Pennsylvania Highway and Bridge Funding

January 21, 2020
The Source
Federal Authorization

- Establishes funding programs and annual levels
  - Formula – distributed to States
  - Discretionary – funding awards by FHWA to specific projects

- Establishes priorities
  - Performance based program
  - Environmental provisions
  - Project delivery provisions

- Enables Highway Trust Fund
Highway Trust Fund

- Established by the Federal-aid Highway Act of 1956
- Includes Federal gasoline tax (18.4¢), diesel tax (24.4¢) and other user fees such as heavy vehicle use tax and tire tax
- Includes transfers from General Fund

Federal Funding Impact

$6 billion at risk through FY 2029-30
Authorization

- Current Authorizing Bill – FAST ACT

- Authorized $305 billion over 5 years

- Expires on September 30, 2020

- Funding programs mostly unchanged from previous authorization

- Provisions on accelerating project delivery and performance measures
Main Federal Funding Types – Formula

- National Highway Performance Program
- National Highway Freight Program
- Surface Transportation Block Grant Program
  - Population Set-Asides
  - Off-System Bridges
  - Transportation Alternatives
- Congestion Mitigation & Air Quality
- Highway Safety Improvement Program
- Metropolitan Planning
• FAST Act Provided $8.6 billion over 5 years

• $1.8 billion in 2020

• Beyond 2020?
Federal Appropriations Legislation

- Annual – passed each year

- Sets limit on spending from the Highway Trust Fund for the Federal Fiscal Year (Obligation Limitation/Obligation Authority)

- Designates HOW MUCH of the spending authorized that can be used for the Federal Fiscal Year

- Spending limited over entire program rather than each funding category provides flexibility for states

- Typically set at 90-95% of authorized level
• Two extensions kept the federal program operating between October and December
  • 52/366ths (14.21%) spending authority from 10/1 to 11/21
  • Increased to 81/366ths (22.13%) when extended to 12/20

• FY2020 Consolidated Appropriations Act
  • Signed into law on 12/20/2019
Funds vs. Obligation Authority

• Federal Funds
  • Apportioned on a yearly basis
  • Based on multi-year Authorization Legislation (FAST ACT)

• Obligation Authority
  • Tells us how much of the funds we are allowed to spend
  • Level determined on an annual basis from an Appropriations Act

• Relationship between funds and authority
  • Except for the exempt category of funds, every federal dollar requires an equal amount of obligation authority in order to spend it
  • Dollar for dollar relationship
Federal Share

• Most projects are 80% Federal share

• Interstate projects and Highway Safety Improvement Program projects use a 90% share

• 100% Federal Share for certain safety activities (not necessarily funded with safety funds)

• Toll Credits
State Funds

• Revenues from Motor License Fund

• Annual State Budget

• Maintenance
  • Distributed via legislative formula to sustain highway and bridge assets

• Capital
  • Available to create, replace or improve highway and bridge assets
  • Projects MUST be specifically listed in a Capital Budget bill to utilize this funding
What Happens Now?
Financial Guidance

• Group of volunteers from MPO/RPOs, PennDOT and FHWA

• Consensus determination on how to distribute Federal and State Capital Funding by planning regions

• Funding formula are based on transportation system data and asset needs
• Transportation Improvement Program – regional listing of projects for 4 years

• Statewide Transportation Improvement Program – all TIPs, Interstate Program and Statewide Programs

• Twelve Year Program – Includes the STIP/TIPs for the first four years and other modes

• More info: www.talkpatransportation.com
• Legal agreement between PennDOT and FHWA that authorizes the project phase to proceed and sets funding aside (obligation) to pay for project phase

• No work is permitted on a Federally Funded project without a signed authorization from FHWA

• Also known as a Form PR20 outside of Pennsylvania
• Time between authorization and the project agreement end date when work may take place

• The 4232 includes the authorization date but also an end date when all work is expected to be completed and the project can be closed out

• The end date can be adjusted if a project is expected to take longer

• Any costs incurred after the end date cannot use federal dollars
Terms You May Have Heard – Advance Construction

• Mechanism to manage cash flow and expenditures on a project

• Provides FHWA authorization but not the obligation of funds

• Funds can be obligated over a span of years; Useful on larger projects that will take several years to complete

• Used when Obligation Limitation is low or uncertain, especially at beginning of a Fiscal Year when the appropriations bill is late
• It “frees up” obligation authority and funding to implement other ready-to-go projects rather than tying up money that won’t be spent for years

• Borrowing against next year’s federal funds and obligation authority
Terms You May Have Heard – August Redistribution

• Obligation Limitation/Spending Authority MUST be spent in the Federal Fiscal Year in which it is appropriated

• Excess authority is distributed to states that use their allocation and request more
• Pennsylvania ALWAYS uses its entire allocation and requests as much as it can

• This is NOT additional funding, but increased ability to spend more of the funding we already have

• Pennsylvania received $177 million in Federal Fiscal Year 2019

• Authority is applied toward cash flowed projects that are advance constructed to open up room to advance projects in the next year of the TIP
Thank You!

Questions?

Mark J. Tobin
Pennsylvania Department of Transportation
Center for Program Development and Management