

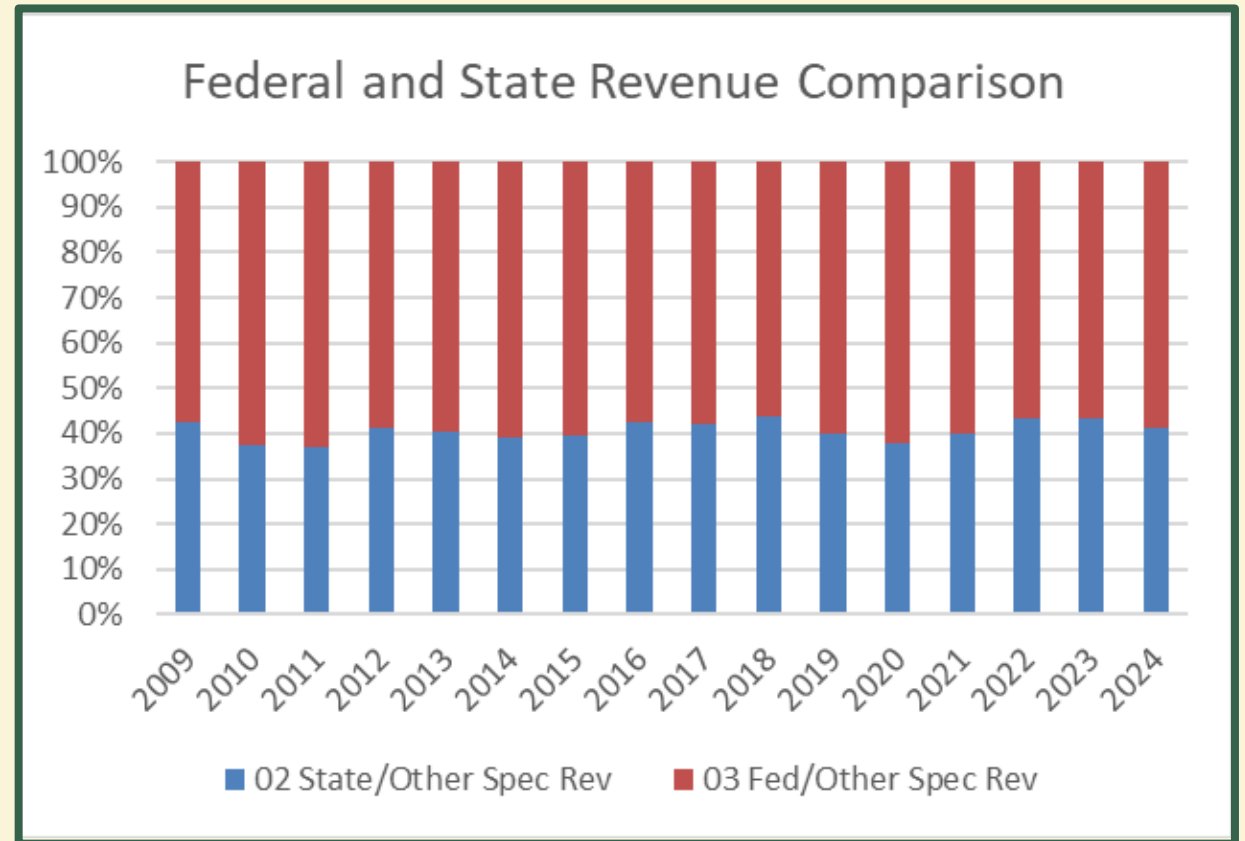


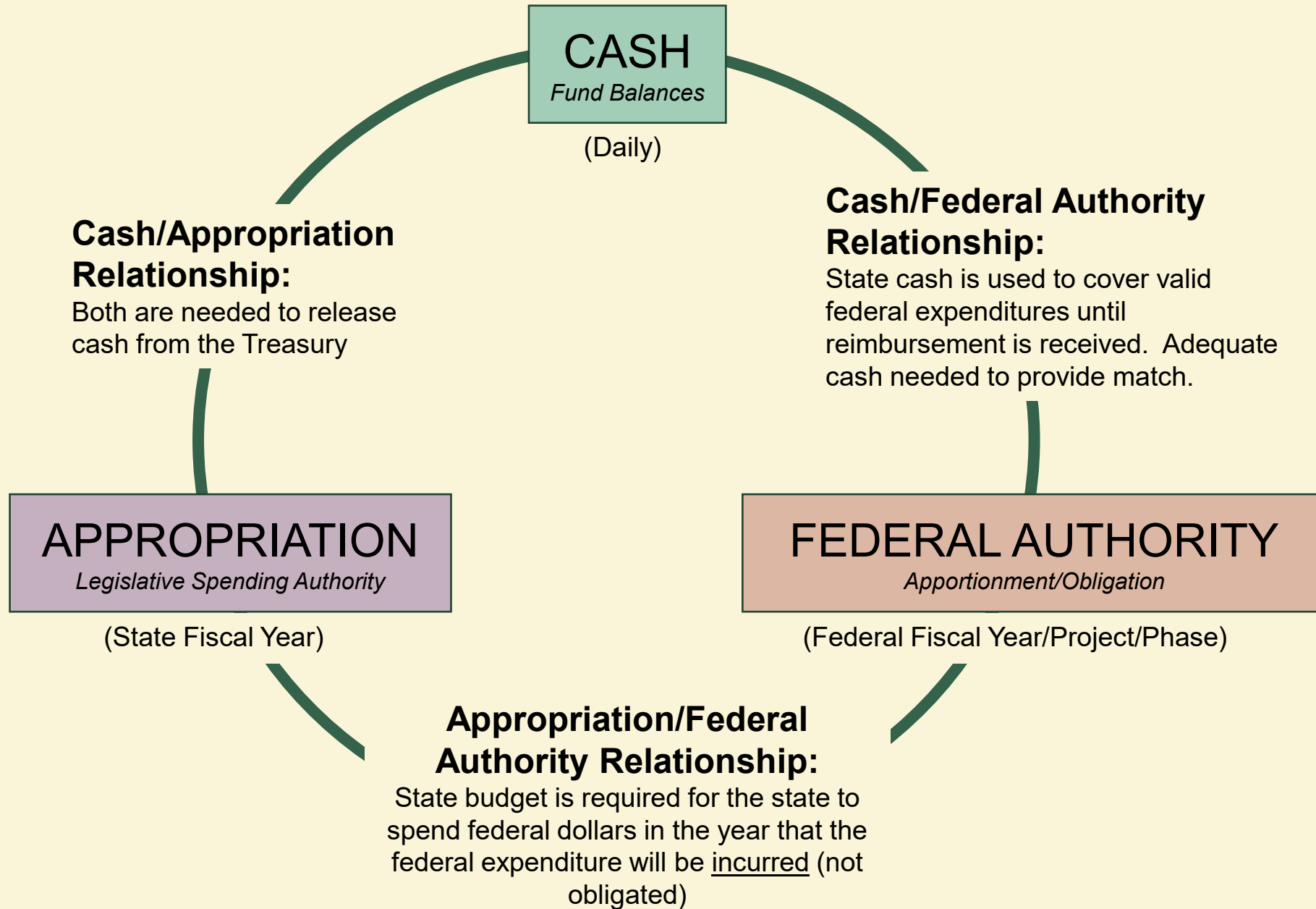
Impact Of The Infrastructure, Investment & Jobs Act (IIJA) On Transportation Funding In Montana

ALICE HECHT, LFD

FEDERAL VS. STATE FUNDING

- The primary funding sources for the Montana Department of Transportation are a combination of state special revenue derived from fuel taxes and federal special revenue from the federal highway bill
- The department uses the cash balance of the Highway State Special Revenue Account (HSSRA) to pay for projects until reimbursed by the federal government
- Most projects use a combination of federal and state “matching” funds
 - Because of this, increases in federal funding mean more state funds are needed

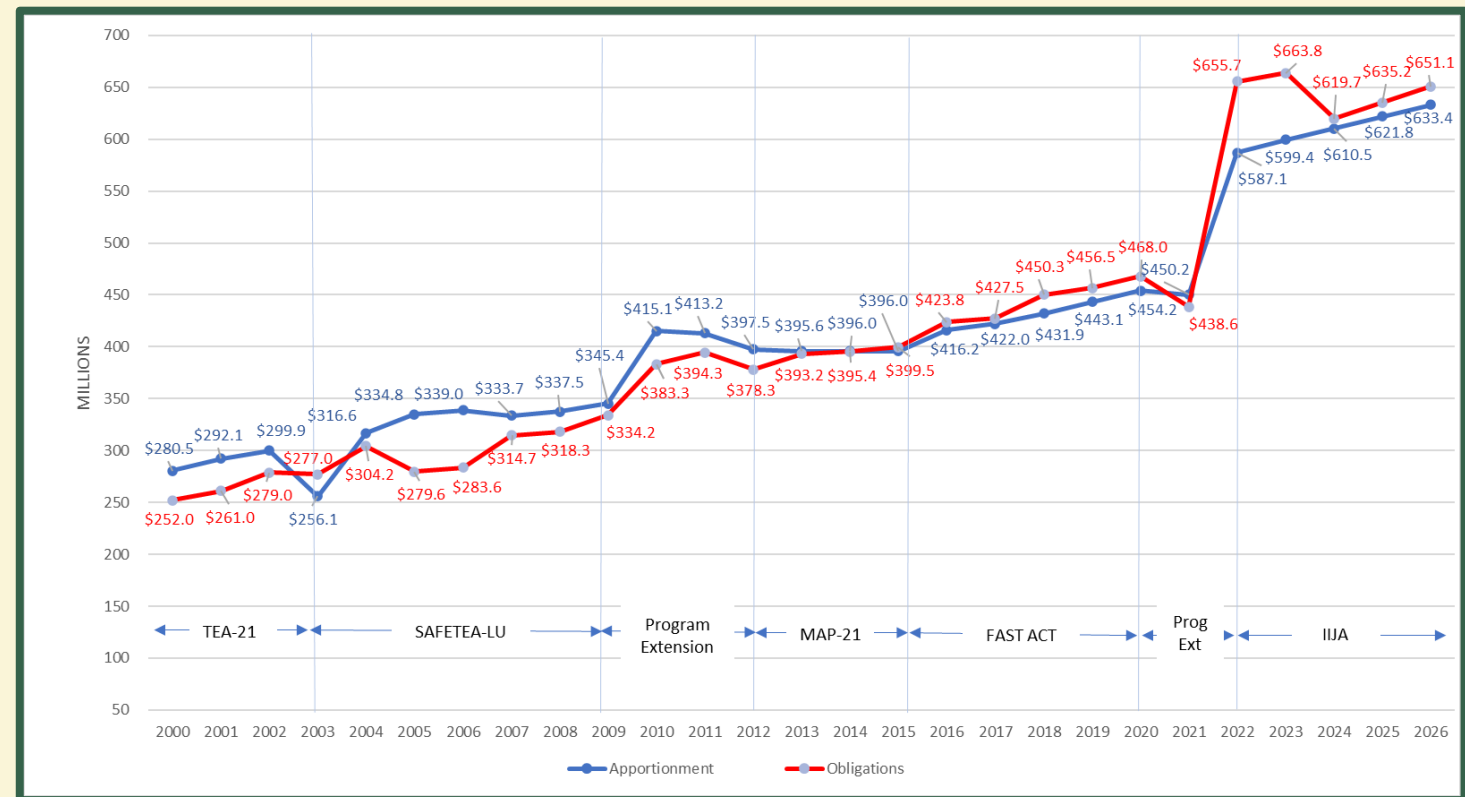




FEDERAL AID HIGHWAY PROGRAM

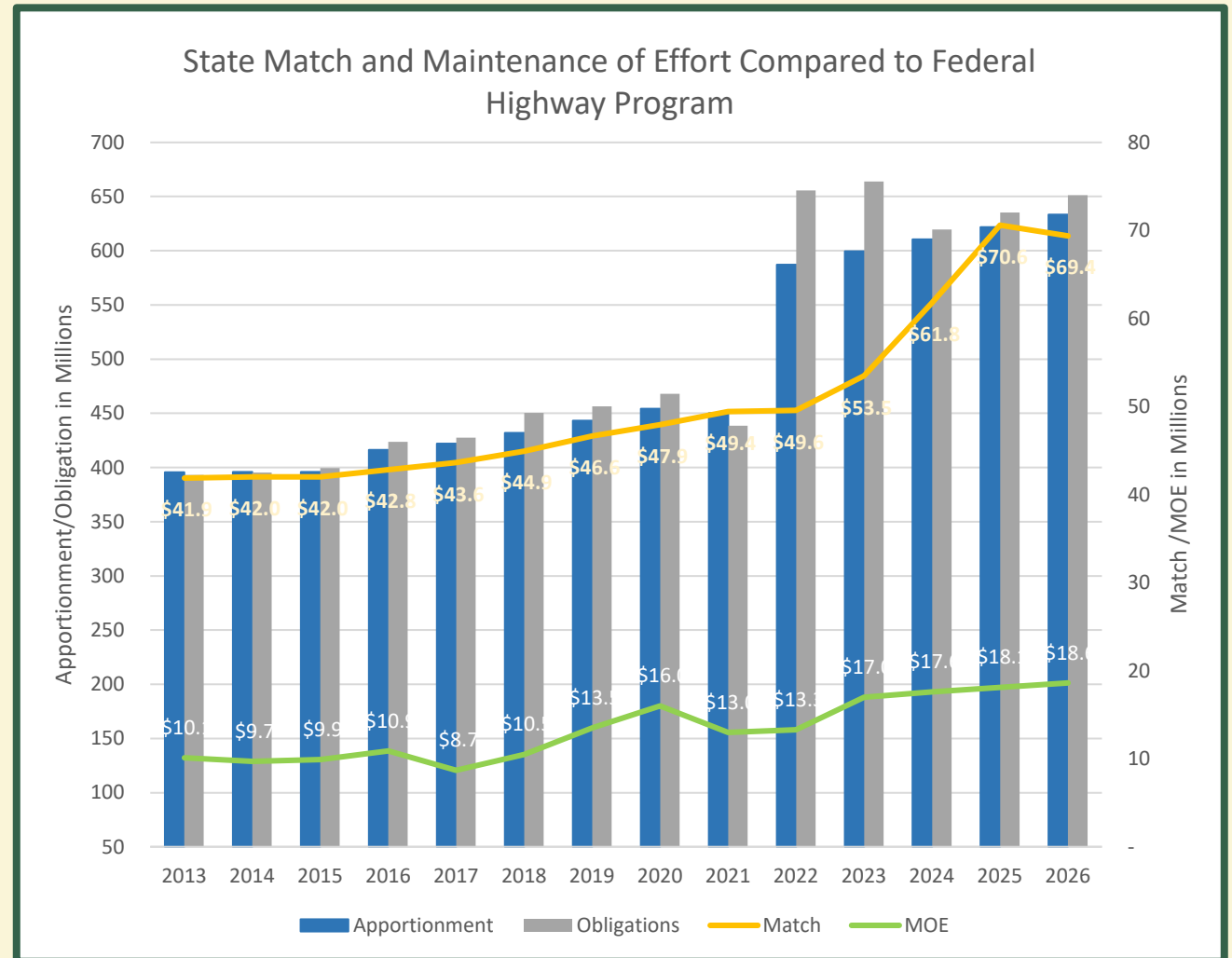
- Montana to receive 26% more funding over the life of IJA than the FAST act
- Federal funds distributed to states by a formula related to land area, population, vehicle miles travelled, and other factors
- Provides federal funding and policy stability over time – important because construction projects take years of planning
- States are “apportioned” a certain amount for each fiscal year, must “obligate” projects to ensure federal reimbursement

Federal Obligations vs. Apportionment



MATCH & MOE

- Most projects require a funding “match,” a certain percentage of state funding to receive federal reimbursement
- The state is required to meet a “maintenance of effort” (MOE) in order to receive the maximum match.
 - This is mainly done with the state-wide pavement preservation program

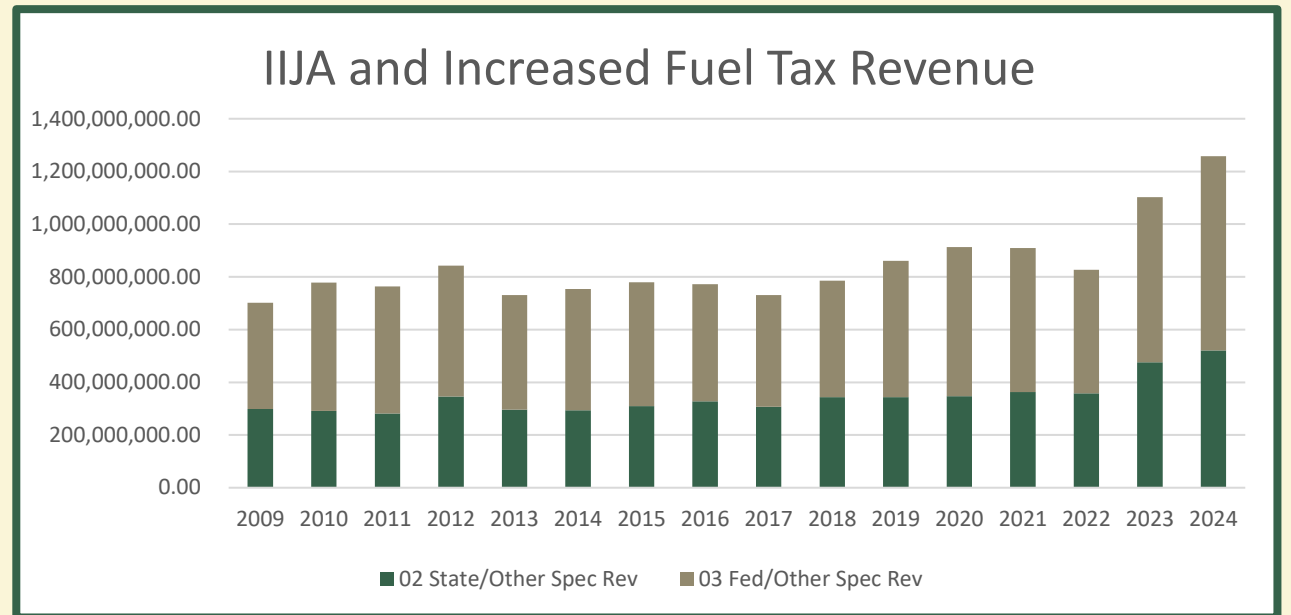
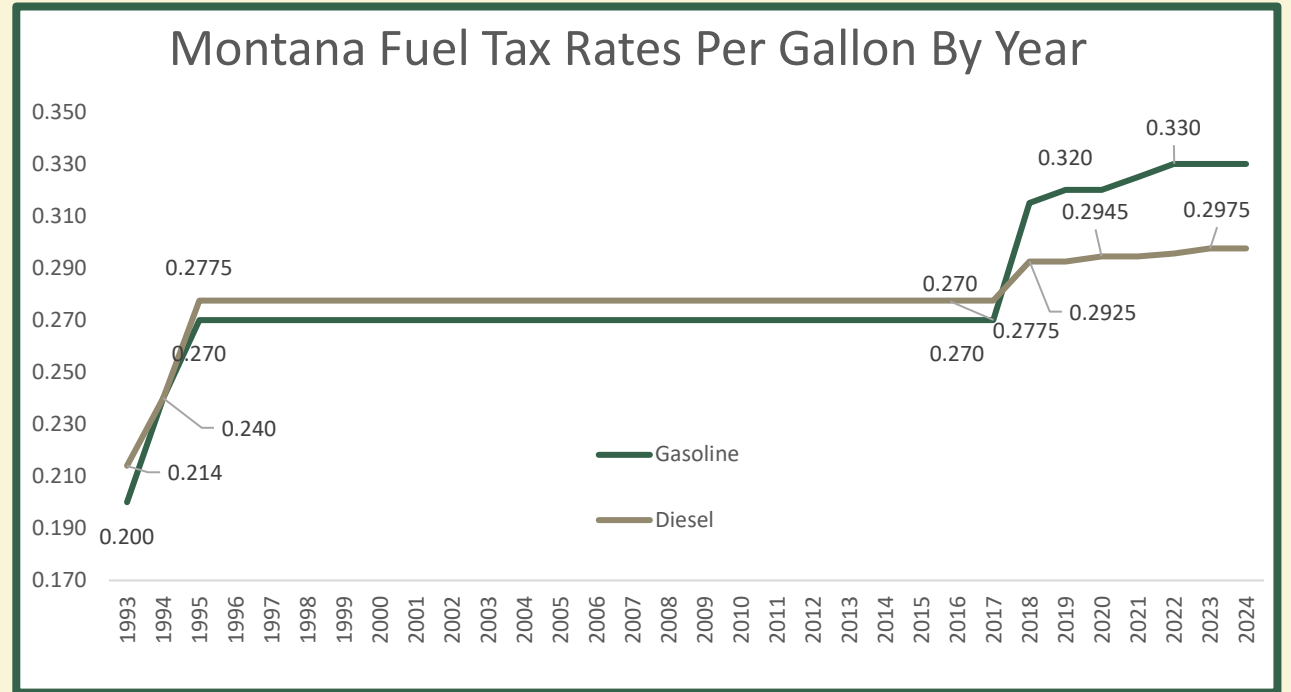


MDT FEDERAL FUNDS & STATE MATCHING SOURCES

Federal Agency	State Matching Source	State Match Percent
Federal Highway Administration (FHWA)	Highways State Special Revenue Account (HSSRA)	Standard match is 13.42%
		Interstate is 8.75%
		Reservation is 0%
Federal Aviation Administration (FAA)	Aeronautics State Special Revenue/Yellowstone Airport Proprietary	8.12 - 10%
Federal Transit Administration (FTA)	Local Funding Sources/Transade	10-46%
Federal Motor Carrier Safety Administration (FMCSA)	Unified Carrier Registration (UCR)	0 - 5%
National Highway Traffic Safety Administration (NHTSA)	Highways State Special Revenue Account (HSSRA)	17-43% (some soft match)

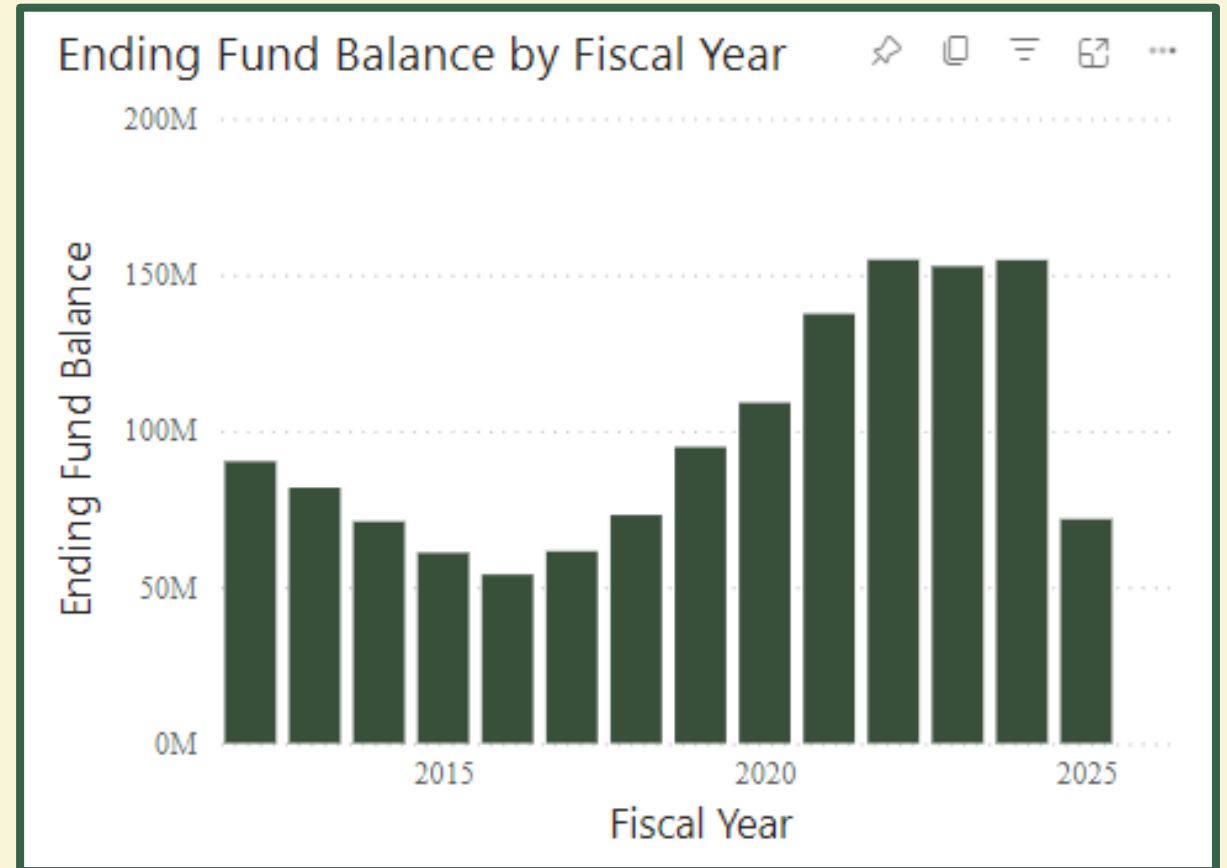
STATE FUNDING

- HSSRA – Highway State Special Revenue Account
- Most revenue from fuel tax of \$0.33 per gallon (\$0.2975 for diesel)
- Flat per gallon tax
- Reimbursement – must have working capital



HSSRA – DECLINING BALANCE

- Managing declining balance prior to 2017 due to flat tax and increased fuel efficiency (offset by increases in traffic)
- BaRSAA in 2017 incrementally increased fuel tax, helping fund balance recover
- FY 2022 – IJJA enacted increasing federal funding by over 20% and in turn increasing strain on HSSRA with increased match needs



THE SAFER ACT: HOUSE BILL 267

SAFER Act

- Transferred \$100 million general fund into state special SAFER account
- Allows for up to \$15.0 million to be used to match federal redistribution funds and discretionary grants in each fiscal year
- Protection for HSSRA fund balance

RISKS

- Inflation - Construction costs have risen over 25% since the passage of IJA
- Increased fuel efficiency and electric vehicles
 - HB 60 – Registration fee for electric vehicles. Depending on type and class
- Fuel tax not responsive to inflation

