

**HIGHWAY FUNDING APPORTIONMENT
FORMULAS:
ADMINISTRATION'S NEXTEA PROPOSAL**

March 12, 1997

FORMULAS

Purpose

Apportionment formulas are the basis for distributing most program funds to the States. NEXTEA proposes a transition to formula factors that relate well to the objectives of the basic program elements. Equity adjustments are provided to ensure an orderly transition to this sounder, more logical basis for apportionment of Federal funds.

Formulas

NHS : 75% according to a State's contributions to the Highway Account of the HTF (HA/HTF) as a % of total HA/HTF contributions by all States;

15% according to a State's Commercial Vehicle Contributions (CVC) to the HA/HTF as a % of total CVC by all States; **10%** according to a State's public road

mileage as a % of total public road mileage within all States; ½% minimum; use the latest available data.

STP : 70% according to a State's contributions to the HA/HTF as a % of total HA/HTF contributions by all States; **30%** according to a State's total population as a % of total population within all States; ½ % minimum; use latest available data.

Retain Current Formula for IM (i.e., **55%** Interstate Lane Miles; **45%** Interstate VMT; ½% minimum);

Retain Current Formula for HBRRP (i.e., **100%** of the relative share of costs to repair deficient bridges; ¼% minimum; 10% maximum).

Special Note on Interstate Reimbursement Program: The Administration is proposing reauthorization of the Interstate Reimbursement Program, at \$1 billion annually, or a total \$6 billion over the reauthorization period. State shares for this program are based on each State's original cost of constructing routes which later became part of the Interstate System.

Other Revised Formulas : Apportionment formulas for CMAQ and Highway Infrastructure Safety are revised (see individual fact sheets).

Equity Adjustments

NEXTEA equity adjustments provide for an orderly transition from current law formula factors to alternative formula factors that relate well to program purpose and goals, but in a fashion which will not abruptly alter any State's apportionment dollars from one year to the next. NEXTEA discretionary allocations (Public Lands Discretionary, Bridge Discretionary, Scenic Byways, etc.) are not calculated in the base for these equity

adjustments. Following are the formulas for the three proposed equity adjustments:

Minimum Allocation: Each State receives apportionments of at least 90 % of its % contributions to the HA/HTF.**

90 Percent of Apportionments : Each State receives apportionments of at least 90% of its prior year’s dollar apportionments throughout NEXTEA years. Special Provision for Alaska : Alaska will receive 90% of its FY97 apportionments in FY98 (like all other States), and 100% of its prior year’s dollar apportionments thereafter (unlike all other States), throughout all years of NEXTEA.**

** Combined funding for the MA and 90 Percent of Apportionments equity adjustments is capped at \$790M in FY1998, \$674M for FY1999, \$583M for FY2000, \$528M for FY2001, and \$508M for FY2002-2003.

State Percentage Guarantee: Each State’s share of NEXTEA annual apportionment dollars received must equal at least 95% of its average ISTEА (FY92-97) % apportionments throughout all NEXTEA years. In order to accomplish this, adjustments are made within the STP apportionments. Special Provision for Massachusetts : In calculating each State’s average ISTEА % apportionments, Massachusetts’ annual Interstate Construction funds, which were significantly higher than all other States under ISTEА, shall be capped at the level of the next highest State.

TABLE 1. NEXTEA APPORTIONMENT FORMULAS FOR CORE HIGHWAY PROGRAMS		
Core Program	Current Law Formula	Administration’s Proposal

<p><i>National Highway System</i></p>	<p>Relative Share of 87-91 Federal Program Percent 1</p>	<p>75% HTF Contributions (Highway Account)</p> <hr/> <p>15% Commercial Vehicle Contributions to HTF (Highway Account)</p> <hr/> <p>10% Public Road Mileage</p>
<p><i>Surface Transportation Program</i></p>	<p>Relative Share of 87-91 Federal Program Percent 2</p>	<p>70% HTF Contributions (Highway Account)</p> <hr/> <p>30% State Population</p>
<p><i>Interstate Maintenance</i></p>	<p>55% Interstate Lane Miles</p> <hr/> <p>45% Interstate VMT</p>	<p>No alternatives proposed.</p>
<p><i>Bridge Rehabilitation and Replacement</i></p>	<p>Relative share of costs to repair deficient bridges 3</p>	<p>No alternatives proposed.</p>

1 The NHS Formula under ISTEA is, generally speaking, based indirectly on Postal Route Mileage, Land Area, and Population (Urban/Rural), where the weighting of each varies by Primary, Secondary, and Urban System Programs (the precursors to the NHS.)

2 The STP Formula under ISTEA is, generally speaking, based indirectly on Postal Route Mileage, Land Area, and Population (Urban/Rural), where the weighting of each varies by Primary, Secondary, and Urban System Programs (the precursor programs to NHS.) This formula is the same as for the NHS, but applied to the total funds for NHS, Interstate Maintenance, Bridge R&R, and STP, adjusted so that no State can receive no less than 70 percent of its percent FY 87-91 apportionments and allocations (except for States that receive Interstate System apportionment of more than \$50 million in FY92.) Each State's apportionment made for Interstate Maintenance, NHS, and Bridge R&R is then deducted from these STP State apportionments with the remainder being each State's STP apportionment.

3 To determine each State's apportionment, the square footage of deficient bridges is multiplied by the respective unit price on a State-by-State basis, as determined by the Secretary; and the total cost in each State divided by the total cost of the deficient bridges in all States determines the apportionment factors. No State shall receive more than 10 percent or less than 0.25 percent of the total apportionment for any one fiscal year.

NOTE : During NHS designation negotiations, FHWA agreed that it would not propose the use of either NHS Lane Miles or NHS VMT as NHS program apportionment factors. Substituting Principal Arterial Miles is not an option because of limited FHWA control over how States designate their Principal Arterial systems.

Source Material: "Highway Statistics: Summary to 1985", Federal Highway Administration.

March 12, 1997

TABLE 2. COMPARISON OF EQUITY ADJUSTMENTS UNDER ISTEА AND NEXTEA

ISTEA		NEXTEA	
Equity Adjustment	Formula	Equity Adjustment	Formula
<i>Minimum Allocation</i>	Each State receives apportionments of at least 90 percent of its <i>percent</i> contributions to the Highway Account of the HTF.		
<i>Donor State Bonus</i>	Starting with the State having the lowest return (apportionments compared to HTF contributions), each 'donor' State is brought up to the level of return for States with the next highest level of return, with the process repeated until all authorized funds in each FY are expended.	<i>Minimum Allocation</i>	Each State receives apportionments of at least 90 percent of its <i>percent</i> contributions to the Highway Account of the HTF.
		<i>90 Percent of Apportionments</i>	Each State receives apportionments of at least 90 percent of its <i>prior year's dollar apportionments</i> throughout NEXTEA years. 1

Hold Harmless	Each State receives an addition to its regular apportionments so that its total apportionments in each FY will equal an ‘established’ percentage identified in previous transportation authorizing legislation.	State Percentage Guarantee	Each State receives NEXTEA apportionment dollars of <i>at least</i> 95 percent of its average ISTEA (FY92-97) percent apportionments throughout all NEXTEA years. 2
90 Percent of Payments Adjustment	Each State receives an allocation in an amount that ensures its apportionments for the FY and allocations for the previous FY will be at least 90 percent of its HTF contributions (Highway Account).	Proposing to Discontinue	
<p>1 <u>Special ‘90 Percent of Apportionments’ Provision</u> : Alaska will receive 90 percent of its FY97 apportionments in FY98 (like all other States), and 100 percent of its prior year’s dollar apportionments thereafter (unlike all other States), throughout all years of NEXTEA.</p> <p>2 <u>Special ‘State Percentage Guarantee’ Provision</u> : In calculating each state’s average ISTEA percent apportionments, Massachusetts’ annual Interstate Completion funds, which were significantly higher than all other states under ISTEA, are capped at the level of the next highest state.</p> <p>Source Material: “Financing Federal-Aid Highways”, Federal Highway Administration, May 1992.</p>			

NEXTEA APPORTIONMENT FORMULAS

QUESTION : Please summarize your proposal on formulas.

ANSWER : MAJOR POINTS :

1. In recognizing the need to replace outdated and outmoded apportionment factors, we have proposed Highway Trust Fund apportionment formulas that we believe are fair to all states, yet relate well to the objectives of the basic program elements and satisfy the overall goal of the Federal-aid program to meet the Nation's need for the safe, efficient, and environmentally sound movement of people and goods.

2. Our formula proposal is as follows:

--The current ISTEA formulas for the Interstate Maintenance and Bridge Repair and Replacement programs are retained. Because they rely on Interstate VMT and lane-miles and the cost to repair and replace deficient bridges, respectively, we believe they effectively meet program objectives.

--For the NHS program, the apportionment formula is comprised of (1) Contributions to the Highway Trust Fund-Highway Account (75%) which relates the formula to both system use and extent; (2) Commercial Vehicle Contributions to the Highway Trust Fund-Highway Account (15%), which provides a factor for commercial

vehicle travel; and (3) Total Public Road Mileage (10%), which provides a reasonable proxy for system extent. Our proposal also incorporates a ½ % minimum provision. We believe these factors provide a reasonable measure of the use and extent of the system, while they recognize that when the system was designated, there was a Federal commitment not to use system miles or travel directly as apportionment factors.

--For the STP, the formula is comprised of (1) Contributions to the Highway Trust Fund - Highway Account (70%) in order to capture highway use; and (2) Population (30%), in an effort to capture the overall demand for travel, and thereby achieve the broad, multi-modal goals of STP. Our proposal also incorporates a ½ % minimum provision.

--For the CMAQ program, the existing basic formula for ozone is retained, but adds weighting factors for Carbon Monoxide (CO) and Particulate Matter (PM-10) non-attainment areas, as well as weighting factors for maintenance areas within each state. The proposal includes a ½ % minimum provision.

--For the Infrastructure Safety Program, Railway-Highway Crossings funds and Hazard Elimination funds are apportioned differently. Railway-Highway Crossings funds are apportioned using: (1) crashes at public railway-highway grade crossings within a state (25% of total); (2) fatalities at public railway-highway grade crossings within a state (25% of total); (3) the number of public railway-highway grade crossings within a state (25% of total); and (4) the number of public railway-highway grade crossings with passive warning devices within a state (25%

of total). Hazard Elimination funds are apportioned using: (1) Population (75% of total); and (2) Public road mileage (25% of total).

3. We recognize that a sudden change to new formula factors could be disruptive to state programs, and we have proposed certain equity adjustments to ease the transition to a more sound, logical basis for the apportionment of Federal highway dollars. Specifically, a **Minimum Allocation** adjustment will ensure that each state receives apportionments of at least 90 percent of its *percent* contributions to the Highway Account of the HTF. Secondly, a **'90 Percent of Apportionments'** adjustment ensures that each state receives apportionments of at least 90 percent of its *prior year's dollar apportionments* throughout NEXTEA years. Lastly, a **State Percentage Guarantee** ensures that each state's share of NEXTEA annual apportionment dollars must equal *at least 95 percent* of its average ISTEA (FY92-97) *percent apportionments* throughout all NEXTEA years.

4. In presenting these factors for consideration, we fully understand that there is no one 'right answer' to the question of apportionment formulas, and we will be working with the Congress to develop apportionment formulas that will best meet all competing demands.

March 12, 1997

NEXTEA APPORTIONMENT FORMULAS

QUESTION : Will donor states be better off or worse off under your formula proposal?

ANSWER : MAJOR POINTS :

1. The situation of donor states under our proposal is more equitable than under ISTEA, with the apportionment shares for most States converging towards their percent contributions to the HTF (Highway Account). In fact, most donor States' apportionment shares increase under the formulas proposed in the Administration's bill, primarily due to the inclusion of HTF Contributions (Highway Account) as a major factor in the proposed formulas for NHS and STP.

2. While most donor States increase their apportionment shares relative to their shares of HTF Contributions under our proposal, a few states still lie below 90% of their percent contributions to the HTF (Highway Account), prior to equity adjustments. Therefore, to protect these states, we have included a Minimum Allocation equity adjustment, whereby all donor states are guaranteed to receive at least 90 Percent of their percent contributions to the HTF Highway Account.

March 12, 1997

NEXTEA APPORTIONMENT FORMULAS

QUESTION : What is the impact of your formulas on donee states?

ANSWER : MAJOR POINTS :

1. Although nearly all donee states gain apportionment dollars relative to ISTEA under our proposal, many lose small amounts in apportionment shares as we move toward new formula factors that are more closely related to Federal program purpose. First, donee states (primarily small states) are protected by the retention of the ½ percent minimum for the NHS, STP, and IM programs (and 1/4% for Bridge R&R). Second, geographically large, donee States are protected through the inclusion of Total Public Road Mileage as a factor in the NHS formula. Lastly, and most importantly, including a ‘State Percentage Guarantee’ as an equity adjustment ensures that all states will receive at least 95 percent of their average ISTEA (FY92-97) percent apportionments throughout all years of the NEXTEA bill.

March 12, 1997

NEXTEA APPORTIONMENT FORMULAS

QUESTION : What equity formula provisions will you propose? If you cannot discuss specifics, please describe the basic equity principles that you support.

ANSWER : MAJOR POINTS :

1. While we will be proposing a transition to formula factors that we believe relate well to the objectives of the basic program elements, and which we believe will be fair to all States, we recognize that equity adjustments will be needed to ensure an orderly transition to this more sound, logical basis for the apportionment of Federal highway dollars.

In trying to respond to the needs of both donor and donee States, we recognize that an equity adjustment must consider what States have contributed to the Highway Trust Fund, but must also provide some protection from rapid changes in apportionment dollars received. We believe our proposal will do that, but we fully understand that there is no one “right answer” to the question of apportionment formulas, and we will be working closely with the Congress to develop apportionment formulas that will best meet all competing demands.

March 12, 1997

NEXTEA APPORTIONMENT FORMULAS

QUESTION : Will you support an equity provision that guarantees that states get apportionments equal to at least 90 percent of their dollar

contributions to the HTF?

ANSWER : MAJOR POINTS :

1. We fully recognize that contributions to the Highway Trust Fund attributable to users in a State are an important consideration in developing an apportionment formula, since they reflect the intensity of use of the highway system in that State. We also recognize the needs of donor States and believe that a proposal such as that raised in your question, which is current law, should be given high priority consideration. However, the total amount of dollars being apportioned to the States under our proposal is less than 90 percent of forecast Highway Trust Fund receipts (highway account).

Apportioning 90 percent of dollar contributions back to the States is not possible given the bipartisan commitment to balance the Federal budget.

March 12, 1997