Feds Allocate $39.7B of 2016 State Road Aid

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DALLAS – States can begin spending the $39.7 billion of federal transportation funding provided in fiscal 2016 by the new five-year highway bill with the recent formal, state-by-state apportionment notice from the Federal Highway Administration.

The new law's allocation formula gives control of 92% of federal transportation funding to state transportation departments. State projects received $37.8 billion of federal highway funding in fiscal 2015.

Funding for state highway and bridge projects included in the Fixing America's Surface Transportation Act (PL 114-95) signed into law on Dec. 4 includes a total of $22.3 billion in fiscal 2016 for the National Highway Performance Program, $11.6 billion of surface transportation block grants, $2.3 billion of congestion mitigation and air quality grants, $2.1 billion of highway safety grants, and $1.1 billion for the new national freight program. States have until Sept. 1, 2019 to use their fiscal 2016 allocations, or the funding would lapse.

Allocations to states are determined by a formula that factors population and miles of road. The FAST Act requires that states receive highway funding equal to at least 95% of the revenues they generate from the federal gasoline tax of 18.4 cents per gallon, the diesel tax of 24.4 cents, and other levies dedicated to the Highway Trust Fund.

California is to receive the largest single allocation of federal funding in fiscal 2016, a total of $3.7 billion. Texas is second with $3.5 billion, followed by Florida's $1.9 billion and New York's $1.5 billion.

The highway program's overall obligation limit is $42.36 billion in fiscal 2016, up from $40.26 billion in fiscal 2015, to account for allocated but unexpended funding from previous years.

The FAST Act will provide $226 billion for highways through fiscal 2020, as well as $61.1 billion for public transit, and $10.3 billion for rail projects. Allocations from the HTF will total $43.1 billion in fiscal 2016, up from $41 billion in 2015, and will rise to $47.1 billion in 2020.

Fully funding the five-year measure will require the transfer of $70 billion of general fund revenues into the HTF to support collections of about $40 billion per year from the dedicated levies. The offsets include $53.3 billion from the Federal Reserve Bank's surplus account and $7 billion from reducing the annual dividend the Fed pays to its largest members. The Fed said it transferred $19.3 billion into the HTF on Dec. 28 from its reserve bank capital surplus, the first of the annual transfers required over the five years of the FAST Act. That was the amount needed to reduce the account's level to the $10 billion limit set by the highway measure.

Gasoline tax collections could be higher than expected if fuel consumption continues the upward trend set in the first eight months of 2015, the FHWA said. The latest data showed that fuel use grew 3% from January to August 2015, the largest increase in 11 years. Total fuel volume of 94.8 billion gallons was also a record for the last 11 years, the FHWA said. Volume dropped to a low of 60 billion gallons over the same period of 2007.

"This is in line with the increases that we've seen in vehicle miles traveled data," said Dr. Alison Premo Black, chief economist at the American Road and Transportation Builders Association. "As the economy recovers and more people are working again, they are also driving more, and gasoline consumption has increased." American motorists pay an average of 43 cents per gallon in federal and state gasoline taxes, FHWA said, far less than Britain's fuel tax of $4.98 per gallon or Germany's tax of $4.30 per gallon.