

Highway Finance Reassessment Memorandum

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Director of Policy

This memorandum is to ask for your participation in a reassessment of the Federal Highway Administration's (FHWA) highway finance reporting series including State highway finance, local highway finance, as well as Federal highway finance reporting (series SF, LF, and FA, respectively). Highway income and spending levels for all levels of Government exceeded \$100 billion annually in 1997. These data are published annually by FHWA's Policy Service Business Unit's (SBU) Office of Highway Policy Information in *Highway Statistics* and have a number of other key uses, including current or possible uses within your unit.

The purpose of the reassessment is to review the highway finance data in view of contemporary issues and anticipated needs and determine what changes are advisable to meet current and emerging highway finance data needs within FHWA and its other customers. The enactment of Federal TEA-21 legislation, the recent FHWA reorganization, and the increased emphasis on FHWA's Strategic Plan provide appropriate opportunities and framework for FHWA to undertake this reassessment. The changing highway finance information needs of our other partners in U.S. DOT, other Federal executive and congressional branches, State and local partners, and the public will be most carefully considered. The extensive use of highway finance data in post-TEA-21 reauthorization, the need to support the legislatively required *Conditions and Performance Report*, and changing customer data needs also provide current and compelling impetus to this reassessment.

I am asking that you participate in the following two ways:

Background Paper - The attached background paper provides some detail on the purpose of the highway finance reassessment, FHWA and other customers' needs, and the reassessment approach/timetable. I would ask that you review this paper as a user/customer of our highway finance data. Any feedback on how well the highway finance data is meeting your current needs would be most welcome. Further, if there are current unmet needs or emerging needs for this information, your advice would be most welcome here.

Finance Information Steering Group - An FHWA finance information steering group would be of invaluable assistance in this effort, most particularly, during the customer requirement phase. This group would identify and articulate your unit's highway finance requirements and provide other helpful advice and feedback. This group would hold one meeting this summer and meet once a month during the customer requirements phase.

(See attached reassessment approach/timetable in Background Paper). I am asking that you identify a member/member(s) of your staff to participate in this effort. (After identification, we may need to consult further to ensure appropriate group size and balance.)

I am very much looking forward to this effort. Please send your written comments on the background paper by August 6 and the names of your representative(s) for the *Finance Information Steering Group* by July 23 (Attn: Tom Howard - HPPI-10) or email Tom.Howard@fhwa.dot.gov

Overview

This effort contemplates the reassessment of FHWA's highway finance reporting series including State highway finance, local highway finance, as well as Federal highway finance reporting (*Highway Statistics* series SF, LF, and FA, respectively). These data are published annually by FHWA's Policy Service Business Unit's (SBU) Office of Highway Policy Information in *Highway Statistics* and have a number of other key uses.

State Finance (SF) Data - This data series, which includes Federal funds, shows highway income and spending outlay data by State and in aggregate. Examples of State highway finance data in this information series include capital and maintenance spending, spending by type of improvement (FMIS improvement type), spending on major functional classes, spending "on-the National Highway System" and "off-the National Highway System," and State toll/debt information.

Local Finance (LF) Data - This data series covers local government highway finance income and spending data. Detail is by State and in aggregate.

Federal Aid (FA) Data - This data series provides Federal apportionment, obligation, and expenditure data by State and in aggregate. Examples of FA data include obligation by rural and urban functional class, rural and urban National Highway System and Surface Transportation Program, and total improvement type obligations by functional class, "pie charts" showing obligation and mile data for "new construction," "system preservation," and "capacity additions."

Purpose

Contemporary Issues - The purpose of the reassessment is to review the highway finance data in view of contemporary issues and anticipated needs and determine what changes are advisable to meet current and emerging highway finance data needs within FHWA and for FHWA's other customers. The enactment of Federal TEA-21 legislation, the recent FHWA reorganization, and the increased emphasis on FHWA's Strategic Plan provide

appropriate opportunities and framework for FHWA to undertake this reassessment. The changing highway finance informational needs of our other partners in U.S. DOT, other Federal executive and congressional branches, State and local partners, and the public will be most carefully considered. The extensive use of highway finance data in post-TEA-21 reauthorization, the need to support the legislatively required *Conditions and Performance Report*, and changing customer data needs also provide current and compelling impetus to this reassessment.

Paper's Approach - The purpose of this paper is to describe and discuss the approach that will be considered as part of this Highway Finance reassessment. FHWA's *Corporate Management Strategies* (Seven Quality Cornerstones), particularly Strategic, Planning, Customer and Partner Focus, Information and Analysis, and Business Results (Metrics) will be guiding principles of this effort.

Other Reassessment Type Work - This effort will supplement the office commitment to ongoing quality improvement and periodic efforts, such as the outreach conducted to review and revise *A Guide to Reporting Highway Statistics*, which FHWA updates on a 3-year cycle and OMB clears for data reporting burden.

Highway Finance Reporting Series Objectives

In order to provide a context to this reassessment, including outside study and outreach efforts, the current objectives of the highway finance data are described here.

1. FHWA Objectives

Legislative Basis - A major objective of the highway finance reporting system is set forth in Title 23, section 420.105(b). The objective is to obtain from the States "the information needed to support FHWA's responsibilities to Congress and the public." Included in these needs are data for "preparing proposed legislation and reports to Congress; evaluating the extent, performance, condition, and use of the Nation's transportation systems; analyzing existing and proposed Federal-aid funding methods and the assignment of user-cost responsibility; maintaining a critical information base on fuel availability, use, and revenues generated: and calculating apportionment factors."

FHWA's Congressionally-related Responsibilities - Another principal objectives of highway finance reporting is to meet FHWA's responsibilities to Congress. This includes supporting analyses that permit protecting national interest in the National Highway System infrastructure, and permitting Congress to evaluate total highway income and expenditures at the national level. This is well exemplified by the need to assure that highway finance data adequately supports Congressionally-related requirements such as the biennial *Conditions and Performance Report*. Other recent FHWA reports to Congress that have relied on highway finance data include the *Highway Cost Allocation Studies*, and the *Level of Effort Studies*. The policy formation analyses for reauthorization proposals, policy analyses on the exposure of FHWA to changes in funding methods (section 1044, ISTEA), policy analyses on the equity of Federal funding formulas, policy analyses on the ability of States to match changes in Federal funding formulas, etc., all rely very extensively on highway finance data.

FHWA's Strategic Plan - The FHWA Strategic Plan presents many opportunities where Highway Finance information may be used, and should be used in achieving FHWA's performance measures. The mobility goals on NHS pavement and NHS and all bridges clearly directly link to highway finance (SF and FA) data. Other linkages of Highway Finance to measures include linkages to delay reduction and possibly to highway costs. Preliminary work on relating highway finance data to these indicators suggest that this analyses will prove a very rich linkage and that many inferences can be drawn between highway finance data and the performance measures.

Other FHWA Uses - There are many other uses for highway finance data within FHWA's Core Business Units (CBU's), SBU's and field organization. For example, other Highway

Finance data also potentially supports Innovative Finance efforts such as expanded use of bond/toll financing, intergovernmental loans, alternative income sources, private donations, soft-matching analyses. Certain *Highway Statistics* data are provided annually to the Infrastructure Business Unit for publication in *Federal-Aid Highway Construction Materials Usage Factors* Bulletin. By providing important details on State and local financing, FHWA potentially supports State and metropolitan planning efforts. Other linkages of highway finance data to FHWA's Federal lands, motor carrier and highway safety, operations, resource centers, and divisions now exist and can be more fully explored. The FHWA Office of Public Affairs also makes extensive use of Highway Finance data in assisting media and the other public in this area.

2. Other Federal Objectives

Other Federal - A second objective of the Highway Finance data is to provide other Federal customers with the information needed for analyses and decision making. These customers include other DOT modes, other Federal agencies, and Congress.

Other DOT - As part of ONE DOT, Highway Finance data serves the Bureau of Transportation Statistics (BTS), OST, and the other modes in their efforts. One "sticking point" with BTS is that BTS uses Census Bureau data for its transportation finance work, including its highway portion. While the Census of Governments data allows consistency between the modes, its data quality is an issue. Other U.S. DOT use is "ad-hoc" and may come from OST Budget and Programs.

Other Federal Agencies - The Department of Commerce (Census and BEA) and the Department of Labor are examples of other Federal agencies that use highway finance data to support their work. Certain *Highway Statistics* information or tables are directly used in the Bureau of the Census publication *Statistical Abstract*. *Highway Statistics* is used as a data source by the Bureau of Economic Analysis in the National Income Accounts (GDP). The U.S. Department of Labor uses highway finance data in the Consumer Price Index. There may be other Federal agencies that use highway finance data on an ad-hoc basis.

Congressional Requests - In addition to "core responsibilities" to Congress, FHWA provides materials and technical assistance to Congress in the highway finance. The House and Senate authorizing committees and House and Senate appropriating committees request data, analyses, or material for hearings. The General Accounting Office make extensive use of these data in their studies such as a recent study on "suburban sprawl."

3. Public Objectives

General - A third objective of the data is to provide publicly available, high quality, timely, and comprehensive data on the financing of our Nation's Highways. The FHWA's Highway Finance data is the best and only reliable source of national summary data of highway income and expenditures.

Interest Groups - Interest group customers or potential customers include national interest group associations such as AASHTO, ATRBA, STPP, TRIP, AMPO, etc. These groups typically use highway finance information in their own reports/analyses to demonstrate points supporting their group's position on an issue.

Private for Profit Business - The private sector makes extensive use of highway finance data. Industry suppliers, other transportation sensitive sectors, corporations, investment firms and consulting firms, use the data for a wide range of purposes, including business decisions, bond ratings, etc.

Other Private - Foreign governments, international organizations, academia, and the media all make use of highway finance data.

4. **State and Local Objectives**

General - A fourth objective is to provide highway finance information that serves State and local purposes.

State Use - States may use FHWA's highway finance data to develop a picture of the State's financing, support State legislative development/tax structure, make appropriate comparisons of State income or spending, support program planning, review other toll financing, etc.

Local use - Local governments may make similar uses of highway finance data.

5. **Management Objectives**

Effectiveness and Efficiency - FHWA also has a highway finance program objective that reflects our interest in improving the efficiency and cost effectiveness of highway finance data collection and reporting. This includes reducing the information and reporting burden and costs on data providers at the State and local levels of government, enhancing the value of highway finance data to our State and local governmental partners, and improving the ways in which new technology can be applied to the collection and reporting of highway finance data.

Highway Finance Reassessment Approach/Timetable

The reassessment of Highway Finance Reporting will be a major effort, requiring time and resources. This section lays out a planned approach to the Highway Finance Reassessment as well as an approximate timetable.

Development Phase

Summer 1999 - Autumn 1999 - During this phase, FHWA will refine the highway finance reassessment goals and objectives. Activities may include but are not limited to establishing an FHWA Highway Finance Steering Group, identifying other customers identifying contractor support/financing requirements, developing an overall work-plan and timetable, etc.

Customer Requirements Phase

Autumn 1999 - Winter 2000 - During this phase, FHWA will explore current and anticipated customer requirements. The FHWA Finance Information Advisory Group and other customer groups will be consulted to determine the extent to which their highway finance needs are being currently met and what improvements may be needed. Customers will be segmented by group into key groups--FHWA, other Federal, public (including associations AASHTO, AMPO, etc.) State and local, etc. This will involve outreach. At the end of this phase, customer requirements will be carefully examined in view of overall reassessment objectives.

Data Provider Partner Phase

Winter 2000 - Autumn 2000 - Once customer requirements are known, FHWA will discuss the revised data needs with the data providers. State ability to provide new or different data series will be carefully discussed with the States through this process. The FHWA will carefully consider limitations on State resources during this phase. A national meeting of customers and data providers may be scheduled during this phase. The AASHTO SCOP may be consulted during this phase.

Implementation Phase

Winter 2001 - Summer 2001 - Once changes to the highway finance data series have been identified and agreed to, an implementation phase will begin. This phase will include improvements to FHWA software and analytical packages ("smart" forms). It will also include outreach training to State data providers.