

7 GOVERNMENT TRANSPORTATION REVENUES AND EXPENDITURES

Key Takeaways

- Transportation revenues grew at a faster rate than that of transportation expenditures in 2013, increasing 4.5 percent compared to transportation expenditure's 2.7 percent.
- While total transportation revenues exceeded transportation expenditures by 9.8 percent in 2014, 48.4 percent of the revenues were funds raised from non-transportation sources, such as local sales taxes dedicated to transportation.
- Most (90 percent) transportation expenditures occur at the state and local level, and most (64 percent) go to highways.
- There is considerable variation among states in transportation expenditure levels and how that money is distributed among modes.

Introduction

Federal, state, and local governments play a major role in providing transportation services and infrastructure in the United States. Governments spend funds on critical activities like building highways, operating the Nation's air traffic control system, and maintaining transit facilities. These funds come from several government revenue sources, including user fees, transportation related taxes, and general revenues.

The latest available data for revenue and expenditure data is for 2014, state and local government transportation expenditure data by state is for 2015, and federal and state funding of public transit data by state is for 2016.

This chapter presents data on government transportation revenue and spending from four data sources:

1. *Government Transportation Financial Statistics* (GTFS) (box 7-1) examines transportation revenue and spending at the federal, state, and local levels.
2. *Census of State and Local Government* from the Census Bureau examines revenue and spending in individual states. It is a survey of state and local financial officers that gathers financial information on all areas of government.
3. The Survey of State Funding for Public Transportation from the American Association of State Highway and Transportation Officials (AASHTO) examines transportation revenue and spending in individual states. It is a survey of state departments of transportation. This data may differ from that derived from the Census of State and Local Governments due to differences in sources and methods.
4. The National Transit Database from the Federal Transit Administration examines data on transit provided by local transit agencies.

Box 7-1 Government Transportation Financial Statistics

Government Transportation Financial Statistics (GTFS), a publication of the Bureau of Transportation Statistics, provides information on transportation-related revenue and expenditures for all levels of government and for all modes of transportation. It aggregates data from a variety of sources, including the Office of Management and Budget's Public Budget Database, the Federal Highway Administration's *Highway Statistics Report*, the National Transit Database, the FAA's *Airport Financial Report*, tax data from the Bureau of Economic Analysis, and the U.S. Census Bureau's *Survey of State and Local Government Finances*. The GTFS data presented here are not comparable to the GTFS data presented in TET 2016 due to slight changes in the items selected and summed from the data sources.

Government Transportation Revenue

Government transportation revenue comes from user taxes and fees, such as gasoline taxes and tolls, air ticket taxes, and general revenues, as well as income from investing transportation funds and receipts from fines and penalties (box 7-2). Borrowing is not considered transportation revenue, so it is not included in the totals.

In 2014 federal, state, and local revenue collected and dedicated to transportation programs totaled \$355.7 billion (in 2014 dollars). Slightly over half of the revenue (\$183.6 billion, or 51.6 percent) came from taxes and charges levied on transportation-related activities. The remaining \$172.1 billion (48.4 percent) came from non-transportation-related activities that support transportation programs, such as state or local sales or property taxes used to finance transportation projects. In inflation-adjusted dollars, total revenue collected and dedicated to transportation programs increased by 9.9 percent, from \$291 billion in 2007 to \$320 billion in 2014 (figure 7-1).

Federal Government Revenue Sources

Highway and aviation, which have trust funds supported by dedicated taxes, accounted for 97.6 percent of the \$54.2 billion in federal transportation revenue in 2014 (figure 7-2). The Federal Government collected \$39.1 billion (72.1 percent) in highway revenues and \$13.8 billion (25.5 percent) in aviation revenues, as well as \$1.3 billion (2.4 percent) in water transportation revenues and \$0.02 billion (0.03 percent) in pipeline revenues.

In real 2009 dollars, Federal Highway Trust Fund revenues decreased by 16.9 percent from 2007 to 2014 (figure 7-3). Real revenues have declined in part because the Federal Government has not increased the federal taxes for gasoline and diesel—18.4 cents per gallon for gasoline and 24.4 cents per gallon for diesel—since October 1997. Revenues also declined because vehicle gas mileage improved by 13.8 percent from 2007 to 2014 for new passenger cars and because vehicle miles traveled declined by 2.7 percent from 2007 to 2011 due to the 2007 to 2009 recession. Highway revenues have been stable since the recession.

Box 7-2 Government Transportation Revenue

Transportation revenue includes taxes, charges, and fees collected by governments from transportation and non-transportation activities and allocated to transportation programs. Income from investing transportation funds and receipts from fines and penalties are also treated as transportation revenue. For reporting, transportation revenue is classified into two categories:

1. Own source revenue
2. Supporting revenue *minus* transportation revenue directed to other uses

Own-source revenue refers to taxes and charges levied on transportation-related activities and used specifically for transportation. Most of these revenue sources are user fees charged to users of the transportation system. Examples include the following:

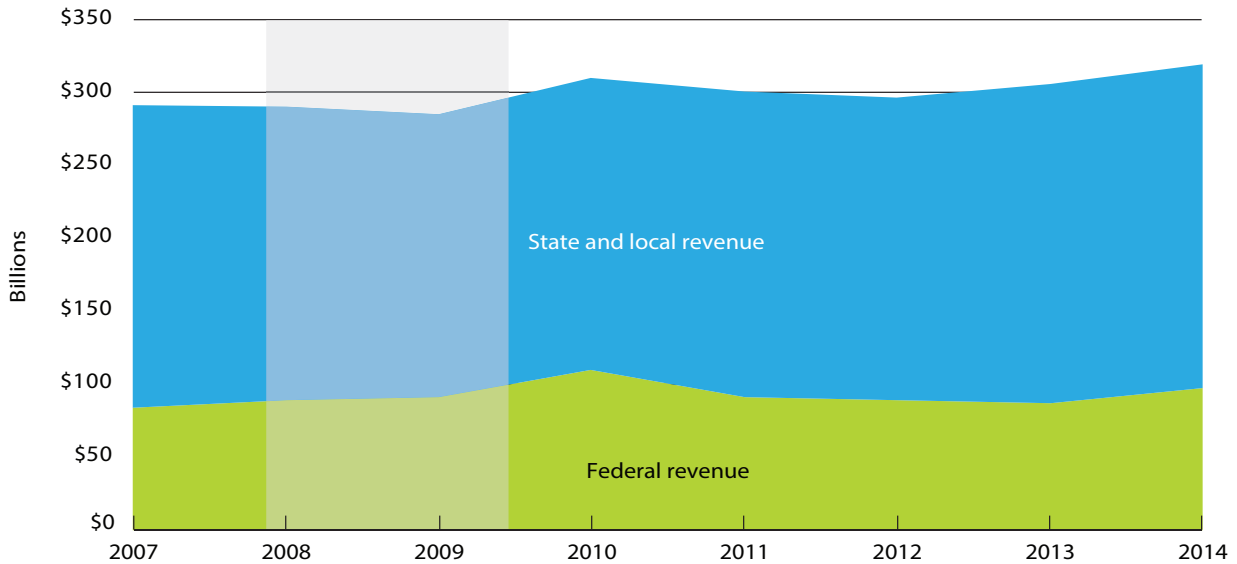
- Excise taxes, such as motor fuel taxes and aviation taxes
- Property taxes, such as motor vehicle taxes

- Charges, such as tolls and motor vehicle license fees
- Fines and penalties, such as speeding and parking violation tickets
- Investment income, such as interest income from the Highway Trust Fund balance
- Concession income, such as that received by airport authorities

Supporting revenue includes funds collected from non-transportation-related activities but dedicated to support transportation programs. Examples include receipts received by state and local governments from sales or property taxes to finance transportation projects.

Revenue directed to other uses includes funds raised from transportation-related activities but used to finance programs other than transportation. One example is receipts generated from motor fuel taxes directed to the general fund for other uses.

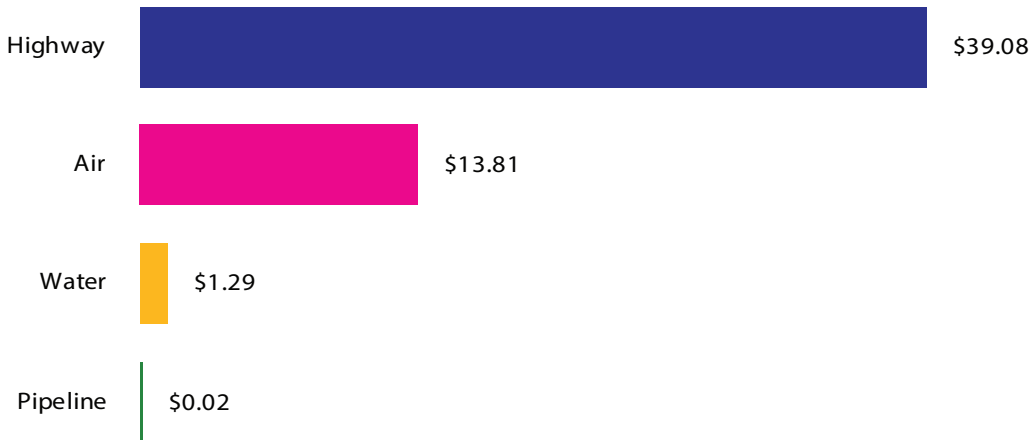
Figure 7-1 Federal, State, and Local Government Revenues, 2007 to 2014 (billions of chained 2009 dollars)



NOTES: Revenue includes own-source revenue and supporting revenue, but does not include revenue diverted to other uses. Shaded vertical bar indicates economic recession.

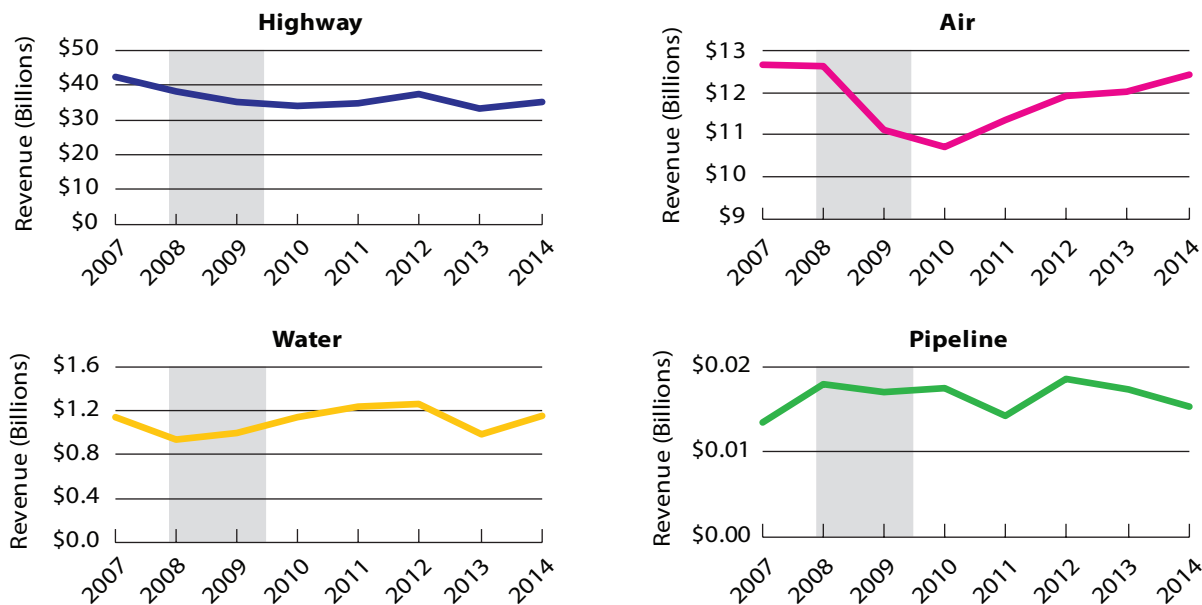
SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at www.bts.gov.

Figure 7-2 Federal Own-Source Revenue by Mode, 2014 (billions of 2014 dollars)



SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at www.bts.gov.

Figure 7-3 Trends in Federal Own-Source Revenue by Mode, 2007 to 2014
(billions of chained 2009 dollars)



NOTE: Graph scales are not comparable. Shaded areas indicate economic recessions.

SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at www.bts.gov.

State and Local Government Revenue Sources

State and local governments collected \$247.3 billion of the \$355.7 billion (69.5 percent) in government revenues. Of this revenue, the state and local governments collected \$129.4 billion from transportation-related activities, most of which came from the following:

- \$86.7 billion, (67.0 percent of transportation revenue in 2014) went to highways and came from transportation related activities such as fuel taxes, motor vehicle taxes, tolls and other sources (figure 7-4).
- \$19.1 billion (14.8 percent) went to air and came from landing fees, terminal area rentals, and several other sources.
- \$18.8 billion (14.6 percent) went to transit and is almost entirely from fares.

In inflation-adjusted dollars, highway, aviation, and water revenues all declined during the Great Recession (December 2007 to June 2009),

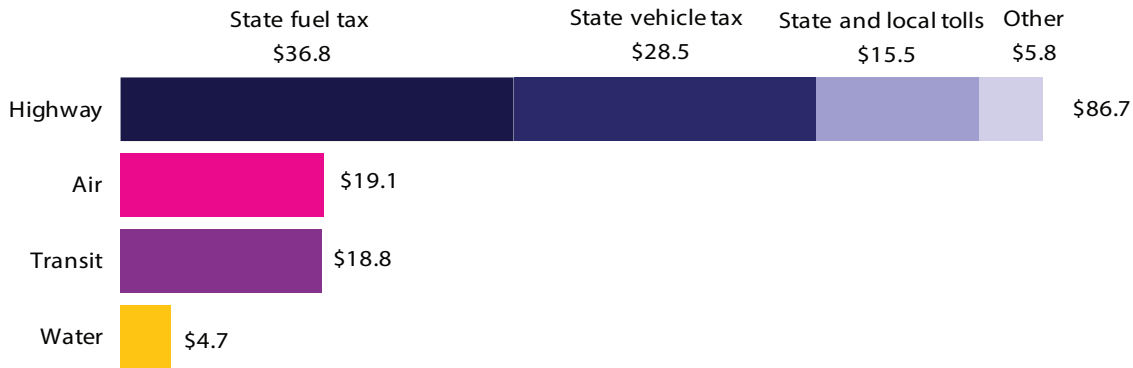
although highway and water revenues have since exceeded pre-recession levels (figure 7-5).

Government Transportation Spending

Most government spending on transportation takes place at the state and local levels, although state and local capital expenditures are often paid for in part with federal funds (box 7-3). In 2014 state and local governments spent \$291.2 billion, including expenditures paid for with federal transfers, such as the Federal-Aid Highway Program and the Airport and Airway Trust Fund. The Federal Government spent \$32.8 billion directly on transportation, excluding federal transfers to states.

In real 2009 dollars, transportation expenditures at all levels of government have increased since 2007 (figure 7-6). From 2007 to 2014, real direct federal expenditures increased by 11.2 percent (from \$26.5 billion to \$29.5 billion). Real federal transfers to states increased 6.8 percent (from \$49.5 billion to \$52.8 billion), while real state and

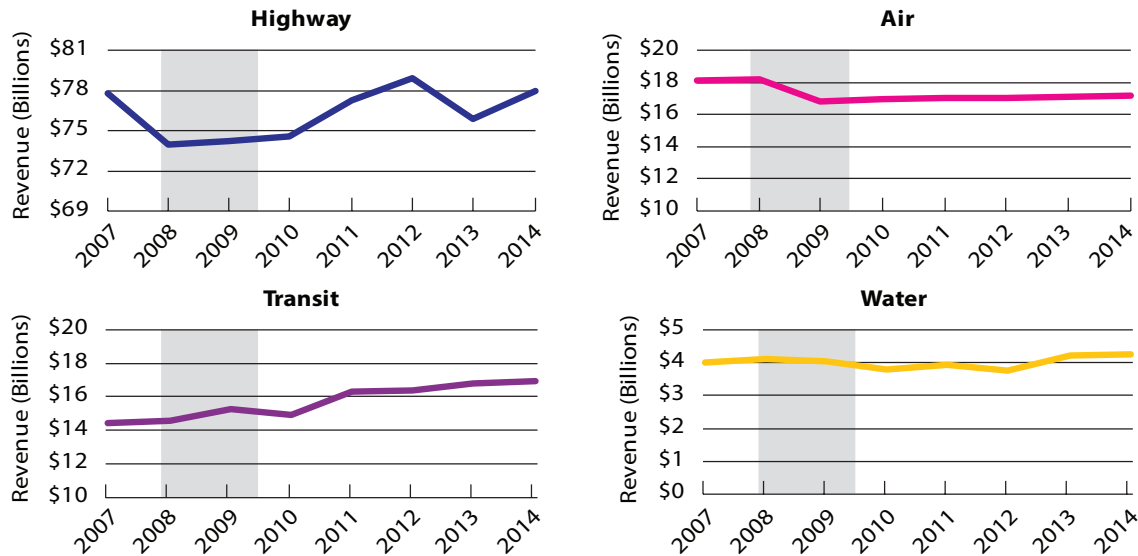
Figure 7-4 State and Local Own Source Revenue by Mode, 2014 (billions of 2014 dollars)



NOTE: Totals may not sum due to rounding.

SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at www.bts.gov.

Figure 7-5 Trends in State and Local Own Source Revenue by Mode, 2007 to 2014 (billions of chained 2009 dollars)



NOTE: Shaded area indicates economic recession. Graph scales are not comparable.

SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at www.bts.gov.

Box 7-3 Government Transportation Expenditures

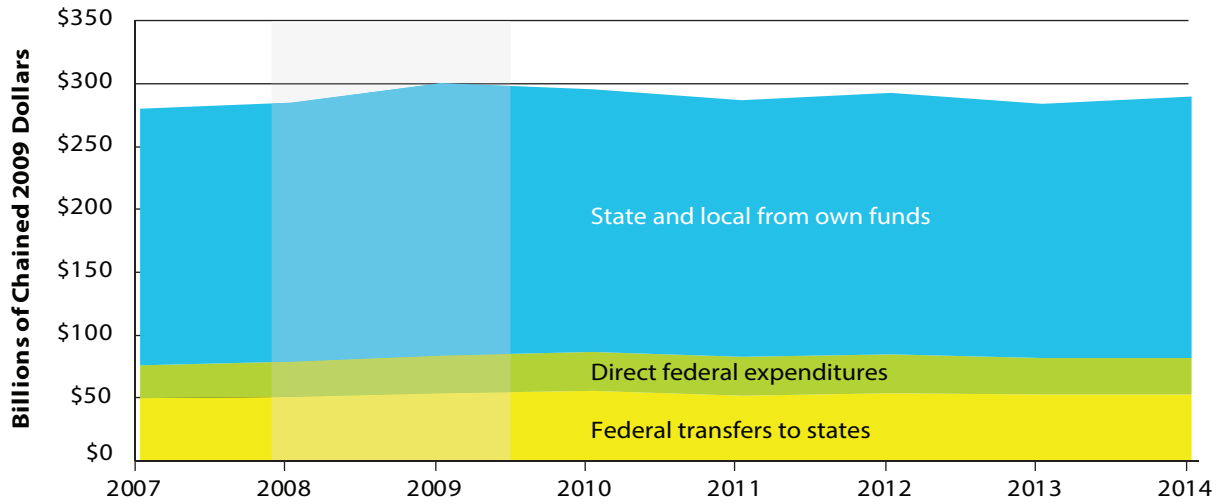
Transportation expenditures are outlays that the government pays to provide an efficient and safe transportation system, regardless of the sources of funding and regardless of which agencies make the payments. Expenditures include both capital investments and money spent to maintain and operate the transportation system. Government expenditures on transportation that do not support the transportation system, such as paying for military shipments, are not included.

Federal expenditure data come from several sources, including the Office of Management and Budget's *Analyt-*

ical Perspective and the Federal Highway Administration's *Highway Statistics*. State and local expenditure data come primarily from the U.S. Census Bureau's *State and Local Government Finances* and from the National Transit Database.

This chapter shows state and local expenditure financed by federal funding separately. This makes it possible to see federal expenditures (including funding provided to state and local governments) and state and local expenditures (including federal funds received) without double counting the federal funds provided to state and local governments.

Figure 7-6 Federal, State, and Local Government Expenditures, 2007 to 2014 (billions of chained 2009 dollars)



NOTE: Shaded vertical bar indicates economic recession.

SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at www.bts.gov.

local expenditures (excluding expenditures paid for with federal funds) increased by 1.7 percent (from \$204.3 billion to \$207.8 billion).

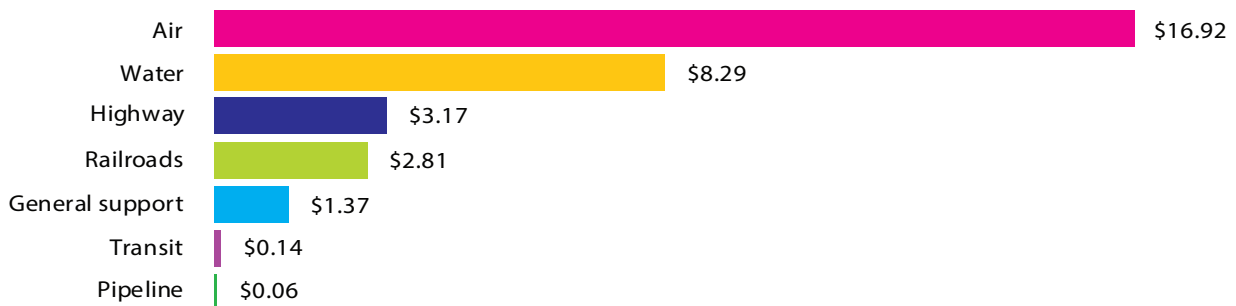
Governments increased transportation spending following the 2007 to 2009 recession to stimulate the economy. In 2009 the Federal Government enacted the American Recovery and Reinvestment Act (ARRA) of 2009, which authorized \$48.1 billion in transportation stimulus spending. As a result, transportation expenditures by the Federal Government (direct federal expenditures and federal transfers to states)

reached a peak in 2010 at \$86.7 billion (in chained 2009 dollars). By 2014 ARRA spending was substantially complete and no longer impacted the pattern of growth in transportation spending.

Federal Transportation Spending by Mode

Most federal transportation spending, excluding federal transfers to states, is for aviation (\$16.9 billion in 2014, or 51.7 percent) followed by water (\$8.3 billion, or 25.3 percent) and highways (\$3.2 billion, or 9.7 percent) (figure 7-7 and box 7-3).

Figure 7-7 Federal Transportation Expenditures by Mode, 2014 (billions of 2014 dollars)



SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at www.bts.gov.

In real 2009 dollars, federal highway spending peaked in 2011 with the recession stimulus spending, and then declined (figure 7-8).

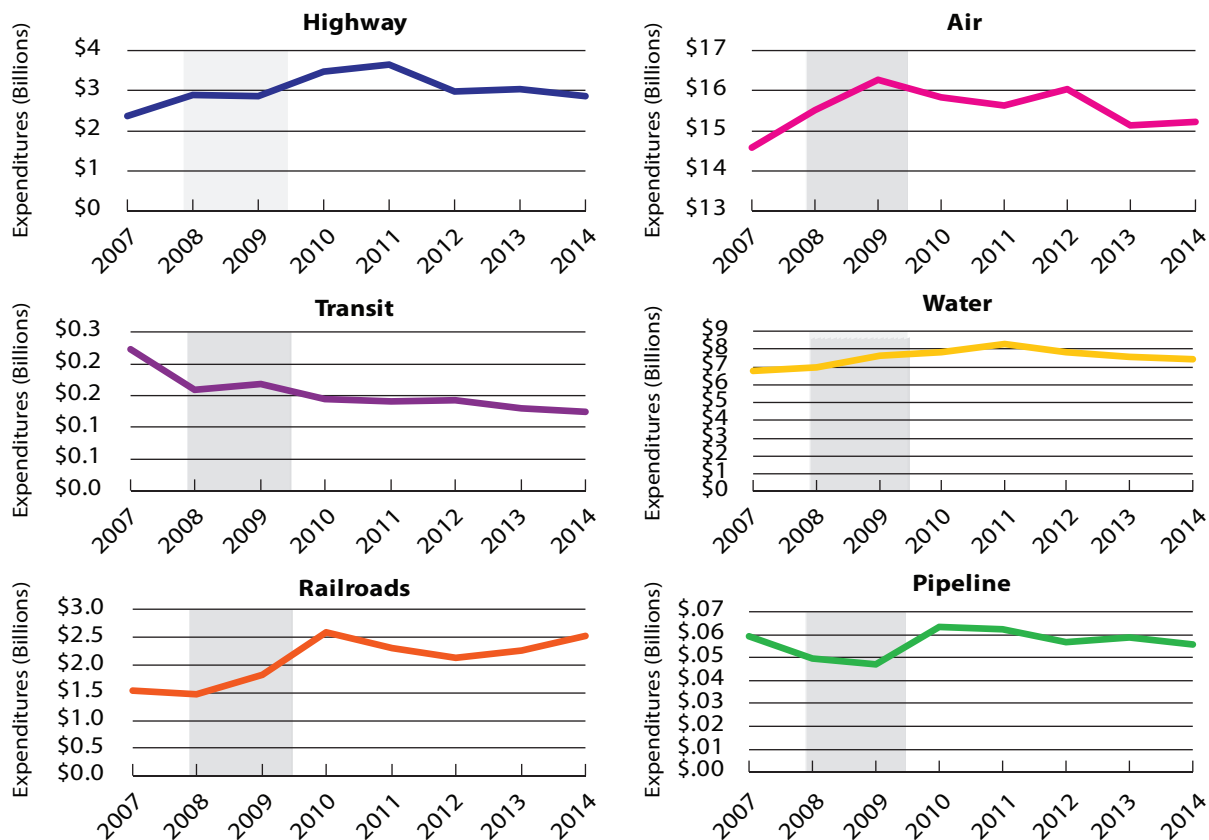
State and Local Transportation Spending by Mode

In 2014, 70.0 percent (\$203.9 billion) of state and local spending on transportation, including expenditures paid for with federal grants, went to highways and 20.5 percent (\$59.6 billion) went to transit (figure 7-9). The remaining amount went to air (\$21.7 billion, 7.4 percent), water (\$6.0 billion, 2.1 percent), pipeline (\$.04 billion, 0.01 percent), and general support (\$0.02 billion, 0.01 percent) (figure 7-10).

This paragraph discusses total expenditures in each state for which the latest survey data is from the 2015 Census of State and Local Governments. Figure 7-11 shows the percentage of total expenditures that each state and its local governments spent on transportation in 2015 (box 7-4). A regional pattern emerges with relatively high expenditures in resource-rich states in the northern Great Plains. Despite relatively low population densities, these states have considerable demand for transportation to support industries that rely on heavy, high bulk transportation-intensive products such as oil, coal, and minerals.

States and local governments also allocate funds among transportation modes differently because

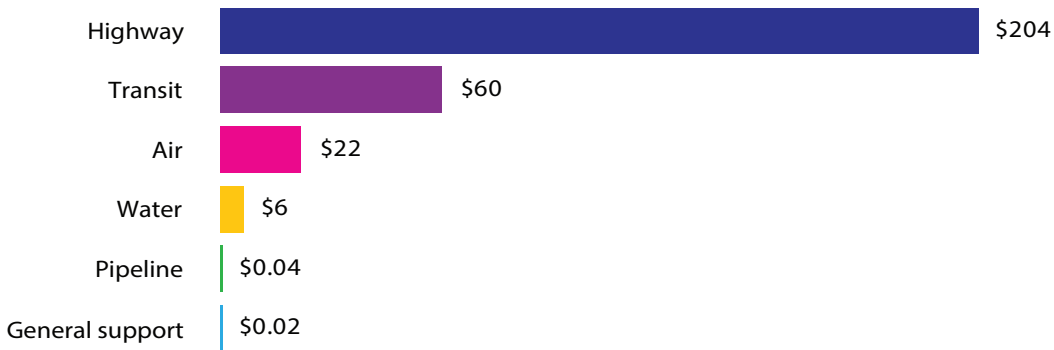
Figure 7-8 Trends in Federal Transportation Expenditures by Mode, 2007 to 2014 (billions of chained 2009 dollars)



NOTE: Shaded areas indicate economic recessions. Graph scales are not comparable.

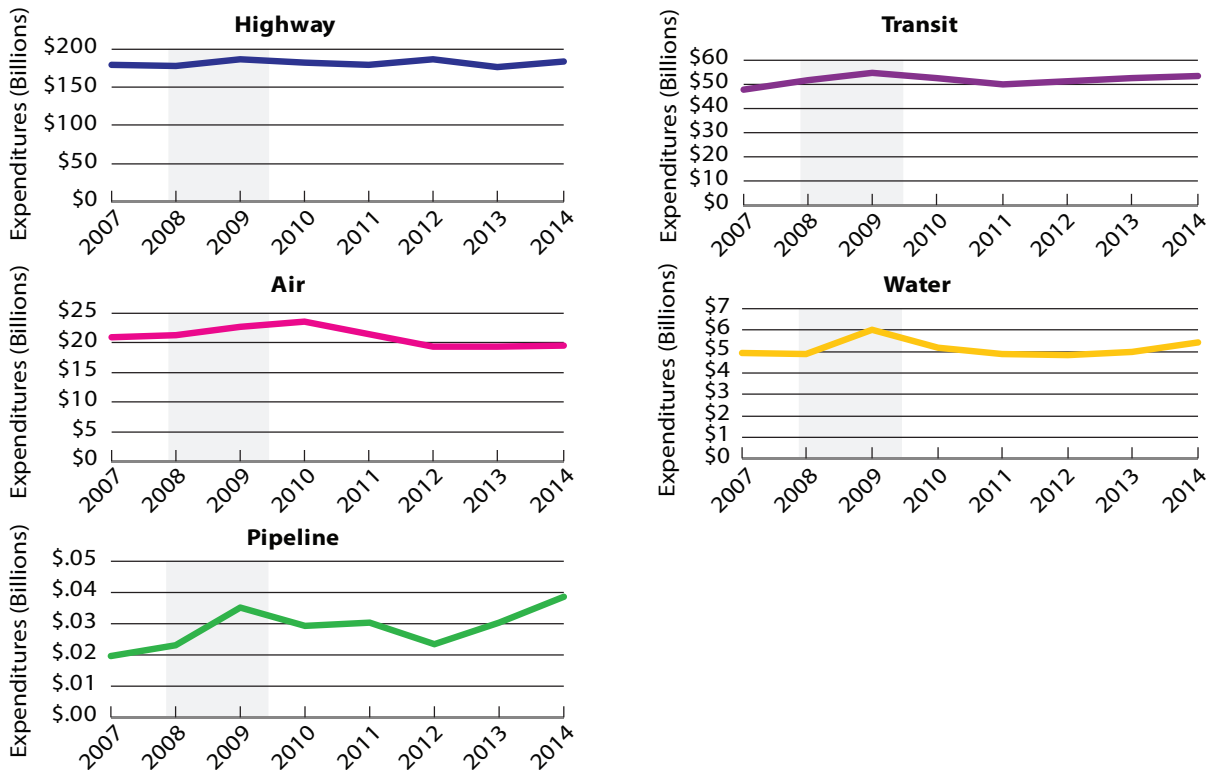
SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at www.bts.gov.

Figure 7-9 State and Local Expenditures by Mode, 2014 (billions of 2014 dollars)



SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at www.bts.gov.

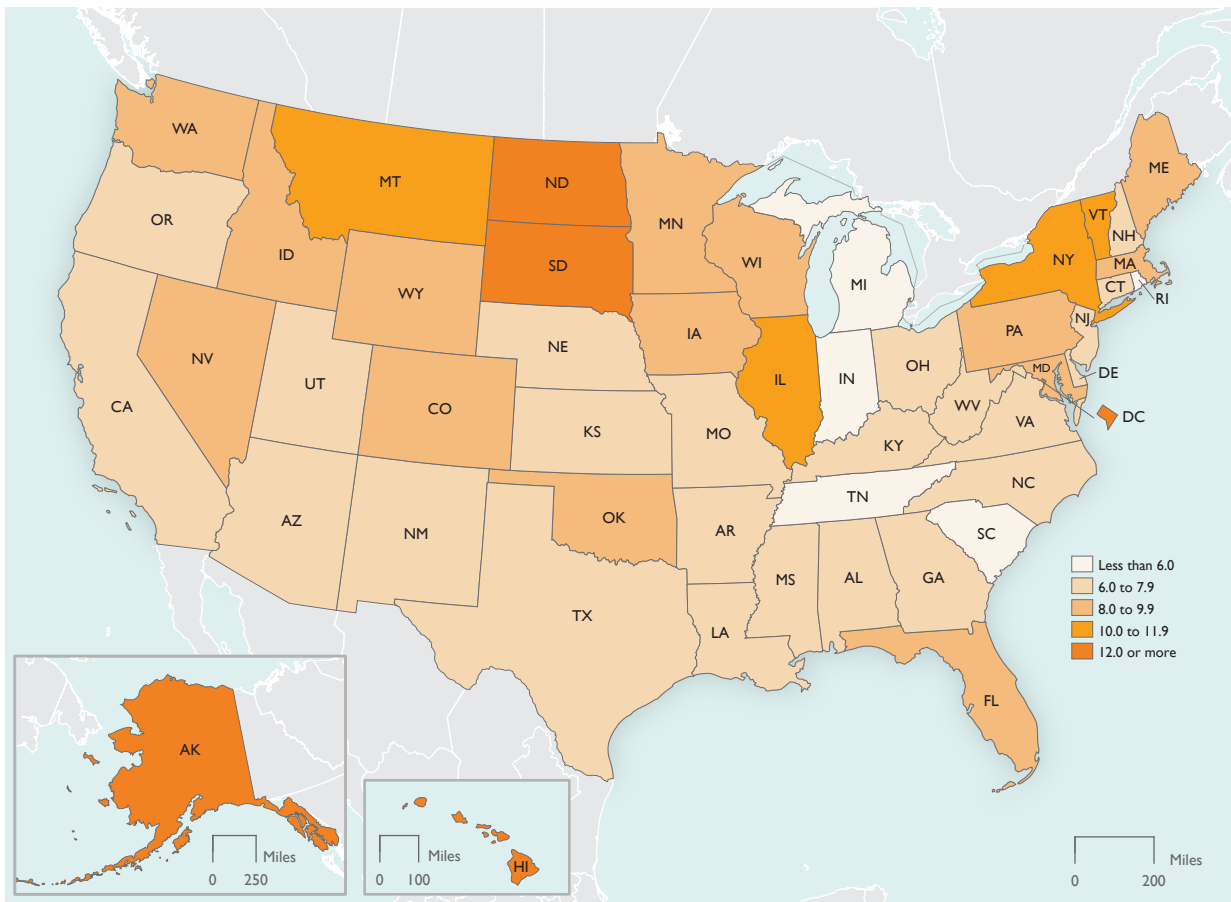
Figure 7-10 Trends in State and Local Expenditures by Mode, 2007 to 2014 (billions of chained 2009 dollars)



NOTE: Shaded areas indicate economic recessions. Graph scales are not comparable.

SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at www.bts.gov.

Figure 7-11 Proportion of State and Local Government Expenditures Spent on Transportation, 2015



SOURCE: U.S. Department of Commerce, Census Bureau, *Census of State and Local Governments*, 2015, available at www.census.gov as of May 2018.

Box 7-4 State Transportation Finance

State transportation expenditure data come from the U.S. Census Bureau’s State and Local Government Finances, which conducts a full census of state and local governments every 5 years and a sample survey in the intervening years. Federal and state transit spending data come from a survey of state transportation departments conducted by the American Association of State Highway and Transportation Officials. The data do not include local government expenditures on transit.

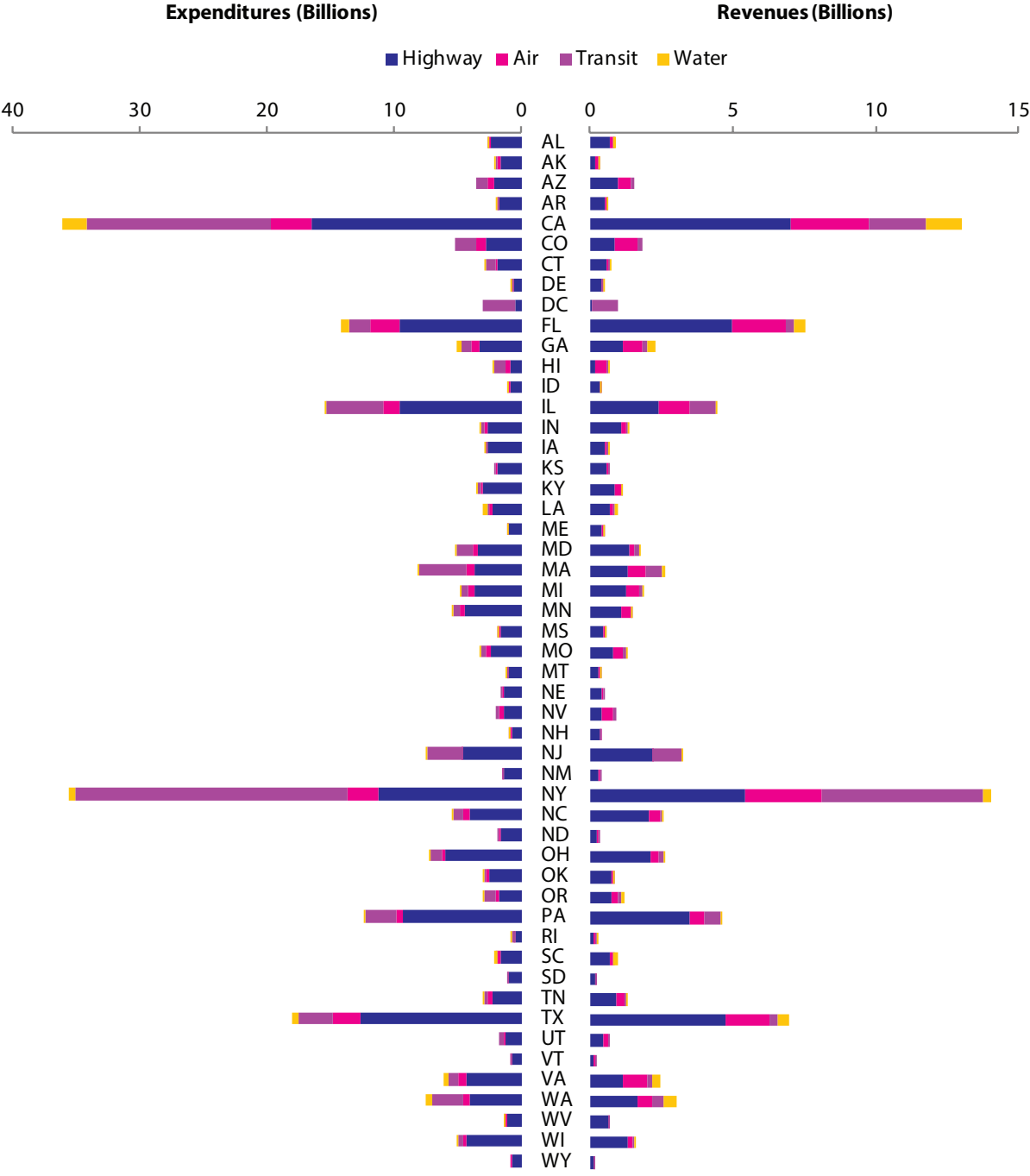
states in the Great Plains, like North Dakota and Kansas spent 90 percent or more of their transportation expenditures on highways. Hawaii and Nevada spent approximately 20 percent (19.5 percent and 17.9 percent, respectively) on aviation. Finally, Louisiana and South Carolina, which have economically significant ports, spent greater percentages on water transportation (10.5 percent and 8.6 percent) than other states spent.

they have different geographies and economies, which lead to different transportation needs. For example, state and local governments in the District of Columbia and New York devoted over half of their transportation expenditures to transit (84.3 percent and 60.5 percent, respectively) in 2015 (figure 7-12). In contrast, inland low-density

Public-Private Partnerships

Public-private partnerships (PPPs) (box 7-5) are another method to finance, build, and operate transportation projects, such as highway toll lanes or airport terminals. Most of the data in this chapter come from the U.S. Census Bureau’s *State*

Figure 7-12 Transportation Expenditures and Revenues by State and Local Governments, 2015



SOURCE: U.S. Department of Commerce, U.S. Census Bureau, *State and Local Government Finance, 2015*, available at <https://www.census.gov/programs-surveys/gov-finances.html> as of May 2018.

and *Local Government Finances* or similar sources of government spending data. Investment by a local government in a PPP is captured as a local government expenditure in these sources. Because these sources capture only government spending, they do not capture the private portion of the investment. Toll revenues accruing to state and local governments are included in U.S. Census Bureau's *State and Local Government Finances*, but toll revenues to PPPs that do not go to local governments are not included.

Box 7-5 Public-Private Partnership (PPP)

A public-private partnership (PPP) is a contractual agreement formed between public and private sector partners. The agreements usually involve a government agency contracting with a private company to renovate, construct, operate, maintain, or manage a facility or system. The agency usually retains ownership in the facility or system.

State and Federal Funding of Public Transit

The amount that states spend on public transit varies by state, as does the relative share of state and Federal Government spending on transit (box 7-4). In 2016 New York had the highest state and federal transit expenditure at \$6.33 billion, with the state government contributing \$5.04 billion (79.6 percent) and the Federal Government contributing \$1.29 billion in transfers to states (20.4 percent) (figure 7-13).

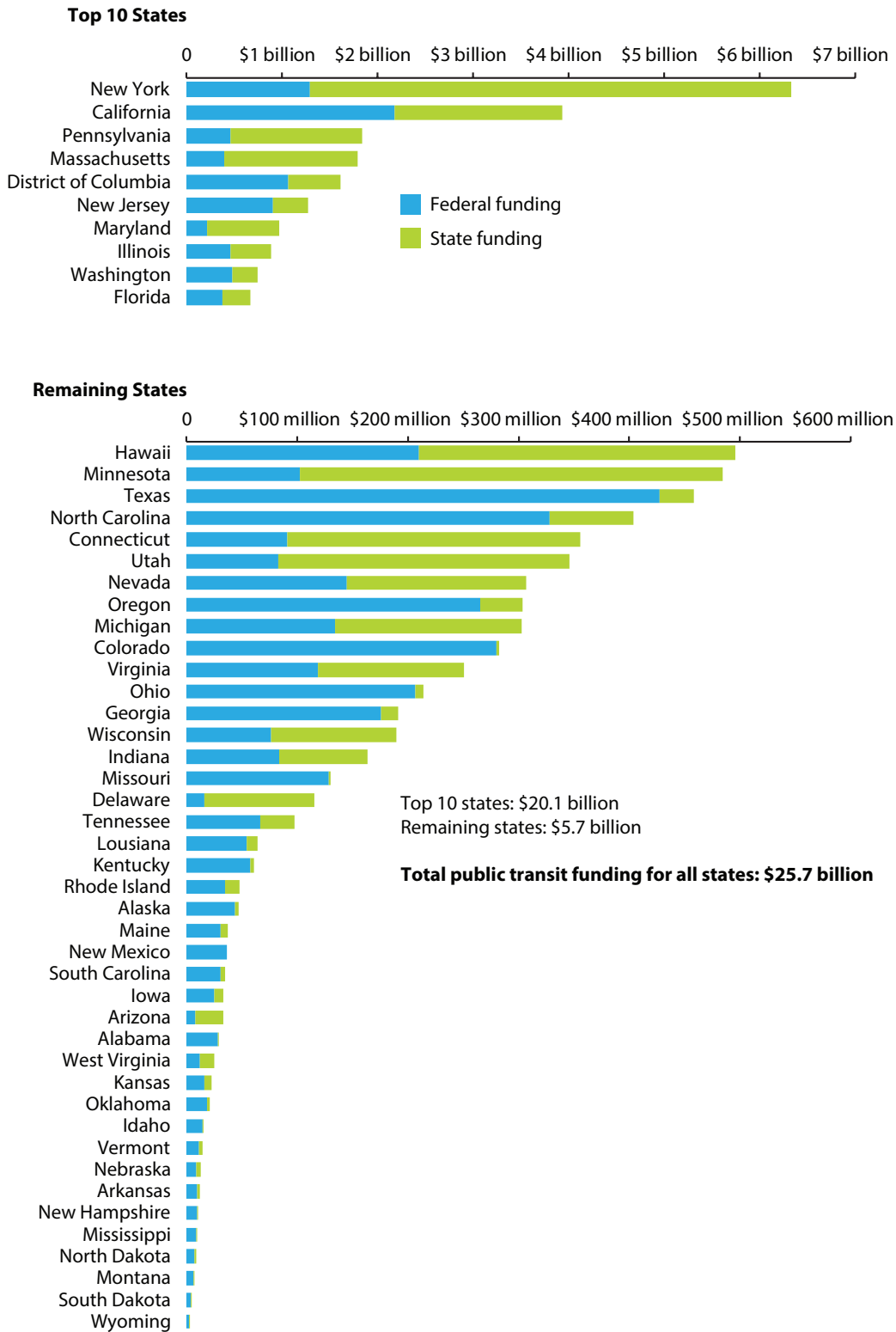
Figure 7-13 shows that 10 states, including the District of Columbia, account for \$20.06 billion of the \$25.74 billion spent on public transportation, or over three-quarters of all transit expenditures (77.9 percent). Within the top 10 states, the proportion of the total state transportation spending on transit ranges from a low of 28.5 percent in New Jersey to a high of 79.6 percent in New York. While the top 10 states have average expenditures of \$2.01 billion, the remaining states have average expenditures of \$142 million.

Government Transportation Revenue and Expenditures

Revenue collected from transportation-related activity and dedicated to transportation programs falls short of government transportation expenditures, an issue of long standing. In 2014 transportation revenues covered 56.7 percent of expenditures. The gap between transportation revenues and expenditures has declined since 2009, when revenues covered 52.5 percent of expenditures. When revenues do not cover expenditures, general tax receipts (e.g., from sales and property taxes), trust fund balances, and borrowing cover shortages.

Figure 7-14 illustrates transportation revenue relative to transportation expenditures for all levels of government from 2007 to 2014 in chained 2009 dollars. Transportation revenue includes the revenue collected from transportation activity (that is, own source revenues) as well as supporting revenue from other sources like general funds. In 2014 supporting revenues represented 48.4 percent of total revenues. Transportation expenditures exceeded revenues in 2009 and 2010, when the American Recovery and Reinvestment Act of 2009 increased transportation stimulus spending. In 2010, transportation expenditures peaked at \$440 billion, exceeding transportation revenue by \$130 billion.

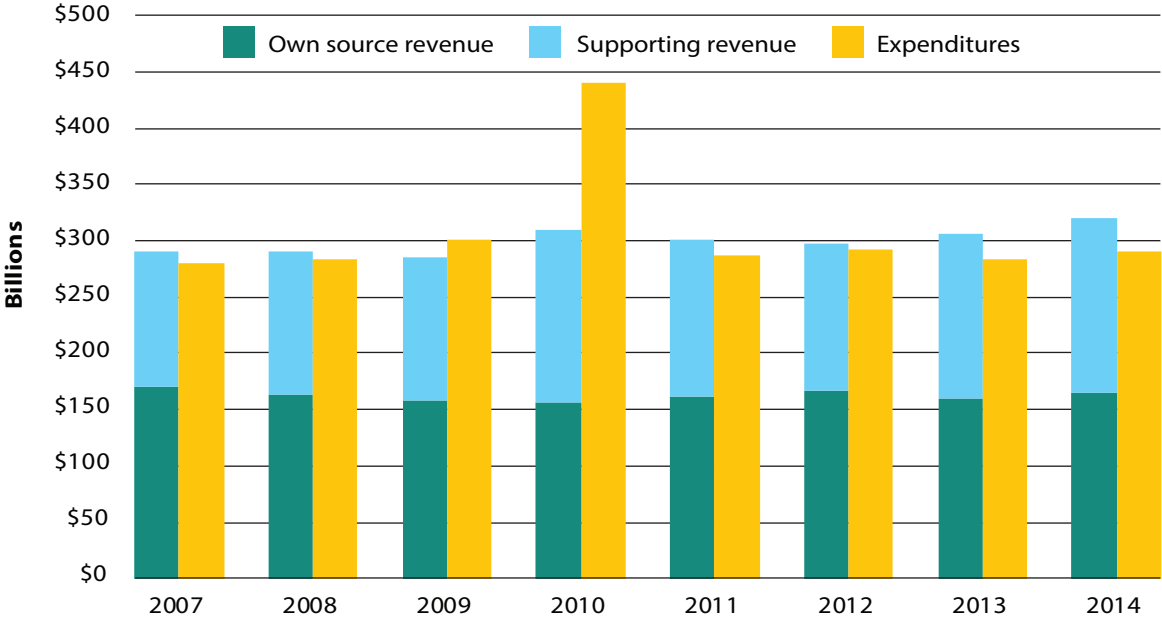
Figure 7-13 Federal and State Funding of Public Transit, 2016



NOTE: Top 10 states includes the District of Columbia.

SOURCE: U.S. Department of Transportation, Federal Transit Administration, National Transit Database, 2016 Funding Sources, available at <https://www.transit.dot.gov/ntd> as of May 2018.

Figure 7-14 Government Transportation Revenue and Expenditures, 2007 to 2014 (billions of chained 2009 dollars)



NOTE: Revenue includes own-source revenue and supporting revenue.

SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at www.bts.gov.