Highway Bill Update

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Overview

• Brief NAPA Update
• Highway Bill - How we got here
• Highway Bill - Where are we going
• The longer view
Thank you!

• Bill Cellini & Marvin Traylor
  – 50 years of partnership with Illinois Asphalt Pavement Association

• Dan Gallagher
  – Your voice for Illinois Asphalt Producers on NAPA’s Board of Directors

• NAPA appreciates all the support we get from Illinois members!
NAPA Update

• 50th Anniversary

• 2005 Convention Concluded
  – Visions Publication

• Mid-Year Meeting in Washington, DC.
  – July 18-19-20
  – Gala Dinner @ Smithsonian Exhibition

• Asphalt History Book by December
  – Author Dan McNichol
  – Sponsorship opportunities
Program Update

• Marketing - 
  – Asphalt Pavement Alliance

• Engineering - 
  – Perpetual Pavement, Porous Pavement, Heavy-Duty Mixes, Noise Reducing Mixes, Warm Mix Asphalt

• Environment - 
  – Diamond Achievement 
  – Region 5 issue 
  – Hired technical-legal expert: Mark Howard
50-in-’05 Membership Campaign

• Goal: Increase total HMA producer membership by one in each state

• 50 new members would position NAPA to address urgent environmental issues facing HMA industry

• Need all HMA producers to support NAPA at this time
THE LITTLE ENGINE THAT Couldn'T

SIGH

TRANSPORTATION BILL

HOUSE

SENATE
Political Shift is Real

- Reagan: shift burden to the states
- GOP Takeover - Strong Anti-tax fervor
- September 11, 2001 - “Security”
  - Homeland Security
  - War In Iraq, Afghanistan
- Deficits larger than domestic spending
- Transportation Dept. hemorrhaging clout
- Authorizing Comm’s risk irrelevancy
  - Firewalls, Guaranteed Funding at risk
- Public not focused on transportation
Current Legislative Agenda

- Social Security Reform
- Medicaid (Medicare)
- Tort Reform
- Tax Cuts (Legacy issue)
- Budget/Spending
- Getting Re-elected
- Highway Bill - Not high on the Senate agenda.
  - Inhofe moving Clean Skies first
  - Frist will not give bill floor time until April
108th Congress

- Gas tax off the table
- President - $256 billion using existing revenues
- Inhofe - $318 billion assumes ethanol and other tax enhancers
- Young - $375 billion $279 billion
- September compromise - $284 billion
- Legislation dies.
  - Congress enacts 6th extension through May 31, 2005
Impact of Short-Term Extensions

• 2004 a “thoroughly disrupted” year
  – 6 extensions distributed highway funding in small amounts
  – Annual funding totals for states uncertain
    • More difficult to develop a year-long letting program
    • States cautious about committing funds in case change in funding levels/formulas
  – Nevertheless, 2005 market is up!
Highway Funding up $4.3 Billion

Annual Federal Highway Investment

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount (in billions)</th>
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<tbody>
<tr>
<td>FY 2002</td>
<td>$31.8</td>
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<td>FY 2003</td>
<td>$31.6</td>
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<td>FY 2004</td>
<td>$31.9</td>
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<tr>
<td>FY 2005</td>
<td>$34.3</td>
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</table>

Emergency Relief: $1.9

Delayed Funding: $38.1
Remainder of FY 2005

• Still need legislation to authorize highway funding June 1 - September 30th
  – Either a multi-year bill, or
  – Another short-term extension
• Such legislation may change highway funding level of $34.6 billion
$284 Billion Transportation Bill

- Positive sign from President
  - $4.5 billion boost from last year
  - Starting point for legislation
- Trust Fund revenues can support
  - Assumes ethanol tax changes
- Enacting Highway bill is a process
  - Opportunities to grow funding even higher
Comparison of Proposed Highway Funding Levels

- Administration: $229
- House: $226
- Senate: $238
- Needed to maintain: $270
Highway Program Funding – SAFETEA vs. TEA-21 and ISTEA

Billions of dollars

<table>
<thead>
<tr>
<th>Year</th>
<th>ISTEA</th>
<th>TEA-21</th>
<th>SAFETEA</th>
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Highway Program Funding In 2004 Dollars – SAFETEA vs. TEA-21 and ISTEA
Comparison of Highway Funding Under Administration SAFETEA, Senate –passed SAFETEA and House TEA-LU (H.R. 3)

<table>
<thead>
<tr>
<th>Year</th>
<th>Admin. SAFETEA</th>
<th>Senate SAFETEA</th>
<th>House TEA-LU</th>
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<td>$37.0</td>
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</table>

Billions of dollars
House Actions

• H.R. 3 (TEA-LU) approved in Committee March 2.
  – $284 billion
  – Donor-Donee issue not addressed
  – 3,315 highway projects
    • $9 billion
    • IL in top 5
  – House Floor Action
    • Formula Amendment
    • Toll Amendment
It’s Time for Congress to Act on TEA-21 Reauthorization

- Motor vehicle crashes kill over 43,000 people on U.S. roads each year and cost the American economy $230 billion. Roadway conditions and alignments are a factor in an estimated one-third of motor vehicle crashes.

- Traffic congestion costs the U.S. economy $70 billion annually.

- Poor road conditions cost the average automobile owner $400 ever year in repair costs.

Good Roads Cost Money... Bad Roads Cost More!
Senate Actions

- Sen. Frist will not let bill greater than $284 billion on Senate floor
- Chairman Inhofe will support amendments in Committee/Senate floor/Conference to grow funding
- Senate Finance Committee key
- Committee Markup March 16
- Opportunities for industry to grow funding
  - $5-10 billion still on the table
Key Pressure Points

- Highway funding can be increased when:
  - SAFETEA on Senate floor
  - SAFETEA in Conference
  - FY 2006 budget resolution on H/S floor
  - FY 2006 Transportation Appropriations bill debated
Your Mission

• Respond to the grassroots alerts!
  – Timing is important
  – Involve all your employees and families.

• Attend the TCC Legislative Fly-In
  – NAPA, ARTBA, AGC, NSSGA, NRMCA
  – April 26-27, 2005

• Your involvement is critical to your market!
Key Illinois Lawmakers
Longer View - Driving Forces

- Population growing 30 million every 10 years
- VMT growing from 2.7 trillion (2000) to 3.3 trillion by 2010
- Truck traffic to double by 2020
- 80% of growth in suburbs
- Highway congestion is increasing
Transitional Period

• Pressure on the fossil fuel-based user fee concept
  – Fuel efficiency, alternative fuels, hybrids
  – Fuel tax losing purchasing power
  – Congress won’t support user fee increase
    • Except for deficit reduction. 5 cent (1990) 4.3 cent (1993)

• Highway Trust Fund stretched to the limit
  – Expenditures exceed revenues
    • Byrd Test triggered signaling insolvency
Transitional Period

- Federal share as a percentage of highway funding is down
  - Even as many states shifted highway funds to general budget

- Substitution/Diversion is a major issue
  - Federal highway funds substituted for state and local funds
    - Rate of substitution 60 cents on the $1.00
    - Illinois diverting 30% of user fee revenues

- Tolling and bonding not a cure-all
  - Niche market but *not a replacement*
Voters Speak up on 2004 Transportation Ballots

- **Bond Measures**: 12
- **New tax levies**: 17
- **Extend or alter current taxes**: 10
- **Increase taxes for highway revenue**: 7
- **Stop diversion of highway user revenue**: 2
- **Repeal previous transportation initiative**: 2
- **Advisory measures supporting future transportation projects**: 5

# of Measures  # Approved

- 12  12
- 17  10
- 10  9
- 7  5
- 2  2
- 2  1
- 5  4
NAPA Actions

• NAPA funding U.S. Chamber of Commerce study
  – How to fund transportation in the future
  – For congressional mandated Blue Ribbon Panel
    • Panel will take up future federal role
• NAPA leading effort to help states grow highway market
  – TRIP State highway funding task force
    • State survey
    • State funding toolkit
      – Complement state funding efforts
Thank You!

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