

FY 2018 Omnibus Appropriations Bill: Impact on Asphalt Pavement Market

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National Asphalt Pavement Association



- Represent asphalt mix producers and paving contractors at national level.
 - 1,100 members
- 22 members of staff
 - Highly qualified team
- Guided by Strategic Plan
 - Advocate for highway and airport investment
 - Protect and gain market share
 - Advance innovation and quality
 - Promote the use of asphalt pavements
 - Serve the industry
- Partners
 - SAPAs, NCAT, Chamber, Labor, Agencies, International



Progress Report

- Secured Hours of Service Relief
- Crystalline Silica Agreement
- [PSA](https://www.watchfor.us) on Work Zone Safety (watchfor.us)
- NAPA Care Program Endowed
- Work Zone Safety Asphalt Paving Module
- FHWA Cooperative Agreement
 - Annual RAP, RAS, WMA Survey
- PaveXpress
- Emerald Eco-Label



Purpose

- The \$1.3 trillion omnibus appropriations bill for Fiscal Year 2018 will significantly boost Federal highway dollars this construction season.
- The purpose of this presentation is to answer the following questions:
 - How much?
 - Who can spend it?
 - What can it be spent on?
 - Outlook for 2019 and beyond?

Outline

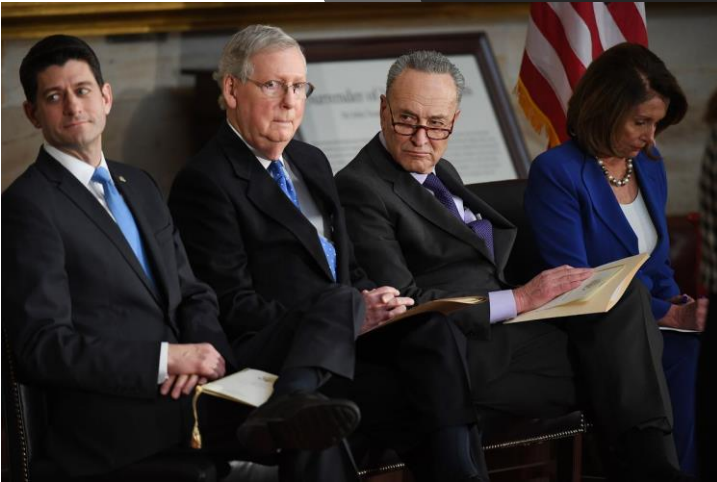
- Background
- The “Agreement”
- FY 2018 Omnibus Appropriations Bill
- INFRA Grants
- FY 2019 and Beyond
- Questions



Background

- FAST Act authorizes spending for highway programs over multiple years (2015–2020)
- The Transportation–HUD Appropriation bill establishes annual spending limitation for programs funded out of the Highway Trust Fund
 - States receive notice from FHWA detailing how much funding they will have available to enter into new contracts for highway projects
 - Transportation agencies then bid work and enter into contracts knowing FHWA will reimburse the states
- Congress struggled to approve the FY18 appropriation bills in the absence of a budget deal setting overall spending levels for domestic and defense programs

The “Agreement”



- Mammoth two-year (2018–2019) budget deal agreed February 8, 2018
 - \$164B increase for defense
 - \$89B for TX, LA, FL, PR and VI hurricane relief and wildfires
 - \$131B increase in non-defense programs
 - \$20B added to infrastructure
 - “programs related to rural water and wastewater, drinking water, rural broadband, energy, innovative capital projects, and surface transportation.”
- Appropriations committees tasked to ensure that the spending priorities are funded in the FY18 omnibus and the FY19 appropriations bills are at levels exceeding those provided in FY17
 - Specific spending decisions left to the members of the appropriations committees
 - ***The FY18 Omnibus Appropriations bill will determine how much for highways***

FY18 Omnibus Appropriations

Signed into
Public Law
March 23, 2018



Funds all government programs
through September 30, 2018

Highway Funding

Highway Funding Under Omnibus *In billions of dollars*

	<u>2017</u>	<u>2018</u>
Federal-Aid Highways	\$43.3	\$44.23
Emergency Relief	\$0.739	\$0.739
General Fund Bonus	<u> </u>	<u>\$2.53</u>
Total	\$44.04	\$47.50



Bonus Allocations

General Fund Bonus Allocations

2018

Surface Trans Block Grants	\$1.98 <u>billion</u>
Puerto Rico Highways	\$15.8 million
Other Territories	\$4.2 million
Federal Lands/Tribal	\$300 million
New Bridge Program	<u>\$225 million</u>
TOTAL	\$2,525,000,000



FY18 Omnibus Appropriations

- \$1.98 billion to Surface Transportation Block Grant Program
 - Funds are allocated to State DOTs
 - 53% sub-allocated to metro areas
 - Must be spent on construction of highways, bridges and tunnels
- Calculate your state's bonus
 - Go to latest interim obligation limitation distribution ([Click Here](https://www.fhwa.dot.gov/legregs/directives/notices/n4520252/n4520252.pdf))
<https://www.fhwa.dot.gov/legregs/directives/notices/n4520252/n4520252.pdf>
 - Divide your state's dollar amount by \$17,074,623,456
 - Multiply the resulting percentage by \$1,980,000,000

Alabama Example

U. S. DEPARTMENT OF TRANSPORTATION FEDERAL HIGHWAY ADMINISTRATION	
OBLIGATION LIMITATION DISTRIBUTION FOR THE PERIOD BEGINNING ON OCTOBER 1, 2017, AND ENDING ON MARCH 23, 2018, UNDER THE CONTINUING APPROPRIATIONS ACT, 2018, AS AMENDED	
STATE	Formula Obligation Limitation ¹
ALABAMA	333,028,584
ALASKA	210,308,610
ARIZONA	321,503,474
ARKANSAS	222,215,567
CALIFORNIA	1,582,676,648
COLORADO	228,750,458
CONNECTICUT	216,196,967
DELAWARE	72,760,605
DISTRICT OF COLUMBIA	70,107,202
FLORIDA	831,656,731
GEORGIA	564,171,244
HAWAII	71,141,800
IDAHO	125,619,920
ILLINOIS	621,986,429
INDIANA	409,436,418
IOWA	215,795,315
KANSAS	165,912,931
KENTUCKY	290,310,220
LOUISIANA	294,251,145
MAINE	73,786,163
MARYLAND	264,161,179
MASSACHUSETTS	265,979,279
MICHIGAN	482,655,271
MINNESOTA	280,213,540
MISSISSIPPI	207,577,397
MISSOURI	406,372,315
MONTANA	175,535,481
NEBRASKA	126,926,205
NEVADA	158,905,752
NEW HAMPSHIRE	72,593,248
NEW JERSEY	439,025,548
NEW MEXICO	186,769,034
NEW YORK	738,158,120
NORTH CAROLINA	458,094,944
NORTH DAKOTA	109,035,771
OHIO	564,132,667
OKLAHOMA	272,153,085
OREGON	214,894,990
PENNSYLVANIA	718,125,646
RHODE ISLAND	53,678,146
SOUTH CAROLINA	283,862,853
SOUTH DAKOTA	121,153,077
TENNESSEE	363,025,397
TEXAS	1,598,980,499
UTAH	148,520,583
VERMONT	87,258,170
VIRGINIA	435,256,818
WASHINGTON	289,921,184
WEST VIRGINIA	191,890,026
WISCONSIN	330,418,625
WYOMING	107,680,105
SUBTOTAL	17,074,623,456
Allocated Programs	3,200,162,730
Sections 154 and 164 Penalties	190,710,199
High Risk Rural Roads Special Rule	19,399,450
TOTAL	20,484,885,835

¹ The distribution of formula obligation limitation has been calculated based on the FY 2018 apportionments subject to obligation limitation net of any penalty funds withheld from apportionment and tapped immediately for a State under section 159 of title 23, U.S.C.

→ $\$333,028,584 \div \$17,074,623,456 = 0.0195$
 $\$1,980,000,000 \times 0.0195 = \38 million

Alabama will receive about \$38 million in extra Federal Highway Funding above FAST Act Funding levels this year!

State-by-State "Bonus" Highway Funding in 2018
Resulting from FY 2018 Omnibus Appropriations Bill

ALABAMA	\$38,618,514.66	NEBRASKA	\$14,718,560.94
ALASKA	\$24,387,830.80	NEVADA	\$18,426,959.15
ARIZONA	\$37,282,044.91	NEW HAMPSHIRE	\$8,418,026.40
ARKANSAS	\$25,768,464.17	NEW JERSEY	\$50,910,088.14
CALIFORNIA	\$183,529,655.64	NEW MEXICO	\$18,179,182.00
COLORADO	\$26,526,260.33	NEW YORK	\$85,597,968.32
CONNECTICUT	\$25,070,769.83	NORTH CAROLINA	\$53,121,405.08
DELAWARE	\$8,437,433.38	NORTH DAKOTA	\$12,643,958.28
DISTRICT	\$8,129,740.62	OHIO	\$65,417,705.03
FLORIDA	\$96,440,452.14	OKLAHOMA	\$31,559,297.90
GEORGIA	\$65,422,178.47	OREGON	\$24,896,366.31
HAWAII	\$8,249,714.22	PENNSYLVANIA	\$83,274,971.35
IDAHO	\$14,567,082.09	RHODE	\$10,897,852.57
ILLINOIS	\$72,124,198.38	SOUTH	\$34,088,391.49
INDIANA	\$47,478,886.41	SOUTH	\$14,049,100.00
IOWA	\$25,019,787.10	TENNESSEE	\$42,096,991.94
KANSAS	\$19,239,522.57	TEXAS	\$185,420,275.66
KENTUCKY	\$33,664,826.46	UTAH	\$17,222,678.74
LOUISIANA	\$34,121,822.28	VERMONT	\$10,118,593.66
MAINE	\$8,556,358.69	VIRGINIA	\$50,473,060.32
MARYLAND	\$30,632,542.84	WASHINGTON	\$33,619,713.24
MASSACHUSETTS	\$30,843,372.55	WEST VIRGINIA	\$22,251,867.07
MICHIGAN	\$53,650,575.60	WISCONSIN	\$38,315,859.74
MINNESOTA	\$32,493,999.68	WYOMING	\$12,475,156.97
MISSISSIPPI	\$24,070,999.11	TOTAL	\$1,980,000,000.00
MISSOURI	\$47,123,568.25		
MONTANA	\$20,355,368.50		

Connecticut will receive about \$25 million in extra Federal Highway Funding above FAST Act Funding levels this year!



Aviation

- Airport Improvement Program
 - Funds runway, taxiway and apron projects
 - \$3.35 billion for Airport and Airway Trust Fund (same as FY17)
 - Plus \$1 billion bonus from general fund for discretionary grants
- No provision allowing airports to increase PFCs
- Extends FAA/AIP programs 6 months



TIGER Grants

- Transportation Investment Generating Economic Recovery (TIGER) program
 - US DOT discretionary grant program to fund road, transit, maritime and rail projects
 - \$1.5 billion in FY18
 - Up \$1 billion compared to FY17
 - Maintains \$25 million maximum grant size (Max of 59 grants)
 - No state receives more than 10% (\$147.5 million)
 - The TIGER grants will be awarded by the Trump Administration through a competitive process
 - A significant portion of these grants will go to highways, rural areas

THEY'RE
G-R-R-REAT!



Tony
07-25-2011



Other Omnibus Appropriations Issues

- ✓ **NO** market share directives on MEPDG or LCCA
- ✓ The Secretary is not directed to evaluate the methods by which states procure culvert and storm sewer materials and the impact of those methods on project costs, including the extent to which such methods take into account environmental principles, and engineering principles.
- ✓ The Congress encourages the Secretary to accelerate research, demonstration, and deployment of permeable pavements. Projects may include roadway shoulder load testing and documenting lifecycle cost efficiency.
- ✓ The Congress encourages FHWA to develop revised standards that allow for the maximum use of recycled materials without detrimental impact to life-cycle cost.
- ✓ The Congress encourages US DOT to strongly consider applications for the creation of critical commerce corridors when awarding grants to individual states.
- ✓ The Congress directs the FHWA to make recommendations for states, MPOs, and cities to plan for and develop resilient Federal-aid highways.

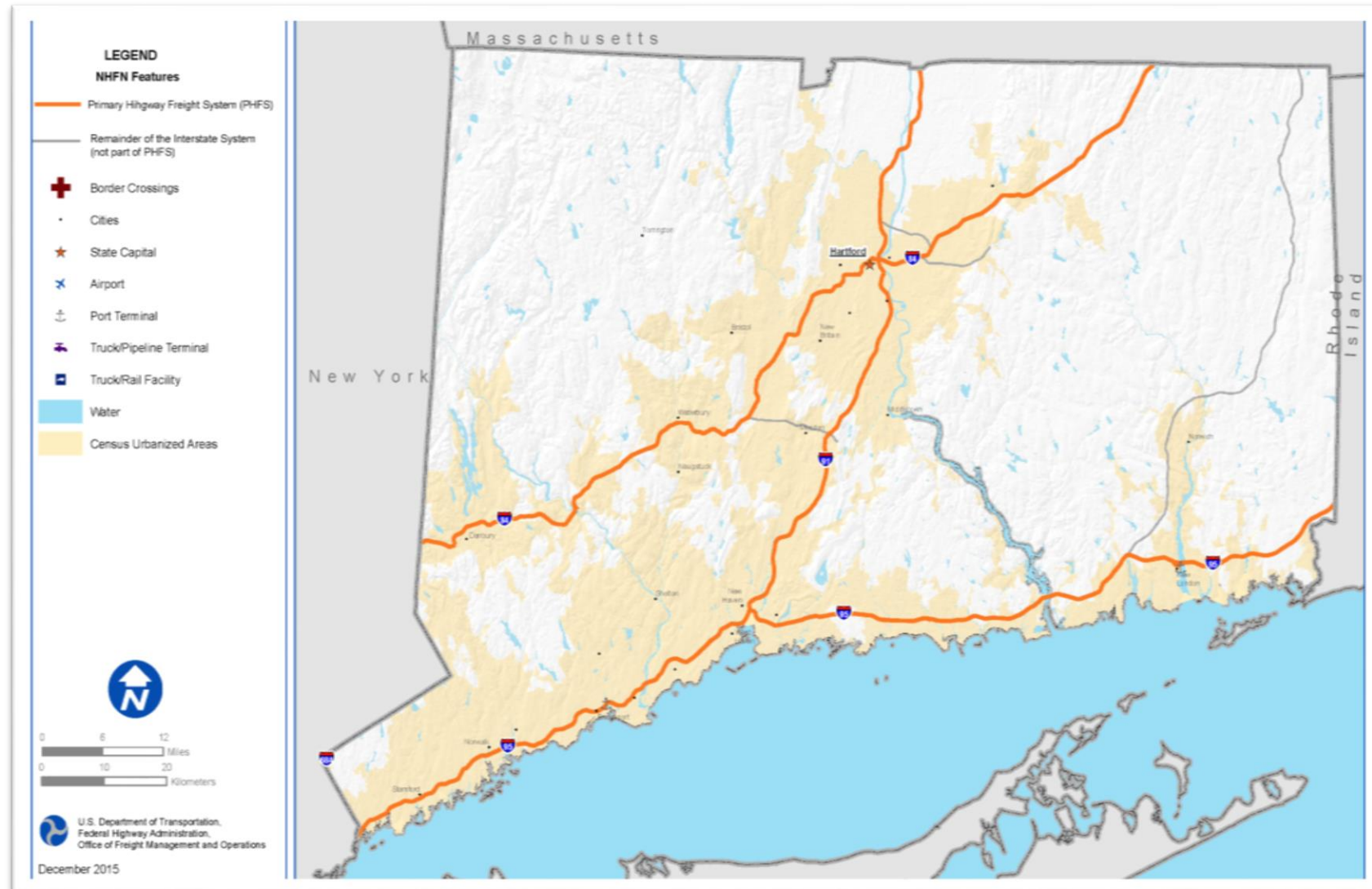
INFRA Grants

(formally FASTLANE Grants)



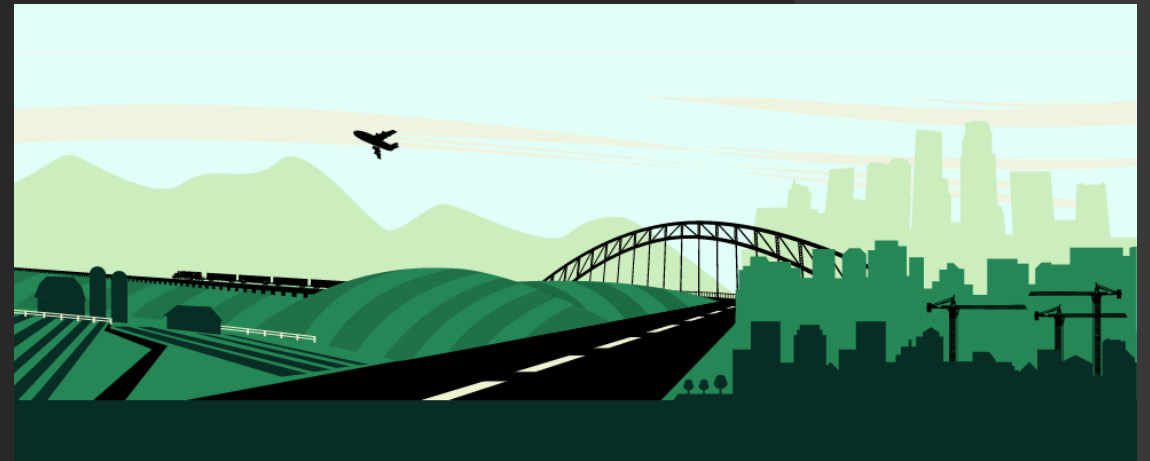
- \$900 million/year (avg.) discretionary grant program for projects valued over \$100 million
 - Set-asides for projects below cost threshold and rural areas
- Eligible activities include:
 - Freight projects on National Highway Freight Network
 - NHS highway and bridge projects
 - Freight Intermodal projects
 - Rail-highway grade crossing or grade separation projects

National Highway Freight Network: Connecticut



INFRA Grant Awards Under Trump

- 10 “small” projects received \$79 million in August 2017
 - 7 of the 10 involved freight rail
 - Average Federal share 34%
 - 80% to rural areas
- US DOT scheduled to award \$1.56 billion in 2017 and 2018 grant money by the beginning of June 2018
 - Grants may be awarded partly on the basis of how much local or regional sponsors provide in funding to maximize leveraging of federal dollars
 - Awards may come too late to impact 2018 construction market



Total Federal Investment in Pavement Market

Federal Spending on Asphalt Markets in 2018

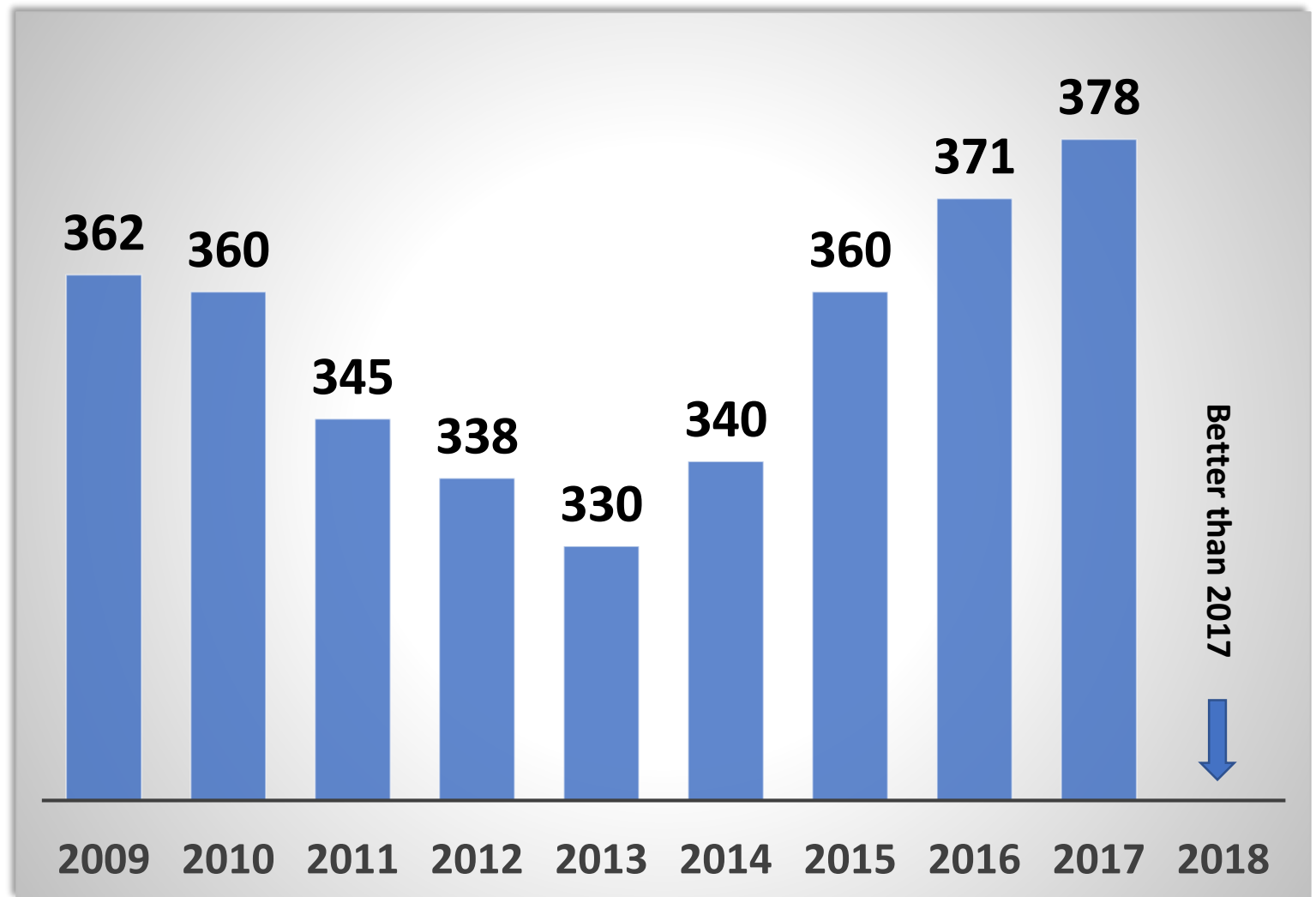
In billions of dollars

	<u>2017</u>	<u>2018</u>
Federal-Aid Highways	\$43.30	\$44.23
General Fund Bonus		\$2.53
Emergency Relief	\$0.739	\$0.739
TIGER Grants	0.5	1.5
Airport Improvement Program	3.35	3.35
General Fund Bonus		1.0
INFRA Grants		1.56
TOTAL Spending	\$47.89	\$54.91

Total Federal
Infrastructure
spending up \$7B
or about 15%.

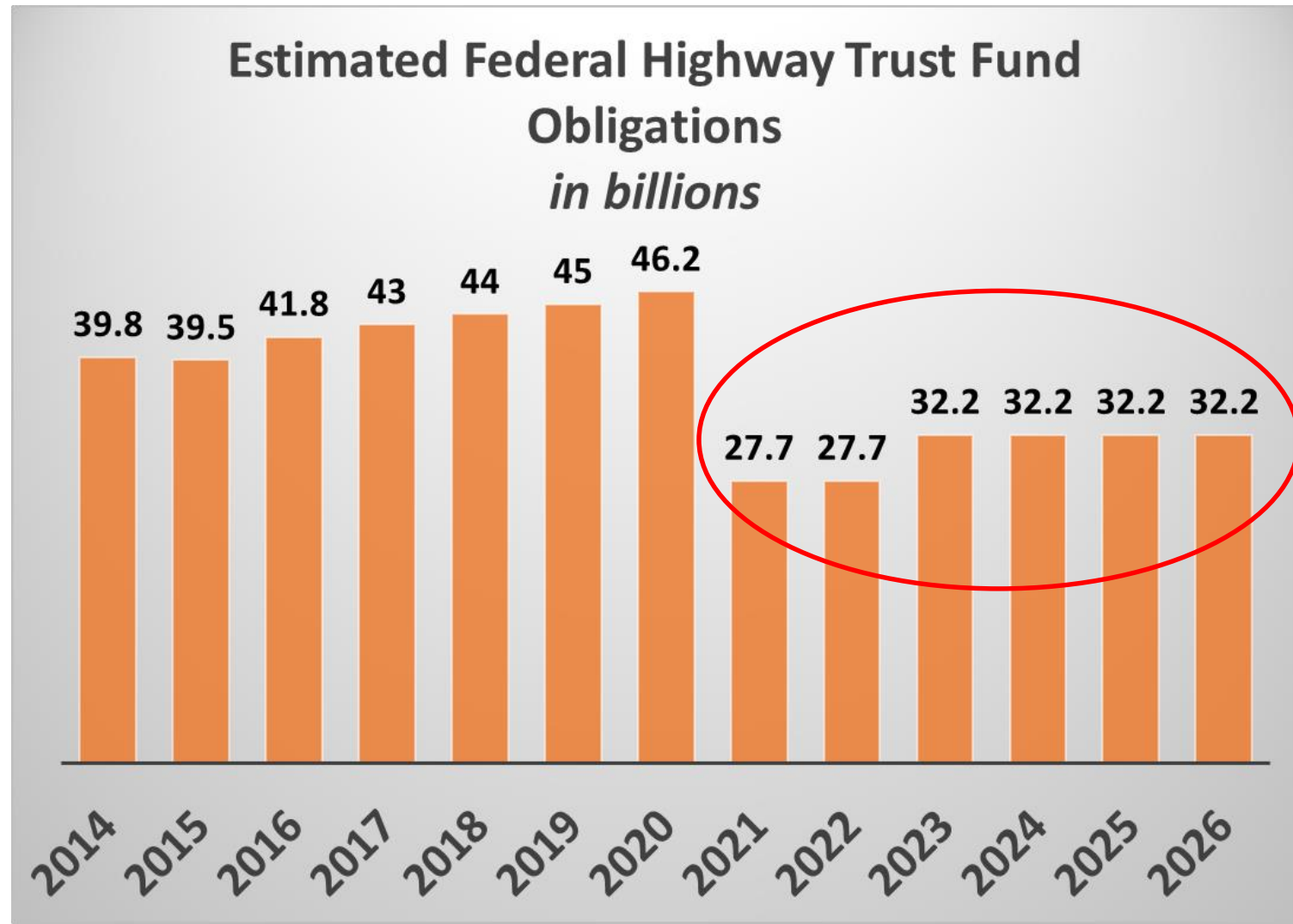


U.S. Asphalt
Pavement
Tons
Produced
Annually



In million tons

Highway Trust Fund Shortfall in 2021



Trump Infrastructure Plan

\$200 billion to leverage \$1 – \$1.8 trillion

- No funding source identified
- Allocation to highways not provided
- Infrastructure grants limited to 20% federal match
- Tolling allowed anywhere

NAPA Reaction

- Support President for moving ball forward
- Need Congress to develop a “different” proposal that fixes Highway Trust Fund

Changes NAPA Wants

- Fix the Highway Trust Fund
 - 5 cents per year increase for 5 years plus indexing
- Dedicate funding specifically for highways
 - Water, broadband, hospitals cannot suck up all funding.
- Fund existing FAST Act programs
 - Prioritize NHS, Freight, Interstate Maintenance
 - Allocate funding to the states
- Promote leveraging but be realistic
 - Preserve state-matching requirements



What You Can Do

- Work with State/Metro Officials and Highway Agencies
 - Identify and ensure adequate state or local match
 - Work to avoid substitution
 - Encourage applications for TIGER and INFRA grants
- Attend the 2018 Transportation Construction Coalition Fly-In
 - May 15–16, at the Grand Hyatt Hotel in Washington, D.C.
 - Tell Congress to Fix the Highway Trust Fund!





Outlook

- FY19 Appropriations will have similar funding levels as 2018
- The new higher funding baselines will push highway funding higher in 2020 and beyond
 - Would Congress reduce highway spending in next reauthorization bill?
- The gap between revenues into the Highway Trust Fund and actual funding levels will grow
 - Puts pressure on Congress to fix the Highway Trust Fund
- Trump infrastructure bill still on the table
- Need to reauthorize FAA programs

NAPA Upcoming Meetings and Events

- TCC Fly-In: May 15–16, 2018, Washington, DC
- Midyear Meeting: July 8–11, 2018, Boston
- International Conference on Stone Matrix Asphalt: Nov 5–7, Atlanta
- IMPACT Leadership Group Conference: Sep 12–14, Washington, DC
- Annual Meeting, January 20–23, 2019, Marco Island, Fla.
- World of Asphalt Show and Conference, February 12–14, Indianapolis



Thank You

- Questions
- Closing Remarks



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