

## 7 GOVERNMENT TRANSPORTATION REVENUES AND EXPENDITURES

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, taxes, bonds, and grants.

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

1. Government Transportation Financial Statistics (GTFS) (box 7-1), which examines transportation revenue and spending at the federal, state, and local levels. The GTFS data presented in this chapter are not comparable to the GTFS data presented in *Transportation Economic Trends 2016* due to slight revisions in the methodology.
2. *State Transportation Statistics* (STS) and the Survey of State Funding for Public Transportation from the American Association of State Highway and Transportation Officials (AASHTO), which examine transportation revenue and spending in individual states.

### 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 in this chapter are not comparable to the GTFS data presented in TET 2016 due to slight changes in the items selected and summed from the aforementioned data sources.

**Source:** U.S. Department of Transportation, Bureau of Transportation Statistics, 2017.

### 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.

**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 and grouped into two categories: *own source revenue* and *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:

- Excise taxes, such as motor fuel taxes and aviation taxes
- Property taxes, such as motor vehicle taxes
- Income taxes, such as corporate taxes paid by transportation companies
- 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
- Income from concession agreements where a private company operates a publicly owned transportation infrastructure on a concession basis

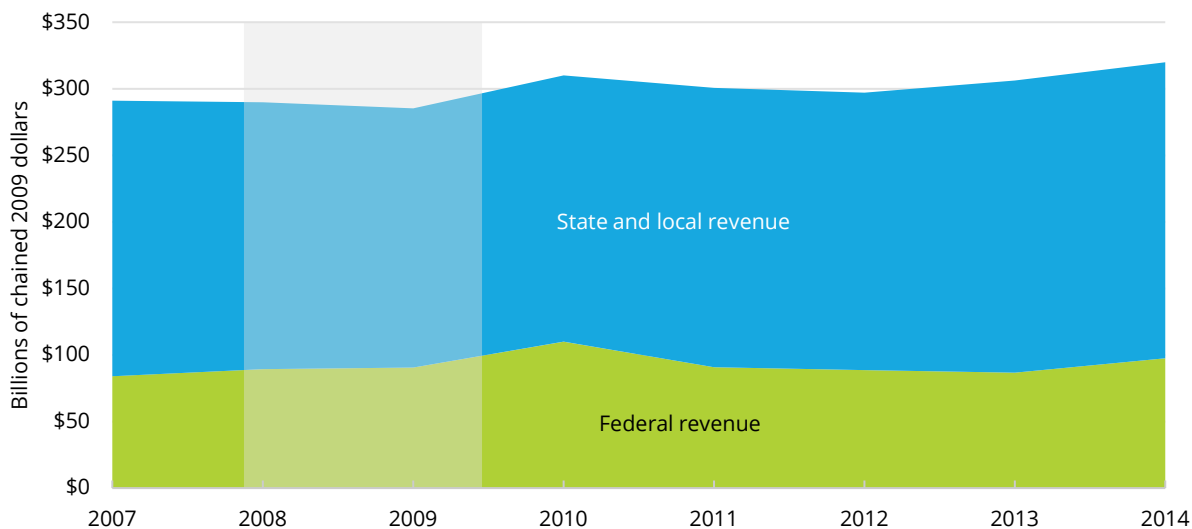
*Supporting revenue* includes funds collected from non-transportation-related activities but dedicated to support transportation programs. Examples include receipts received by state and local governments from sales or property taxes to finance transportation projects.

*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 that are directed to the general fund for other uses.

**Source:** U.S. Department of Transportation, Bureau of Transportation Statistics, 2017.

In 2014 revenue collected and dedicated to transportation programs totaled \$355.7 billion (current 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 but supports 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).

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



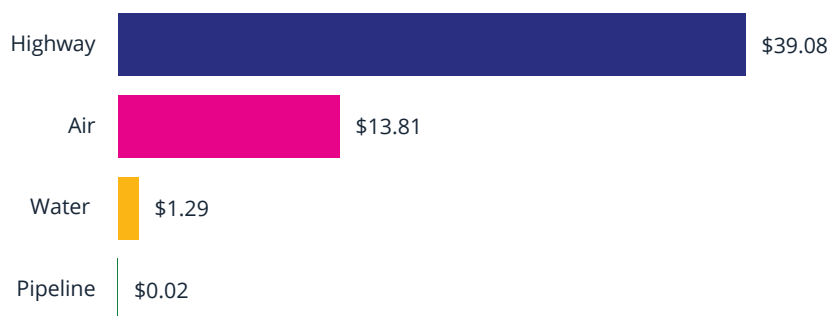
**Note:** Revenue includes own-source revenue and supporting revenue, but does not include revenue diverted to other uses. Shaded areas indicate economic recessions.

**Source:** U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at [www.bts.gov](http://www.bts.gov).

### Sources of Government Transportation Revenue

Highway and aviation, which have trust funds supported by dedicated taxes, accounted for 97.6 percent of 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.

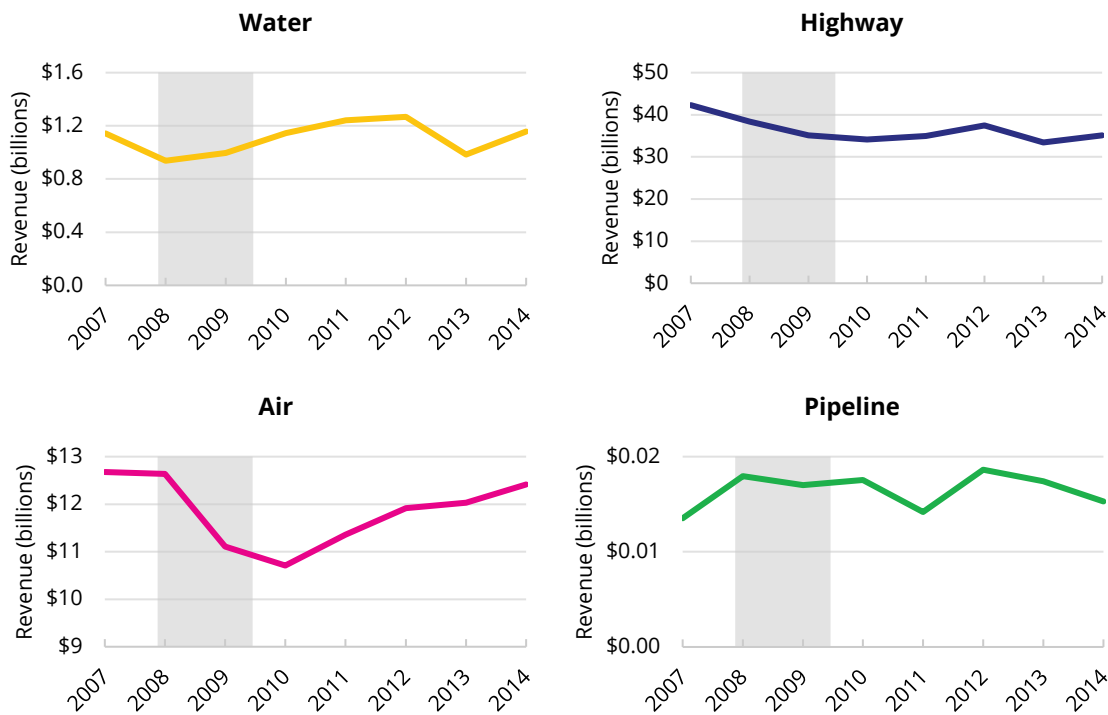
**Figure 7-2: Federal Own-Source Revenue by Mode, 2014 (billions of current dollars)**



**Source:** U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at [www.bts.gov](http://www.bts.gov).

In real 2009 dollars, highway trust fund revenues decreased by 16.9 percent from 2007 to 2014 (figure 7-3). Real revenues have declined 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—since October 1997. Revenues also declined because vehicle gas mileage improved by 13.8 percent from 2007 to 2014 among 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.

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

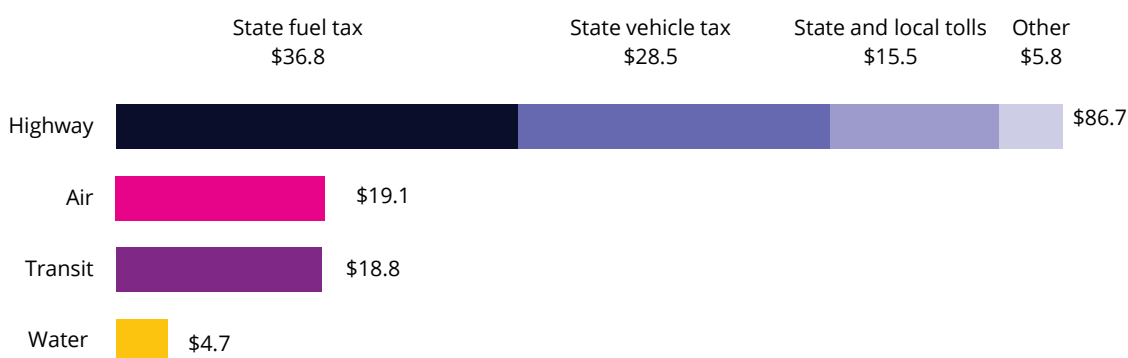


**Note:** Shaded areas indicate economic recessions.

**Source:** U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at [www.bts.gov](http://www.bts.gov).

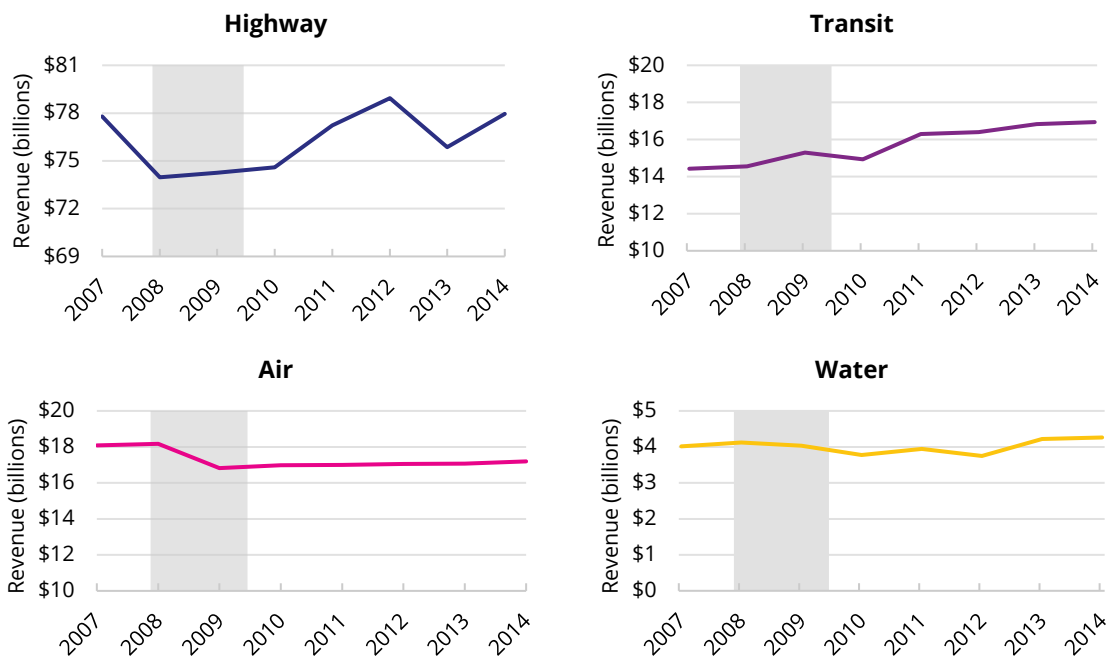
State and local governments collected \$247.3 billion of the \$355.7 billion (69.5 percent) in government revenues. Of this revenue, the state and local governments collected \$129.4 billion from transportation-related activities, most of which is from highway revenue sources (\$86.7 billion, or 67.0 percent of transportation revenue in 2014), which include fuel taxes, motor vehicle taxes, and tolls (figure 7-4). Aviation-related revenue (\$19.1 billion, 14.8 percent) comes from landing fees, terminal area rentals, and several other sources. Transit revenue (\$18.8 billion, 14.6 percent) is almost entirely from fares. In inflation-adjusted dollars, highway, aviation, and water revenues all declined during the recession, although highway and water revenue has since exceeded pre-recession levels (figure 7-5).

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



**Source:** U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at [www.bts.gov](http://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 areas indicate economic recessions.

**Source:** U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at [www.bts.gov](http://www.bts.gov).

### 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, the Federal Government spent \$32.8 billion on transportation (excluding federal transfers to states), and 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).

**Box 7-3: Government Transportation Expenditures**

*Transportation expenditures* are outlays the government pays to provide an efficient and safe transportation system, regardless of the sources of funding and 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.

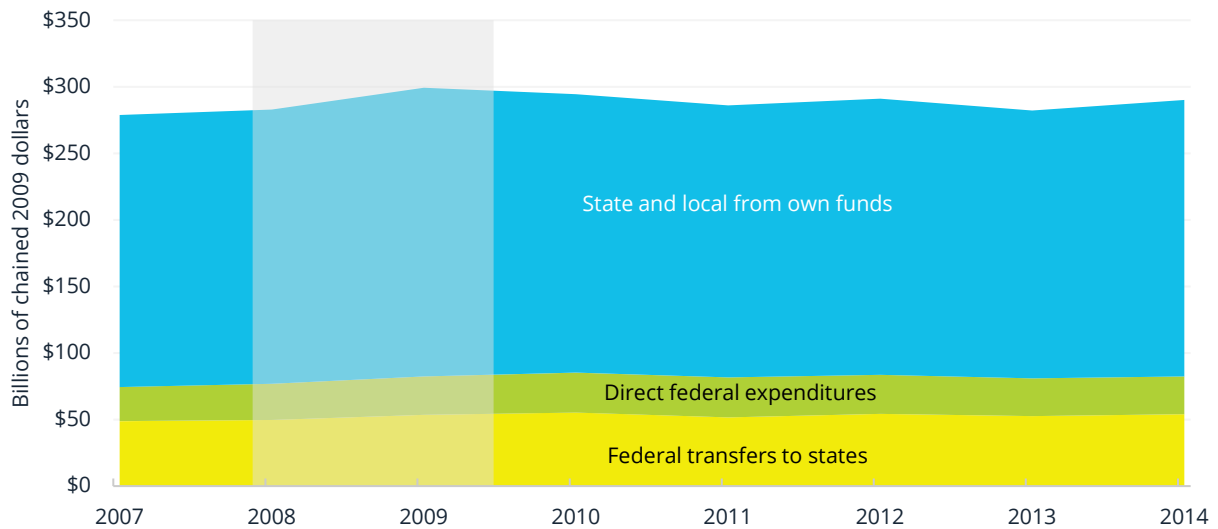
Federal expenditure data come from several sources, including the Office of Management and Budget's *Analytical Perspective* and the Federal Highway Administration's *Highway Statistics*. State and local expenditure data come primarily from the U.S. Census Bureau's *State and Local Government Finances* 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.

**Source:** U.S. Department of Transportation, Bureau of Transportation Statistics, 2017.

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 10.4 percent (from \$25.6 billion to \$28.2 billion). Real federal transfers to states increased 10.7 percent (from \$48.8 billion to \$54.1 billion), while real state and local expenditures (excluding expenditures paid for with federal funds) increased by only 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 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 \$85.2 billion.

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



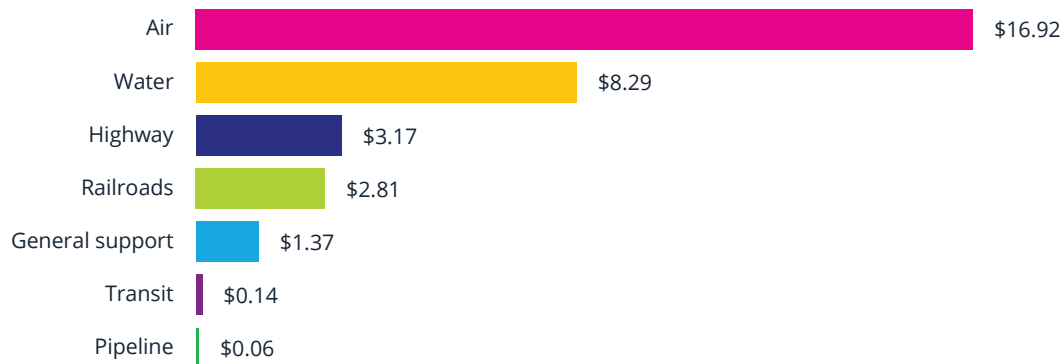
**Note:** Shaded areas indicate economic recessions.

**Source:** U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at [www.bts.gov](http://www.bts.gov).

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

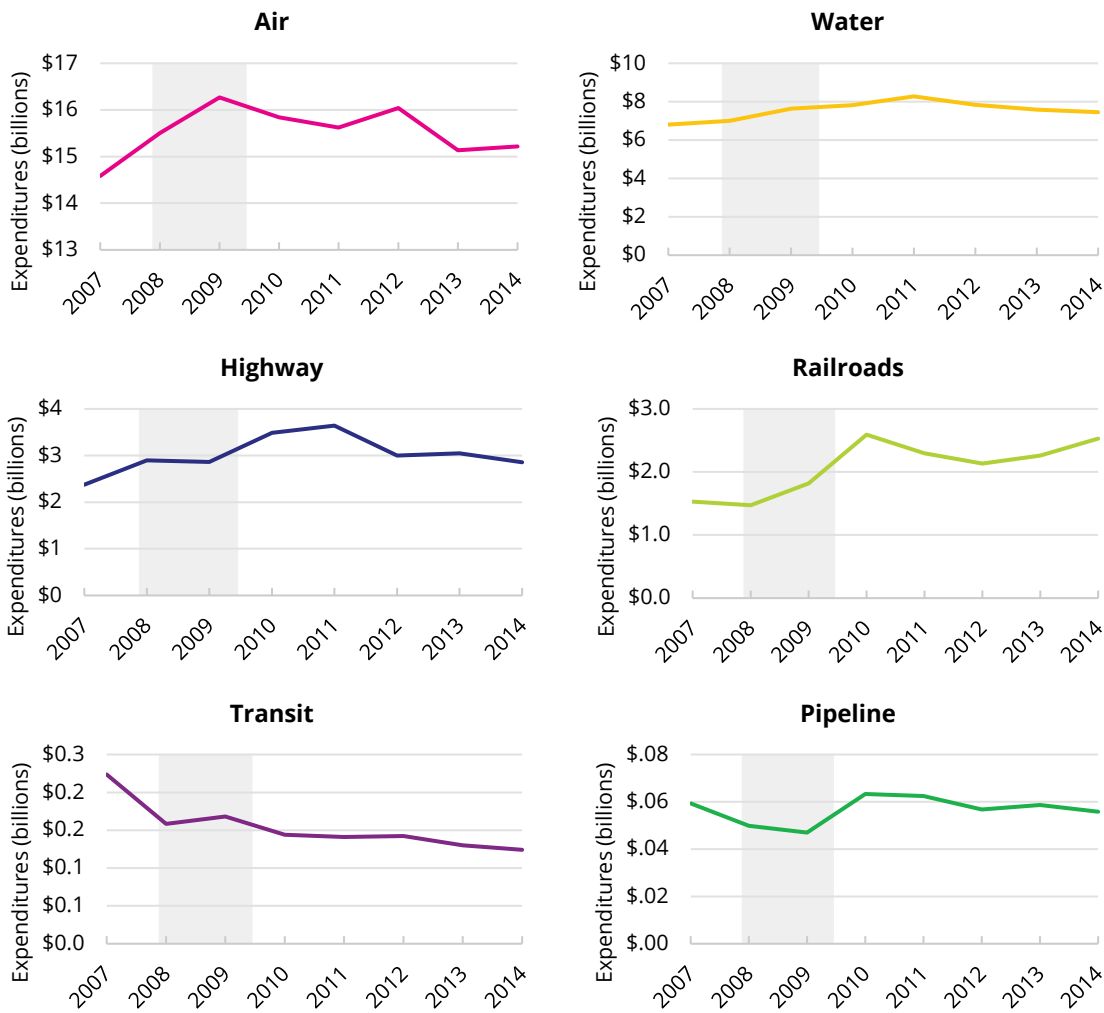
**Figure 7-7: Federal Transportation Expenditures by Mode, 2014 (billions of current dollars)**



**Source:** U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at [www.bts.gov](http://www.bts.gov).



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



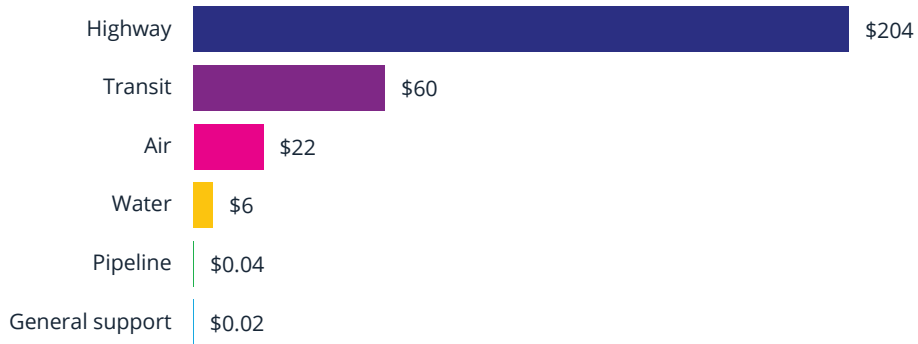
**Note:** Shaded areas indicate economic recessions.

**Source:** U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at [www.bts.gov](http://www.bts.gov).

### State and Local Transportation Spending by Mode

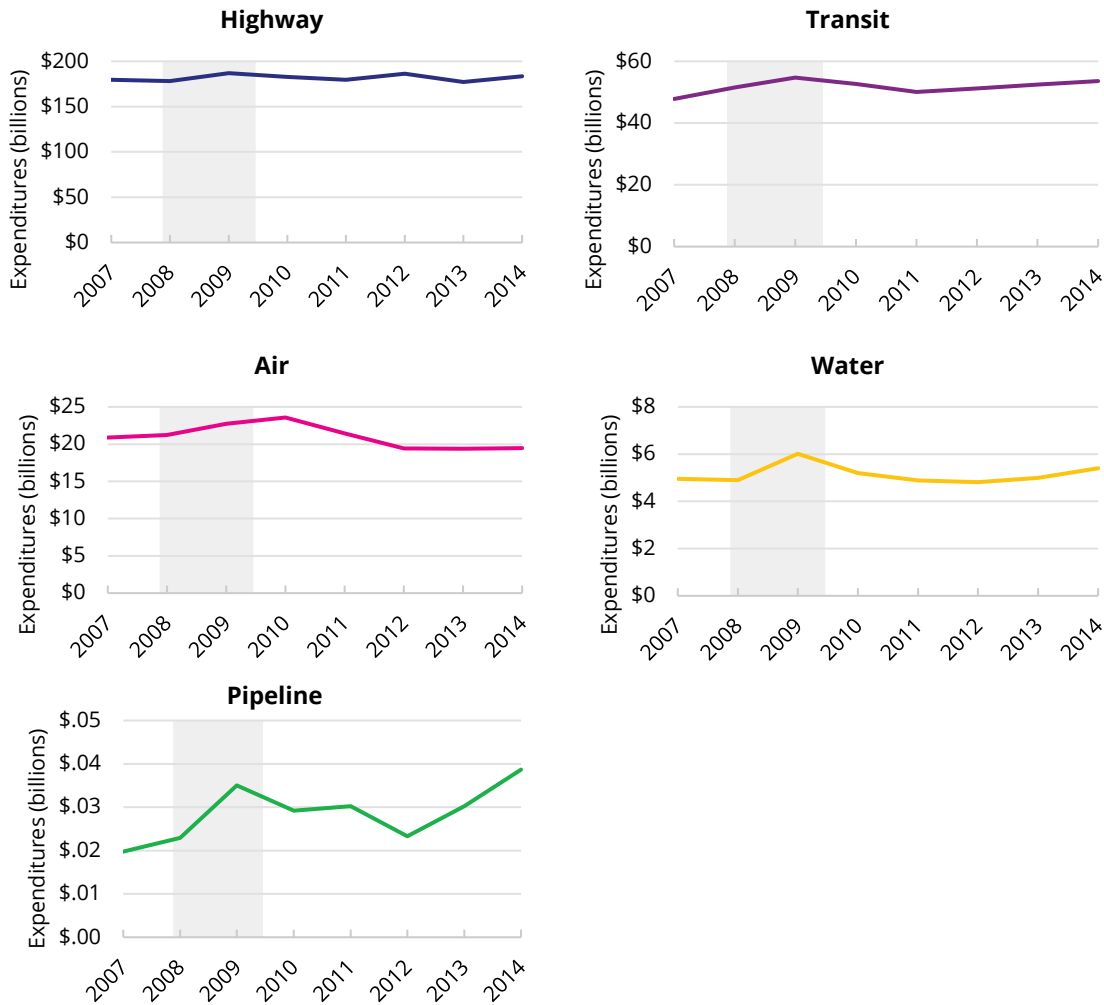
In 2014, 70.0 percent (\$203.9 billion) of state and local spending on transportation (including expenditures paid for with federal grants) went to highways, and 20.5 percent (\$59.6 billion) went to transit (figure 7-9). The remaining amount went to air (\$21.7 billion, 7.4 percent), water (\$6.0 billion,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

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



**Source:** U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at [www.bts.gov](http://www.bts.gov).

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

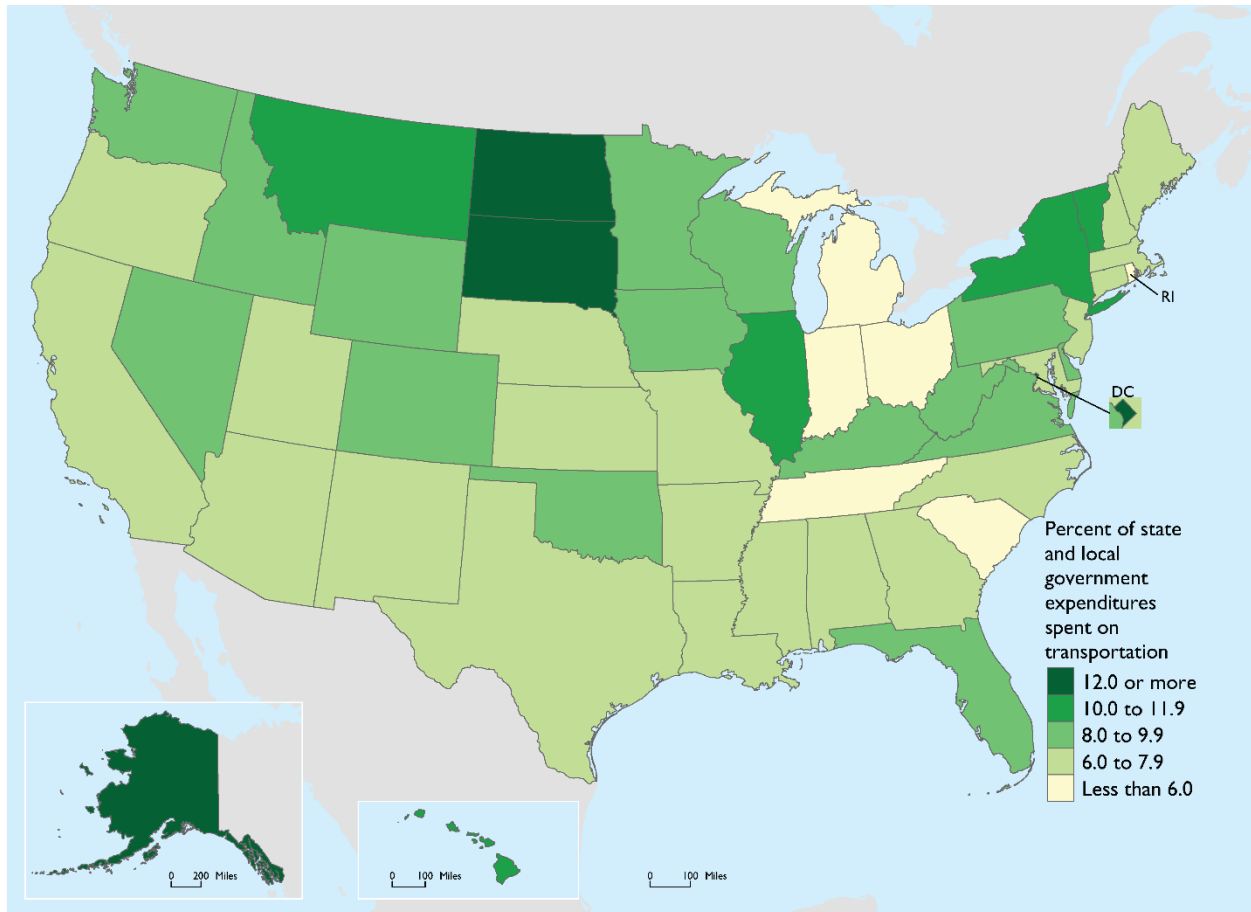


**Note:** Shaded areas indicate economic recessions.

**Source:** U.S. Department of Transportation, Bureau of Transportation Statistics, *Government Transportation Financial Statistics*, available at [www.bts.gov](http://www.bts.gov).

Figure 7-11 shows the percentage of total expenditures that each state and its local governments spent on transportation in 2014 (box 7-4). There is a regional pattern with higher expenditures in low-density, resource-rich states in the northern Great Plains. These states have considerable demand for transportation to support industries that rely on bulky, transportation-intensive products, such as oil, coal, and minerals.

**Figure 7-11: Proportion of State and Local Government Expenditures Spent on Transportation, 2014**



**Source:** U.S. Department of Commerce, Census Bureau, *Census of State and Local Governments*, 2014, available at [www.census.gov](http://www.census.gov).

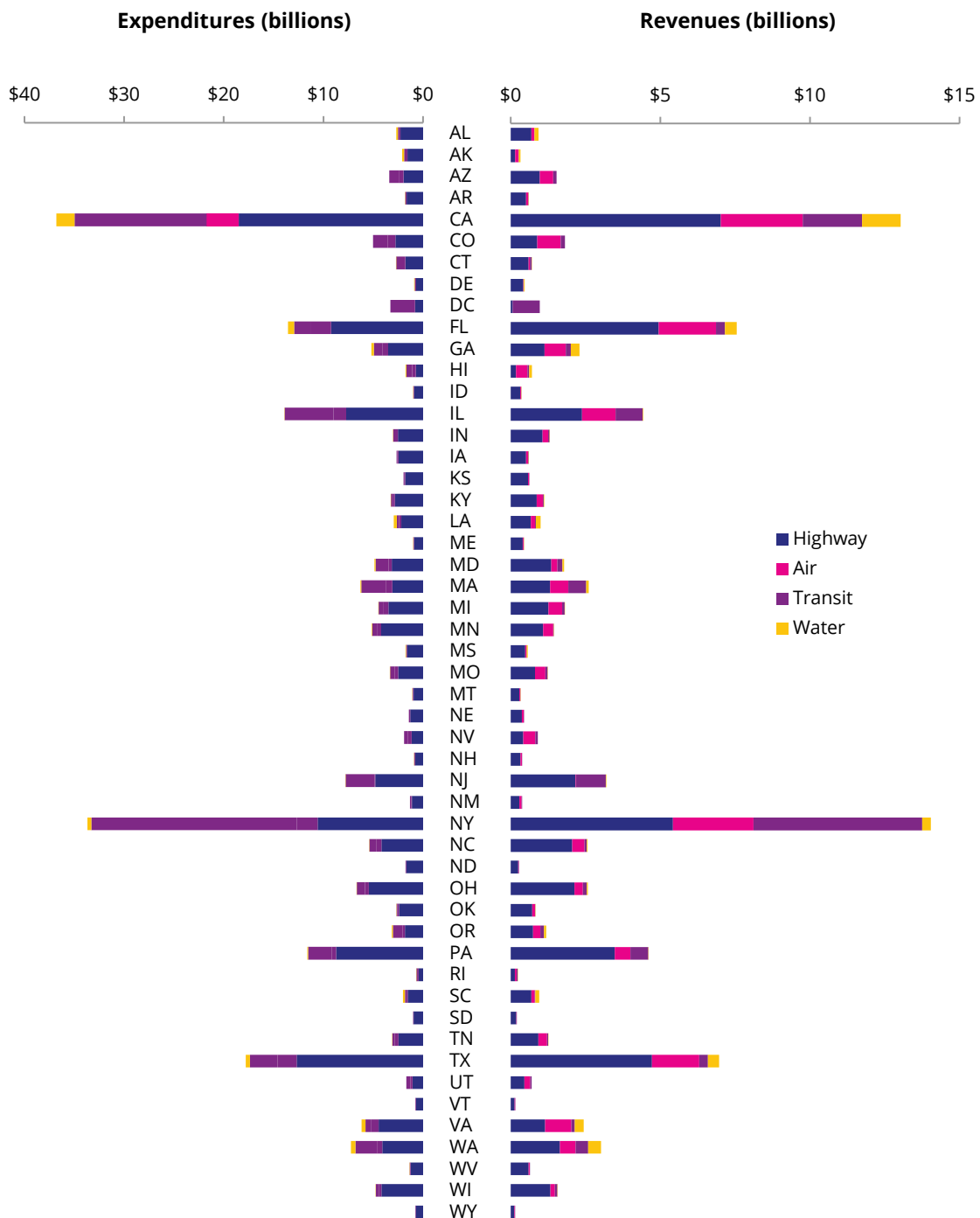
**Box 7-4: State Transportation Finance**

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.

**Source:** U.S. Department of Transportation, Bureau of Transportation Statistics, 2017.

States and local governments also allocate funds among transportation modes differently because 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 (75.7 and 61.2 percent, respectively) in 2014 (figure 7-12). In contrast, inland low-density states in the Great Plains like North Dakota and Kansas spent over 90 percent of their transportation expenditures on highways. Hawaii and Nevada spent just over 20 percent (20.3 and 20.2 percent, respectively) on aviation. Finally, Louisiana and South Carolina, which have economically significant ports, spent greater percentages on water transportation (10.9 and 10.1 percent) than other states spent.

**Figure 7-12: Transportation Expenditures and Revenues by State and Local Governments, 2014**



**Source:** U.S. Department of Transportation, Bureau of Transportation Statistics, *State Transportation Statistics*, Table 6-8, available at [www.bts.gov](http://www.bts.gov).

## Public-Private Partnerships

Public-private partnerships (PPPs) (box 7-5) are another method to finance, build, and operate transportation projects, such as public transportation networks. Most of the data presented in this chapter on state and local government revenue and spending comes from the U.S. Census Bureau's *State and Local Government Finances* or similar sources of government spending. 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, the private portion of the investment would not be captured. 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)

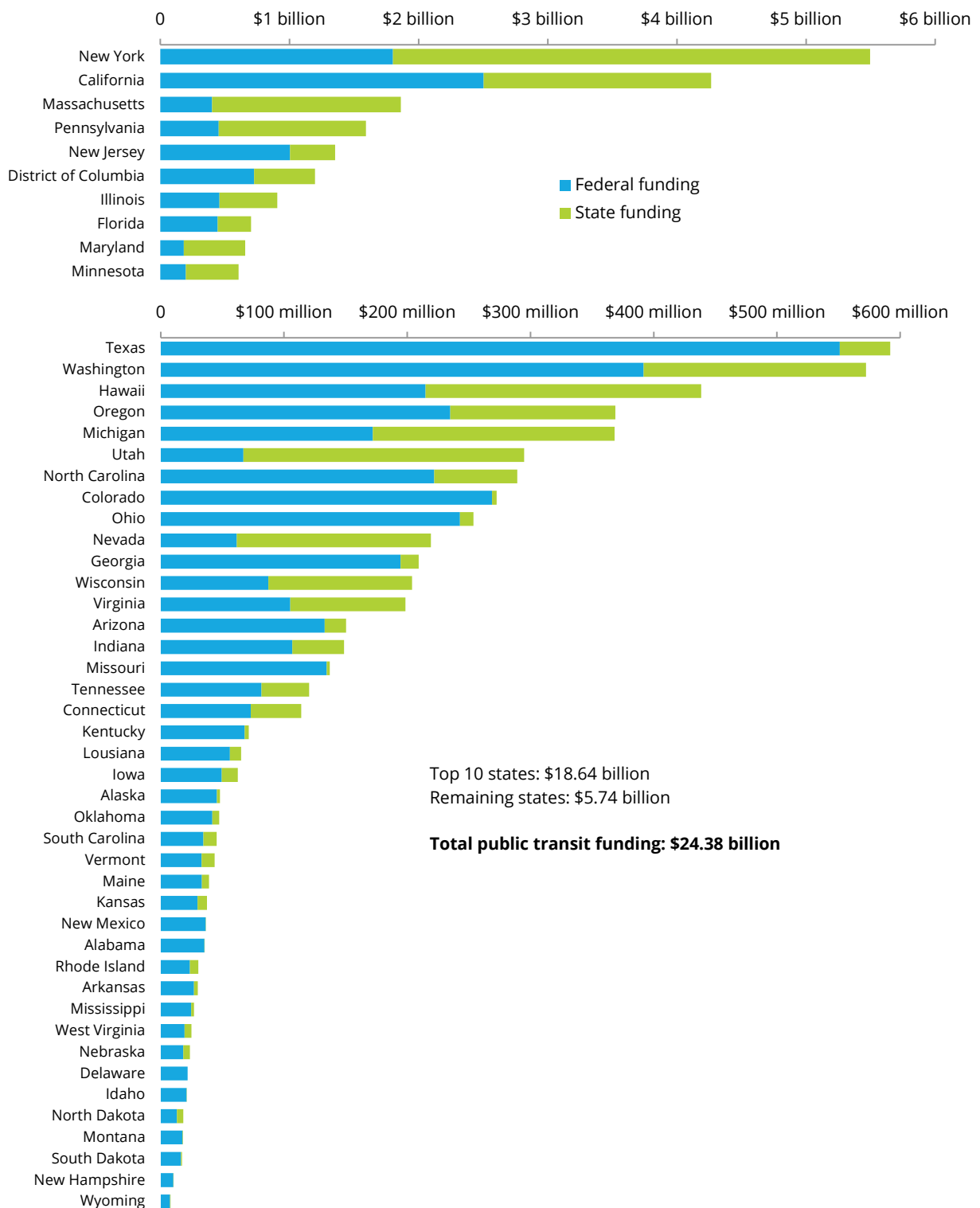
A *public-private partnership (PPP)* is a contractual agreement formed between public and private sector partners. The agreements usually involve a government agency contracting with a private company to renovate, construct, operate, maintain, or manage a facility or system. While the agency usually retains ownership in the facility or system, the private company will be given additional decision rights to determine how the project or task will be completed.

**Source:** U.S. Department of Transportation, Bureau of Transportation Statistics, 2017.

## 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 2015 New York had the highest state and federal transit expenditure at \$5.50 billion, with the state government contributing \$3.70 billion, or 67.2 percent, and the Federal Government contributing \$1.80 billion, or 32.8 percent (figure 7-13). Figure 7-13 shows that 10 states (including the District of Columbia) account for \$18.64 billion of the \$24.38 billion spent on public transportation, or over three-quarters of all transit expenditures (76.5 percent). Within the top 10 states, the proportion of state spending on transit ranges from a low of 25.7 percent in New Jersey to a high of 78.5 percent in Massachusetts. While the top 10 states have average expenditures of \$1.86 billion, the remaining states have average expenditures of \$140 million.

**Figure 7-13: Federal and State Funding of Public Transit, 2015**



**Source:** U.S. Department of Transportation, Federal Transit Administration, National Transportation Database, 2015 Funding Sources, available at [www.transit.dot.gov/ntd](http://www.transit.dot.gov/ntd).

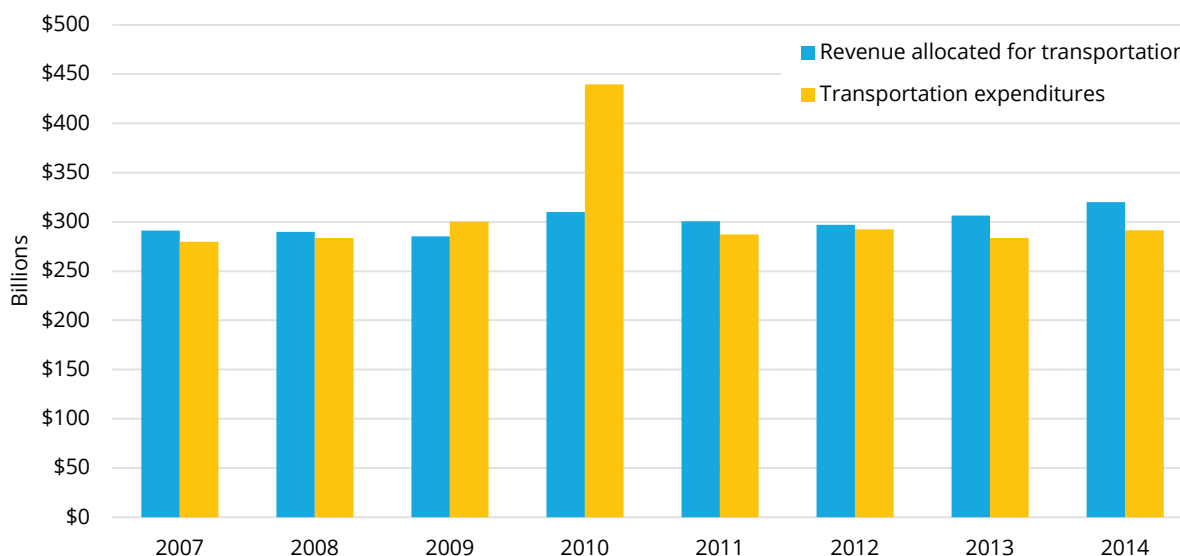


### Government Transportation Revenue and Expenditures

Revenue from transportation-related activity and dedicated to transportation programs falls short of government transportation expenditures. 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 transportation revenues do not cover expenditures, general tax receipts (e.g., from sales and property taxes), trust fund balances, and borrowing are needed to cover shortages.

Figure 7-14 illustrates transportation revenue and transportation expenditures for all levels of government from 2007 to 2014 in chained 2009 dollars. Transportation revenue includes the revenue collected from transportation activity as well as supporting revenue from other sources like general funds. 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 7-14: 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](http://www.bts.gov).