

TRANSPORTATION WEEKLY

UPDATE - \$8.7 BILLION HIGHWAY RESCISSION TAKES EFFECT

THURSDAY, OCTOBER 1, 2009 – 11:45 A.M.

Last night, after the Senate failed to pass legislation to the contrary (which would have died in the House in any case), the long-scheduled \$8.708 billion rescission of highway contract authority balances held by states took effect pursuant to section 10212 of the 2005 SAFETEA-LU law.

The attached table shows how the rescission broke down into three large categories, which we have named 100 Percent Real Money, 90 Percent Real Money, and Potential Money.

**The 100 Percent Real Money represents equity bonus contract authority dollars in the mandatory and special categories. This means that for each individual dollar of this contract authority, a corresponding dollar of “no-year” obligation authority was attached (or, in the case of the mandatory money, no limitation applied in the first place). These dollars stay valid forever (unless rescinded) and could have been used by a state for any purpose (If they had not been rescinded). Some states wisely spent all of their on-hand money in these categories before the FHWA books closed on the 25th; others came close (Florida, for example, lost a total of four cents of this money in the rescission). A total of \$334.3 million of this kind of money was rescinded, with Texas (\$102.7 million) and Illinois (\$80.8 million) taking disproportionate hits. 22 states (CA, CO, CT, FL, ID, IN, IA, ME, MN, MO, MT, NE, NV, NY, NC, ND, OH, OR, RI, SC, WA, and WY) lost none of this kind of money or less than one dollar.

**The 90 Percent Real Money represents contract authority for the Appalachian Development Highway System. ADHS contract authority gets special no-year obligation authority, but not quite at the dollar-for-dollar ratio that equity bonus gets. The ratio changes each year – in FY 2005, each dollar of ADHS CA got 82.0 cents in obligation authority, but this rose in each subsequent year to 93.6 cents in FY 2009. It is impossible to know how much obligation authority was lost in this rescission without knowing in what year each dollar of the ADHS CA was provided. We are rounding off to 90 percent. A total of \$117.9 million in ADHS contract authority was rescinded last night, which would mean somewhere between \$100 million and \$108 million in real obligation dollars. Only Appalachian states get ADHS money in the first place, and Pennsylvania and West Virginia took the biggest hits.

**The Potential Money represents rescissions of contract authority across all other formula programs. All of this contract authority is subject to the overall annual limitation on federal-aid highways formula obligations. (In

FY 2009, out of the total \$40.70 billion highway program obligation limitation, \$30.26 billion was formula limitation that covered all of these programs.) We call these potential dollars because none of the money can ever be obligated and spent unless the state dedicates some of its formula obligation limitation dollars for that purpose. States always (until now, at least) have balances of formula contract authority on-hand that far exceed the annual obligation limitation.

In a normal year, an \$8.26 billion rescission of Potential Money on September 30 would not be that big of a deal since states would then receive around \$36 billion in new formula apportionments at the start of the fiscal year on October 1. But since no authorization law is in place, the continuing resolution will only provide \$2 billion in new formula apportionments to states in October, meaning that some states will have contract authority cash flow problems in some highway funding categories.

While some legislators hope to “make states whole” from the rescission in the next highway bill extension, this is easier said than done. Any extra dollars given to Texas and Illinois, for example, would have to come out of other states’ apportionments, creating winners and losers and otherwise blowing up the highway funding formulas that were so laboriously hashed out during the SAFETEA-LU debate. States could only be made whole by increasing total program spending and giving the states that lost Real Money in the rescission some extra, and both the House and Senate’s proposed extensions would freeze FY 2010 contract authority and obligation totals at the FY 2009 levels.

FINAL RESCISSION OF CONTRACT AUTHORITY PURSUANT TO SECTION 10212 OF SAFETEA-LU

<u>State</u>	<u>Rescission of "100% Real Money" (Equity Bonus Dollars With Corresponding Obligation Limitation Attached Dollar-for-Dollar)</u>		<u>Rescission of "90% Real Money" (Appalachian Highways CA With Dedicated Obligation Limitation at a Roughly 90 Percent Ratio)</u>		<u>Rescission of "Potential Money" (Contract Authority That Is Subject To the Annual Overall Obligation Limitation On Federal-Aid Highways)</u>		<u>Total Rescission of Contract Authority Pursuant to Section 10212 of SAFETEA-LU</u>	
Alabama	6,788,901.48	2.03%	10,337,305.00	8.77%	158,964,787.51	1.93%	176,090,993.99	2.02%
Alaska	15,544,451.17	4.65%	0.00	0.00%	65,395,000.01	0.79%	80,939,451.18	0.93%
Arizona	19,527,219.86	5.84%	0.00	0.00%	151,318,267.51	1.83%	170,845,487.37	1.96%
Arkansas	4,431,949.65	1.33%	0.00	0.00%	104,965,353.01	1.27%	109,397,302.66	1.26%
California	0.56	0.00%	0.00	0.00%	795,619,593.60	9.64%	795,619,594.16	9.14%
Colorado	0.00	0.00%	0.00	0.00%	114,985,998.93	1.39%	114,985,998.93	1.32%
Connecticut	0.00	0.00%	0.00	0.00%	119,705,144.35	1.45%	119,705,144.35	1.37%
Delaware	1,998,708.40	0.60%	0.00	0.00%	32,707,795.79	0.40%	34,706,504.19	0.40%
Dist. of Col.	362,120.83	0.11%	0.00	0.00%	34,318,130.12	0.42%	34,680,250.95	0.40%
Florida	0.04	0.00%	0.00	0.00%	444,003,589.62	5.38%	444,003,589.66	5.10%
Georgia	1,266,488.93	0.38%	5,039,089.00	4.28%	310,680,003.27	3.76%	316,985,581.20	3.64%
Hawaii	813,047.38	0.24%	0.00	0.00%	37,834,470.00	0.46%	38,647,517.38	0.44%
Idaho	0.00	0.00%	0.00	0.00%	65,490,357.03	0.79%	65,490,357.03	0.75%
Illinois	80,845,690.89	24.18%	0.00	0.00%	209,796,786.88	2.54%	290,642,477.77	3.34%
Indiana	0.00	0.00%	0.00	0.00%	218,595,722.08	2.65%	218,595,722.08	2.51%
Iowa	0.00	0.00%	0.00	0.00%	97,803,350.21	1.18%	97,803,350.21	1.12%
Kansas	3,250.58	0.00%	0.00	0.00%	92,064,358.96	1.12%	92,067,609.54	1.06%
Kentucky	6,497,927.00	1.94%	16,132,373.00	13.69%	128,464,381.23	1.56%	151,094,681.23	1.74%
Louisiana	951,304.69	0.28%	0.00	0.00%	134,341,934.03	1.63%	135,293,238.72	1.55%
Maine	0.00	0.00%	0.00	0.00%	40,356,371.24	0.49%	40,356,371.24	0.46%
Maryland	29,547.10	0.01%	2,538,806.00	2.15%	138,241,128.45	1.67%	140,809,481.55	1.62%
Massachusetts	3,398,181.47	1.02%	0.00	0.00%	144,130,415.41	1.75%	147,528,596.88	1.69%
Michigan	3,899.76	0.00%	0.00	0.00%	263,350,444.88	3.19%	263,354,344.64	3.02%
Minnesota	0.00	0.00%	0.00	0.00%	133,119,493.91	1.61%	133,119,493.91	1.53%
Mississippi	4,781,582.37	1.43%	865,374.00	0.73%	97,319,679.51	1.18%	102,966,635.88	1.18%
Missouri	0.00	0.00%	0.00	0.00%	202,262,565.00	2.45%	202,262,565.00	2.32%
Montana	0.00	0.00%	0.00	0.00%	83,984,189.81	1.02%	83,984,189.81	0.96%
Nebraska	0.00	0.00%	0.00	0.00%	64,812,319.67	0.79%	64,812,319.67	0.74%
Nevada	0.00	0.00%	0.00	0.00%	38,993,296.50	0.47%	38,993,296.50	0.45%
New Hampshire	119,562.75	0.04%	0.00	0.00%	41,090,159.34	0.50%	41,209,722.09	0.47%
New Jersey	12,423,685.02	3.72%	0.00	0.00%	220,970,447.51	2.68%	233,394,132.53	2.68%
New Mexico	6,015,149.99	1.80%	0.00	0.00%	76,519,365.96	0.93%	82,534,515.95	0.95%
New York	0.00	0.00%	1,217,248.00	1.03%	406,783,226.07	4.93%	408,000,474.07	4.69%
North Carolina	0.33	0.00%	9,595,732.00	8.14%	240,252,579.24	2.91%	249,848,311.57	2.87%
North Dakota	0.00	0.00%	0.00	0.00%	54,526,922.93	0.66%	54,526,922.93	0.63%
Ohio	0.00	0.00%	5,312,833.00	4.51%	302,740,079.30	3.67%	308,052,912.30	3.54%
Oklahoma	4,571,525.99	1.37%	0.00	0.00%	131,599,058.73	1.59%	136,170,584.72	1.56%
Oregon	0.00	0.00%	0.00	0.00%	98,715,618.29	1.20%	98,715,618.29	1.13%
Pennsylvania	21,014,165.61	6.29%	27,708,043.00	23.51%	357,027,645.05	4.32%	405,749,853.66	4.66%
Rhode Island	0.00	0.00%	0.00	0.00%	44,547,754.90	0.54%	44,547,754.90	0.51%
South Carolina	0.00	0.00%	422,949.00	0.36%	145,303,252.39	1.76%	145,726,201.39	1.67%
South Dakota	36,367.32	0.01%	0.00	0.00%	57,876,403.01	0.70%	57,912,770.33	0.67%
Tennessee	13,350,493.30	3.99%	10,111,810.00	8.58%	167,157,370.85	2.02%	190,619,674.15	2.19%
Texas	102,709,363.57	30.72%	0.00	0.00%	639,531,051.35	7.75%	742,240,414.92	8.52%
Utah	4,433,673.65	1.33%	0.00	0.00%	60,631,019.84	0.73%	65,064,693.49	0.75%
Vermont	211,058.56	0.06%	0.00	0.00%	36,388,451.23	0.44%	36,599,509.79	0.42%
Virginia	17,600,939.62	5.26%	8,678,476.00	7.36%	204,192,974.30	2.47%	230,472,389.92	2.65%
Washington	0.69	0.00%	0.00	0.00%	148,061,995.90	1.79%	148,061,996.59	1.70%
West Virginia	34,811.64	0.01%	19,909,804.00	16.89%	73,877,167.72	0.89%	93,821,783.36	1.08%
Wisconsin	4,566,838.42	1.37%	0.00	0.00%	167,358,481.18	2.03%	171,925,319.60	1.97%
Wyoming	0.51	0.00%	0.00	0.00%	57,022,295.26	0.69%	57,022,295.77	0.65%
Total	334,331,909.13	100.00%	117,869,842.00	100.00%	8,255,798,248.87	100.00%	8,708,000,000.00	100.00%

This represents what FHWA intended to do late last night. There may have been some small changes based on what was actually in the database late last night.