



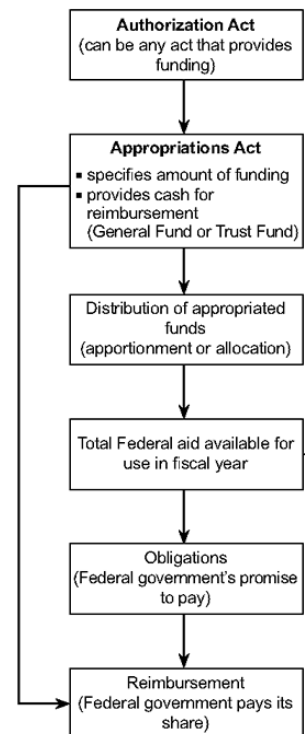
Federal Highway Funding 2010 Market Outlook

As Congress wraps up the 1st Session of the 111th Congress, the outlook for federal funding for the Federal Highway Program remains unsettled. NAPA recently reported enactment by Congress of the FY 2010 Transportation-HUD Appropriations bill that provided \$42 billion in highway funding for the next construction season. However, Congress must enact an authorization bill and provide more funding in the Highway Trust Fund in order for states to spend all of these dollars. In addition, an Economic Stimulus II bill enacted by the House on December 16 could potentially change the overall level of funding made available for highways from all levels of government. The bottom-line is that there is more work to do by Congress before we really know what the 2010 construction market will look like. The following is a summary status of the congressional action of the Federal highway market for the 2010 construction season.

For a Federal-Aid Highway project to be funded, Congress must enact two separate bills: an Authorization Act that provides funding and an Appropriations Act that specifies the amount of funding and provides the cash from the Highway Trust Fund for reimbursement. The illustration at right shows the typical procedural steps for the Federal Highway Program.

Authorization/Short-Term Extensions

The financing cycle for the Federal Highway Program begins when Congress enacts a multi-year surface transportation authorization bill such as SAFETEA-LU. The authorization bill not only shapes and defines the highway program but establishes the upper limits (authorization) on the amount of funds made available for the program. SAFETEA-LU expired on September 30, 2009. If Congress failed to enact a reauthorization bill or an extension of current law, the flow of highway funds provided in the Transportation-HUD Appropriations bill would be disrupted.



Congress has enacted two short-term extensions thru December 18th to continue the Federal Highway program using current program structures and tied funding levels to the amount states received via formula in 2009 (\$35.8 billion) *minus* two rescissions that took place in 2009 (\$3.15 billion + \$8.708 billion). A third extension of the Federal Highway Program through February 28 was included as part of the Defense Appropriations Bill which was enacted into Public Law on December 21, 2009. As a result, the total amount of highway funding made available to the states by the extensions through February 28, 2010 is based on a net level of \$23.9 billion, a decrease of 33 percent.

Economic Stimulus II/One-Year Extension

On December 16, the House approved the Economic Stimulus II bill that included an extension of SAFETEA-LU's policies and funding levels through September 30, 2010. This proposal, *which will not be addressed in the US Senate until January at the earliest*, contains four important provisions that could potential impact the 2010 construction season. The bill:

- Provides Federal Highway Program funding level in 2010 at the pre-rescission gross rate of \$35.8 billion (minus \$1.4 billion to make total highway funding consistent with the FY 2009 Budget Resolution).
- Transfers from the General Fund to the Highway Trust Fund Highway Account \$14.7 billion to ensure the Highway Trust Fund can support the core (non-stimulus) Federal highway program through September 30, 2010.
- Allows states to opt-out of the state and/or local match for construction or improvement of Federal-aid highways through September 30, 2010. Most projects have an 80 percent share. The Federal share for projects on the Interstate Highway System is 90 percent unless the project adds lanes that are not HOV, then the share reverts to the 80 percent level.
- Provides an additional \$27.5 billion from TARP for highway and bridge projects, the same amount as provided in the first economic stimulus bill. The funding procedures are nearly identical to the first stimulus bill. One exception is that half the highway money would have to be obligated within 90 days rather than the current 120 days.

2010 Transportation-HUD Appropriations Bill

On December 16, President Obama signed an omnibus appropriations bill into law that included the 2010 Transportation-HUD Appropriations bill. This legislation specifies the amount of funding or cash that will be available for reimbursement for the Federal Highway Program in 2010. *Again, the amount that is actually made available for the Federal Highway Program is dependent upon Congress enacting a surface transportation authorization bill or an extension of SAFETEA-LU programs.*

The FY 2010 Transportation-HUD Appropriations bill provides \$41.07 billion for the Federal Highway Program and provides an additional \$650 million for highways that would be directly apportioned via formula to the states. In addition, Congress provided an additional \$240 million in General Funds for surface transportation earmarks. The federal share of these projects is 100 percent. This compares to \$40.7 billion in non-stimulus funds provided for the Federal Highway Program in 2009.

Assessing the 2010 Construction Market for Asphalt Pavement

Congress and the Administration must act in early 2010 on a number of legislative issues to bring certainty and clarity to the 2010 construction season. For example, will the Administration continue to push for an 18 month extension? Will the Senate support a one-year extension as proposed by the House? Will the Senate support using TARP funds to boost highway spending as proposed in the House-passed Economic Stimulus II Bill? Will the state and/or local matching requirements for federally-funded projects be waived in 2010? Will the Highway Trust Fund be replenished in 2010? How will the funding uncertainty at the Federal level impact construction activity in 2010? What will be the impact on longer-term, more expensive projects in the absence of a multi-year reauthorization bill?

NAPA's Government Affairs team will prepare additional information to help NAPA members make informed decisions about the next construction season and to be an effective advocate for the highway program with Members of Congress. For more information or questions, please contact Jay Hansen with NAPA at jhansen@hotmix.org.

FY2010 Federal Highway Funding Checklist

