

**Analysis of S.1072, as passed by the Senate on 2/12/04
(RTA-000-0530A)**

The following is a six-year apportionment analysis based on S.1072 as passed by the Senate on 2/12/04. The analysis, developed by the FHWA's Office of Legislation and Strategic Planning, includes a brief summary of technical notes and findings, accompanied by a series of tables reflecting estimated apportionments pursuant to the provisions outlined in S.1072.

S. 1072 includes a new "Equity Bonus" program, authorized as "such sums as are necessary". This Equity Bonus would replace the current law Minimum Guarantee approach (\$1,000,000 minimum; keep States as close as possible to an initial set of shares while raising States to a specified percentage of their share of contributions to the Highway Account of the Highway Trust Fund (HTF)) with a modified approach that would only provide funding to States as necessary to bring them up to a specified percentage of their share of HTF contributions, subject to certain floors and ceilings. The Equity Bonus program would be calculated iteratively, to ensure that all basic criteria are met even after funding for some States has been adjusted.

Equity Bonus Provisions

S.1072 specifies the following thirteen programs would be included in the Equity Bonus computation (Interstate Maintenance, National Highway System, Bridge Program, Surface Transportation Program, Congestion Mitigation and Air Quality, Highway Safety Improvement Program, Appalachian Development Highway System, Infrastructure Performance and Maintenance, Recreational Trails, Safe Routes to School, Rail-highway crossings, Metropolitan Planning, and the Equity Bonus itself).

Based on S.1072, a 95% Equity Bonus was applied for all years. However, a special provision provides that certain States would receive the greater of 95% of their share of HTF contributions, or their share of total apportionments over the 6-year period of TEA-21. This would include States with a population density of less than 20 persons per square mile, a total population of less than 1 million, or a median household income of less than \$35,000, based on the decennial census. Eighteen States would qualify for this provision. (AL-Alabama, AK-Alaska, AR-Arkansas, DE-Delaware, DC-District of Columbia, ID-Idaho, KY-Kentucky, LA-Louisiana, MS-Mississippi, MT-Montana, NV-Nevada, NM-New Mexico, ND-North Dakota, OK-Oklahoma, SD-South Dakota, VT-Vermont, WV-West Virginia, and WY-Wyoming).

Another special provision requires that in any fiscal year 2004 to 2009, no State may receive less than 110% of its average annual TEA-21 apportionments. In addition, a percentage ceiling relative to average annual TEA-21 apportionments was also to be applied at a set level for each individual year. (These were to be set at the following levels, FY 2004-120%, FY 2005-130%, FY 2006-134%, FY 2007-137%, FY-2008-145%, FY-2009-250%). The annual growth ceilings were to override all other provisions, except that no State may receive a negative equity bonus, and no State may receive less than 90.5 percent of their relative share of HTF contributions.

Technical Notes:

This analysis was generally based on the factors used in the calculation of the FY 2003 apportionments (as of 3-21-03) where applicable, with the exception of the ADHS factors, which were updated to reflect the most recent Cost to Complete estimate, the CMAQ factors, which were projected using the most recently available data concerning future non-attainment designations, and the HTF

contributions, which assumed the crediting to the Highway Account of two additional increments revenue from gasohol taxes (2.5 cents and 5.2 cents).

The percentage takedown for administration was eliminated in S.1072, while the Metropolitan Planning takedown was increased to 1.5 percent. Additional takedowns, mostly stated in the bill as specific dollar amounts, were also applied to individual programs.

The one major deviation from the FY 2003 factors used in this analysis is that the Highway Trust Fund contributions were modified as noted above. In order to be consistent with the analyses of S.1072 and H.R. 3550 developed respectively for the Senate Environment and Public Works (EPW) and House T&I (T&I) committee staffs, this analysis assumes an immediate transition to the new alternative treatment of gasohol, so that the revised factors would apply to all six years. Note that in practice, since Highway Trust Fund contributions are calculated based on revenue and gallonage from prior years, there would typically be a lag between when a fuel tax change occurred and when the change would begin to affect annual Highway Trust Fund contributions. When so directed by EPW and T&I staff, the FHWA will update all apportionment factors to reflect the latest available data. The analysis of the timing of the impacts of the gasohol taxation changes will be refined at that time, unless the FHWA is specifically directed to ignore the data lags for purposes of compiling the HTF contributions to be used in computing apportionments. (Based on previous reauthorization cycles, committee staffs have typically adhered to a consistent set of factors until bills have passed both the House and Senate. Upon the convening of a Conference committee to reconcile the two bills, these factors would then be updated to reflect the latest available data.)

S.1072 adds a new Highway Safety Improvement program, to be distributed among the States using the same formula as used for STP. Two of the takedowns applied to this program, for the Safe Routes to Schools program and the Protective Devices at Rail-Highway Crossings program are also apportioned to States, using this same STP formula. The bill also adds a new discretionary program for Infrastructure Performance and Maintenance (IPAM). Since no distribution formula was provided for IPAM, these amounts do not factor into the State-by-State apportionments shown and could not be used in the computation of the Equity Bonus.

S.1072 adds a Border Planning, Operations, Technology, and Capacity Program, to be apportioned based on average annual weight of all cargo entering the border State by commercial vehicle across the international border with Canada or Mexico, the average trade value of all cargo imported into the border State and all cargo exported from the border State by commercial vehicle across the international border with Canada or Mexico, the number of commercial vehicles annually entering the border State across the international border with Canada or Mexico, and the number of passenger vehicles annually entering the border State across the international border with Canada or Mexico. This program is not included within the Equity Bonus computation.

Guide to Tables

The attached Excel file contains 12 tables. (The following list is based on the names on the tabs in the Excel spreadsheet, rather than the titles on the printed output.)

The "Return Summary" page compares 6-year funding for each State under this scenario with that under TEA-21. This table also includes each State's relative rate of return on their contributions to the Highway Trust fund. (This later computation is used in the rate of return floors and target level, used in the Equity Bonus computation).

The “Aggregate” page contains the 6-year total apportionments by program and State. This is followed by the “Average” page, which shows average annual values, and the “2004”, “2005”, “2006”, “2007”, “2008” and “2009” pages, which show the same information for individual years.

The “Share Comp” page shows each State’s percentage of the total apportionments for each individual year under TEA-21, and under S.1072.

The “Annual Comp” page shows each State’s total apportionments by year, and compares them with their average annual apportionment under TEA-21. (This latter computation is used in the percentage floors and ceilings set relative to TEA-21 in the Equity Bonus computation).

Findings

Based on the apportioned program levels specified in S.1072 and the assumptions listed above, the required total six-year cost of the Equity Bonus would be \$38.1 billion.

While the target for the relative rate of return on HTF contributions is 95%, the annual percentage ceilings relative to TEA-21 prevent some States from reaching that level in FY 2004 through FY 2008, and some States’ relative rates of return on HTF contributions remain at the minimum level allowed of 90.5%. In FY 2009, the percentage ceiling relative to TEA-21 is set high enough so that all States can receive a 95% relative rate of return on HTF contributions.

Equity Bonus Summary						
	Assumed in Analysis				Calculated in Analysis	
	Floor Relative to TEA-21 Average	Ceiling Relative to TEA-21 Average	Minimum Rate of Return Allowed	Target Rate of Return	Equity Bonus	Lowest Rate of Return
2004	110%	120%	90.5%	95.0%	\$ 6.6 bil.	90.5%
2005	110%	130%	90.5%	95.0%	\$ 4.6 bil.	90.5%
2006	110%	134%	90.5%	95.0%	\$ 4.5 bil.	90.5%
2007	110%	137%	90.5%	95.0%	\$ 5.0 bil.	90.5%
2008	110%	145%	90.5%	95.0%	\$ 5.4 bil.	90.5%
2009	110%	250%	90.5%	95.0%	\$11.9 bil.	95.0%
Total					\$38.1 bil.	

The eighteen States (identified above) that are eligible for the greater of a 95% relative rate of return on their HTF contributions or their share of total apportionments under TEA-21 are also affected by the annual percentage ceilings relative to TEA-21. Consequently, some of these States’ apportionments grow by slightly less than the national average, relative to TEA-21. (Considering only those programs included in the Equity Bonus, some of these States grow by 38.45% relative to TEA-21, while the national average growth is 38.46%).

Adding the estimated cost of the Equity Bonus to the authorized program levels directly identified in S.1072 brings the total amount to be apportioned to States to \$232.8 billion.

AGGREGATE OF FY 2004-2009 APPORTIONMENTS FOR RTA-000-0530A (S.1072 as passed on 2/12/2004)
Before Programmatic Distribution of Equity Bonus Funds*

Table with columns: State, Interstate Maintenance, National Highway System, Surface Transportation Program, Highway Bridge Program, Congestion Mitigation & Air Quality Improvement, Appalachian Development Highway System, Recreational Trails, Highway Safety Improvement Program, Safe Routes to Schools, Rail Highway Crossings, Infrastructure Performance And Maintenance Program, Metropolitan Planning, Equity Bonus, Border Planning, Operations, & Technology Program, Grand Total

* S.1072 requires that Equity Bonus amounts be distributed among the IM, NHS, STP, Bridge, CMAQ, Safety, and Metropolitan Planning programs. This table does NOT reflect the programmatic distribution.

SUMMARY OF FY 2007 APPORTIONMENTS FOR RTA-000-0530A (S.1072 as passed on 2/12/2004)
Before Programmatic Distribution of Equity Bonus Funds*

Table with 16 columns: State, Interstate Maintenance, National Highway System, Surface Transportation Program, Bridge Program, Congestion Mitigation & Air Quality Improvement, Appalachian Development Highway System, Recreational Trails, Highway Safety Improvement Program, Safe Routes to Schools, Rail Highway Crossings, Infrastructure Performance And Maintenance Program, Metropolitan Planning, Equity Bonus (137% Ceiling), Border Planning, Operations, & Technology Program, Grand Total. Rows include all 50 states, DC, and summary rows for Apportioned Admin, Planning Territories, Discretionary, Safe Routes to Schools, Rail Highway Crossings, IPAM, and Total Program.

* S.1072 requires that Equity Bonus amounts be distributed among the IM, NHS, STP, Bridge, CMAQ, Safety, and Metropolitan Planning programs. This table does NOT reflect the programmatic distribution.

