect of loss in highway funding

State	Money lost for FY 2002	Jobs lost over 2-year period
Illinois	\$236 million	4,163
Indiana	\$152 million	2,684
Iowa	\$82 million	1,446
Kansas	\$84 million	1,474
Michigan	\$222 million	3,914
Minnesota	\$99 million	1,752
Nebraska	\$57 million	997
North Dakota	\$44 million	784
Ohio	\$234 million	4,131
South Dakota	\$48 million	847
Wisconsin	\$135 million	2,375
U.S. total	\$8.6 billion	151,000

Source: American Association of State Highway and Transportation Officials

implementation of permanent legislative changes when it comes time to reauthorize TEA 21 in 2003. The U.S. Congress is expected to seek ways to better balance funding levels from year to year and evaluate revenue sources used for the highway program.

Funding issues at the state level

Like the federal government, states also are struggling with funding formulas and the amount of money available to maintain roads. North Dakota is a case in point. A special interim Budget Committee on Government Administration was charged with studying the state's current distribution formula for highways (states, 63 percent; counties, 23 percent; and cities, 14 percent). While it appears the formula will remain the same, North Dakota lawmakers have discussed at length the need for more highway money.

"We heard testimony that we might need to fund twice as much as we currently are in order to address the problems," says Rep. Laurel Thoreson, a Republican from West Fargo. The Legislature already has taken some steps in recent years, increasing motor vehicle registration fees by \$7 for each vehicle.

Still, more revenue sources may be needed. A special

transportation task force has been meeting to find ways to raise more money and was expected to make recommendations to the interim committee. The committee already has been presented with a list of 30 possible revenue enhancers. They range from an increase in the motor fuel tax and the tax on rental cars, to making changes to the sales tax, to the development of rest area concessions.

Beyond just the level of funding, though, state lawmakers also must deal with how the money for highways is dispersed to local areas. Indiana Rep. Dennie Oxley has once again introduced legislation in his state to change the distribution formula. He says counties are given money for roads based on the number of automobile registrations, but that the formula is outdated and unfair because it excludes pickup trucks.

"It was put in place at a time when the pickup truck was a much different vehicle and was used mostly on the farm, but there are a lot more on the road today," the Democrat from English argues. "The result is a loss of millions of dollars for my district alone, so we're talking about a pretty large amount of money for rural areas around the state.

"It's terribly hard to maintain these roads, and the counties just don't have the resources to maintain them. That's a big concern for the people I represent. Businesses want to locate near something or on something easily accessible. I don't think we have that in rural Indiana, at least not to the extent you see it in urban Indiana."

The rural vs. urban debate also is playing out in Iowa. A group of cities is asking the state to re-evaluate its road use tax formula, arguing that more money needs to be directed to areas with higher volumes of traffic. County officials counter that they have more miles of road to maintain and that a change in the formula would be unfair.

Iowa lawmakers may consider the issue more comprehensively in 2003. Throughout the region, especially during a time when federal and state resources are more difficult to come by, the struggle to secure the limited amount of available highway funding will continue. 🚧



State transportation officials are worried that less federal funding for roads will have a deleterious effect on the economy.