

Government Spending on Public Transportation and Other Infrastructure

May 12, 2022

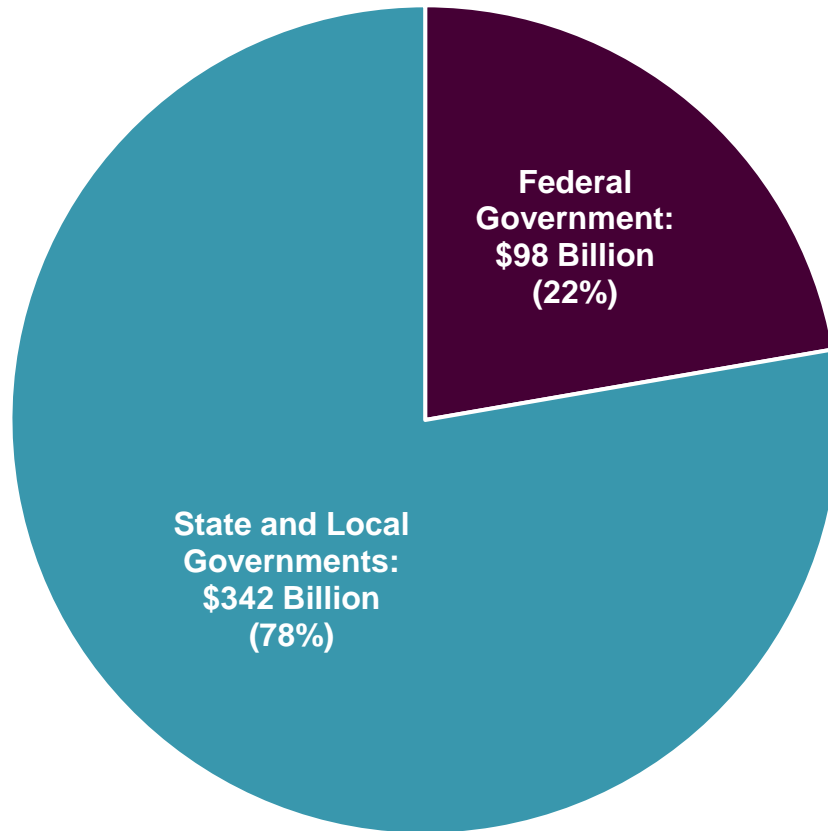
Presentation to the National Tax Association's
52nd Annual Spring Symposium

Nathan Musick

Microeconomic Studies Division

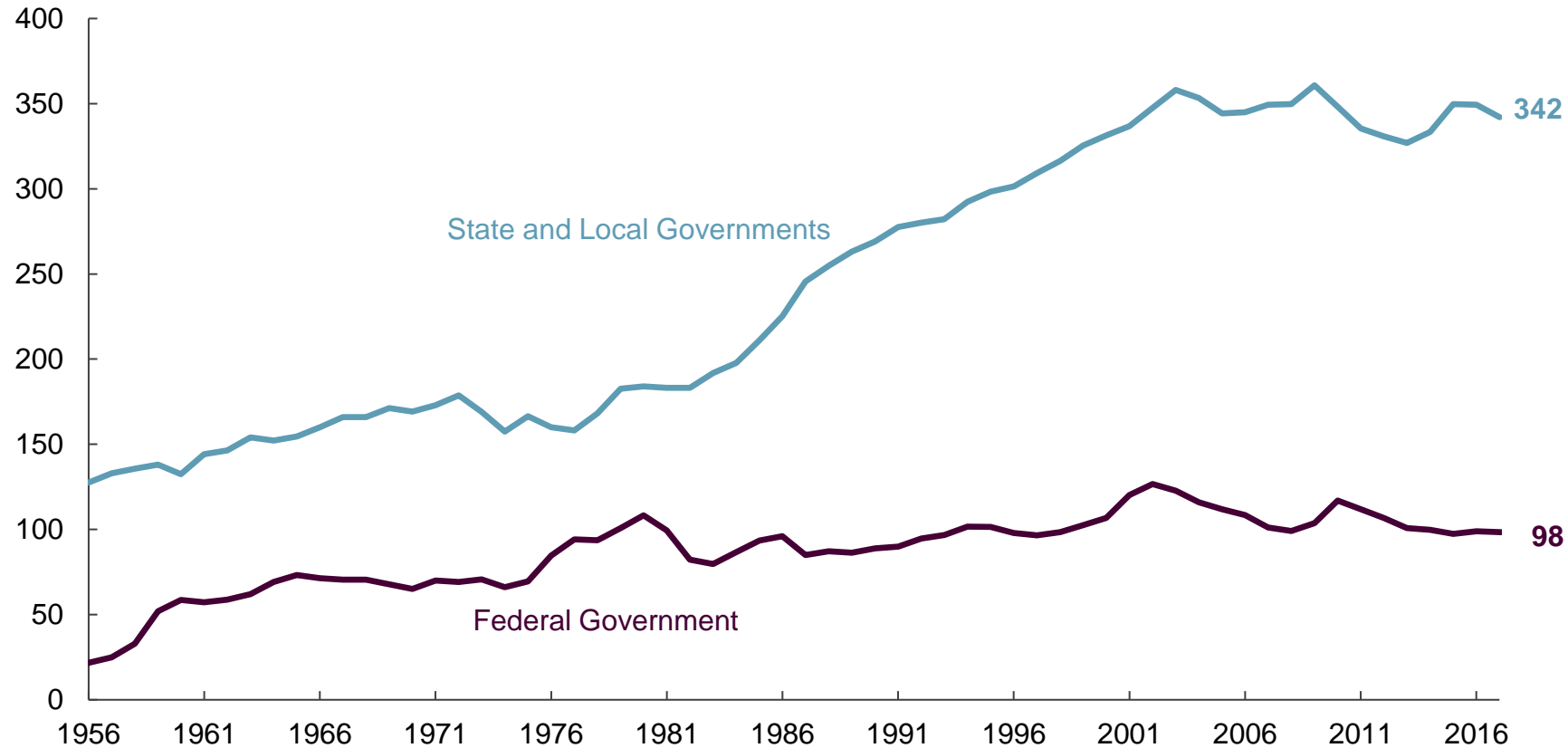
Public Spending on Infrastructure

Public Spending on Transportation and Water Infrastructure, by Level of Government, 2017



Public Spending on Transportation and Water Infrastructure, by Level of Government, 1956 to 2017

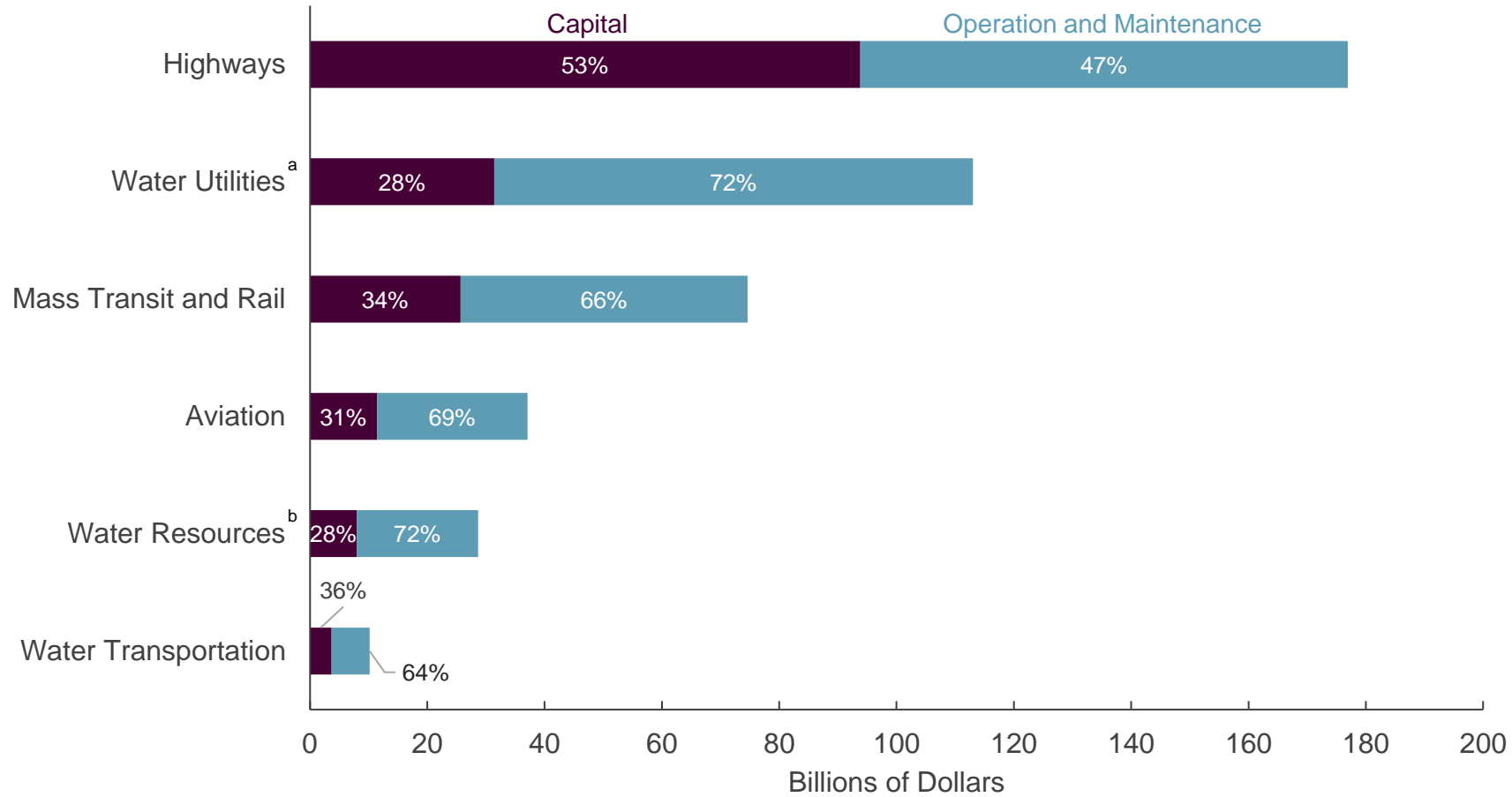
Billions of 2017 Dollars



Dollar amounts are adjusted to remove the effects of inflation using price indexes for government spending that measure the prices of materials and other inputs used to build, operate, and maintain transportation and water infrastructure.



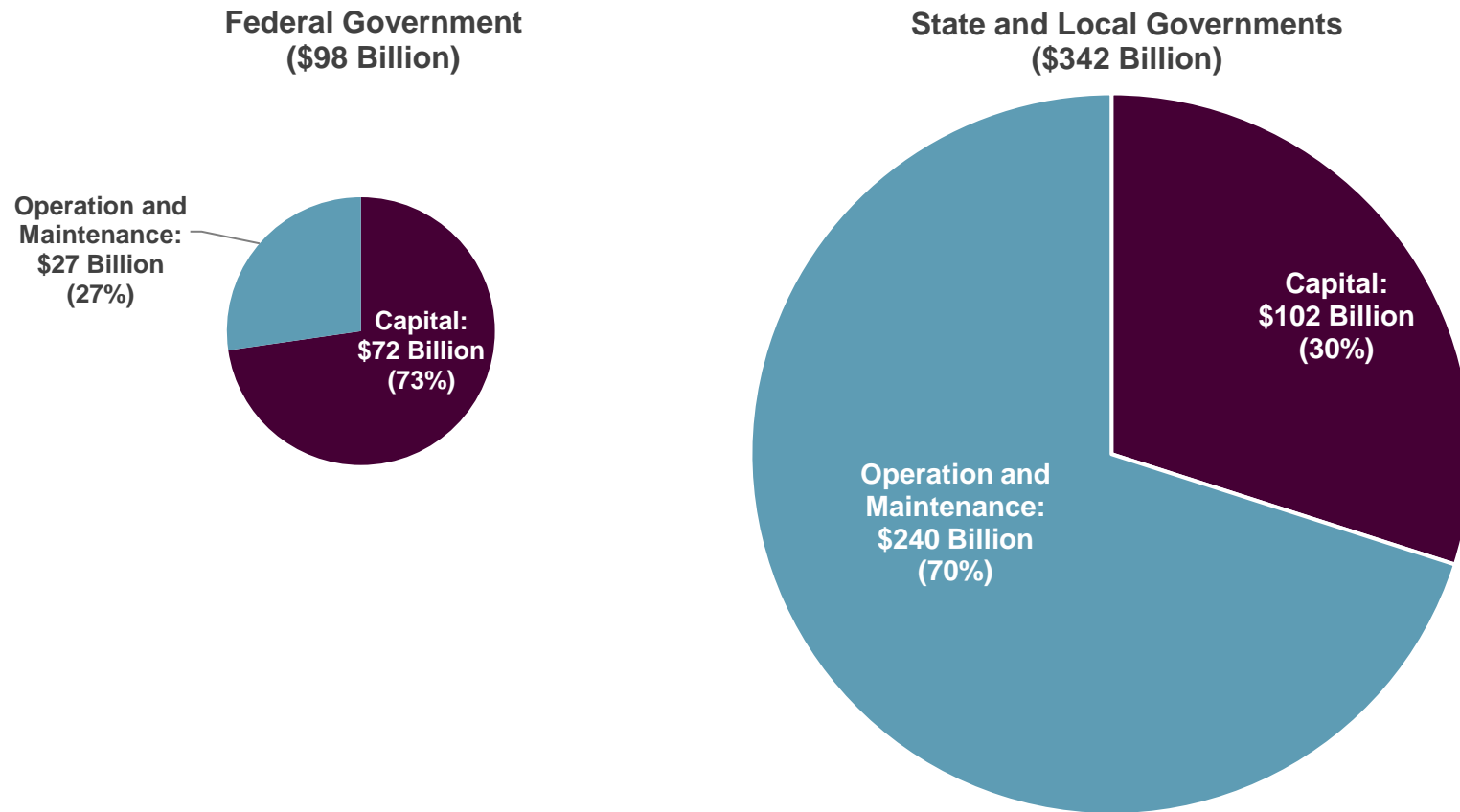
Public Spending for Capital and for the Operation and Maintenance of Transportation and Water Infrastructure, by Type of Infrastructure, 2017



a. Includes water supply and wastewater treatment facilities.

b. Includes water containment systems (dams, levees, reservoirs, and watersheds) and sources of freshwater (lakes and rivers).

Shares of Public Spending for Capital and for the Operation and Maintenance of Transportation and Water Infrastructure, by Level of Government, 2017



Financing Subsidies for Infrastructure Investment

Average Annual Amount of Federally Supported Financing of Infrastructure, by Subsidy Mechanism, 2007 to 2016

Billions of 2017 Dollars

	Highways		Mass Transit		Aviation		Water Utilities		Total	
	Amount of Financing	Percent	Amount of Financing	Percent	Amount of Financing	Percent	Amount of Financing	Percent	Amount of Financing	Percent
Tax-Exempt Bonds	14.0	73	8.8	77	6.1	96	14.5	53	43.5	68
Tax Credit Bonds	3.5	18	1.8	16	0.3	4	2.6	10	8.2	13
State Revolving Funds and Infrastructure Banks	0.2	1	*	**	n.a.	n.a.	8.8	32	9.0	14
Direct Federal Credit Programs	1.5	8	0.8	7	n.a.	n.a.	1.3	5	3.7	6
Total	19.2	100	11.5	100	6.4	100	27.3	100	64.4	100

n.a. = not applicable (no such programs exist); * = between zero and \$50 million; ** = between zero and 0.5 percent.

Estimated Federal Cost of Financing Subsidies

The following costs are in present-value terms and can vary on the basis of a number of factors, including the interest rates prevailing when the financing is offered, the length of the repayment period, and the creditworthiness of borrowers.

- **Tax-exempt bonds:** 26 cents per dollar financed.
- **Tax credit bonds:** 19 cents per dollar financed.
- **State bank loans:** 23 cents to 43 cents per dollar financed, depending on the source of funds.
- **Federal credit programs:** 7 cents to 33 cents per dollar financed, depending on how the credit risk is measured.



Federal Support for Public Transportation

Federal Transit Spending Before the Coronavirus Pandemic

In 2019, the federal government spent \$13 billion on public transportation, accounting for about one-sixth of total funding for that purpose.

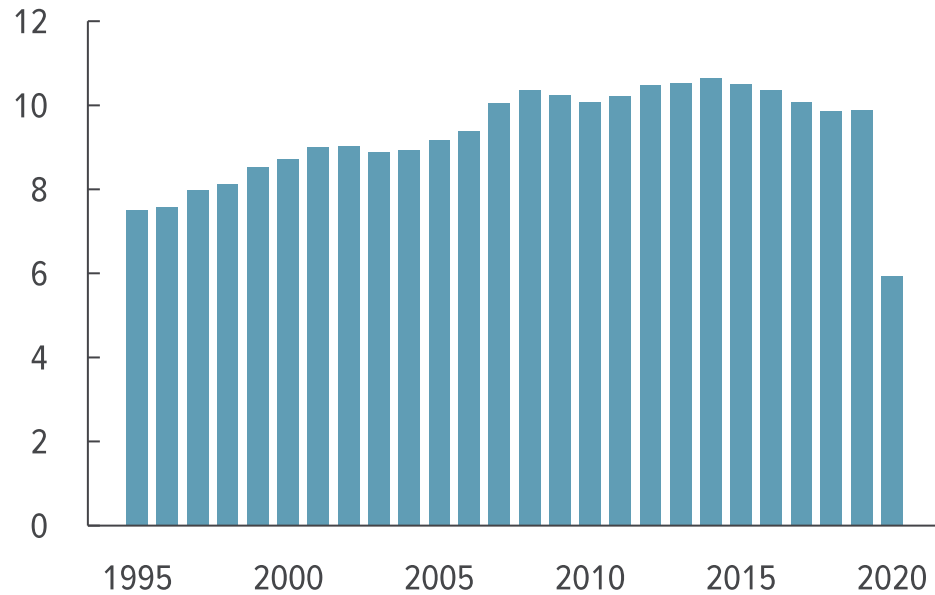
Over roughly the past three decades, annual federal spending for public transportation (after being adjusted for inflation) has averaged about \$14 billion.

On average, just over two-thirds of federal outlays for public transportation have gone to capital spending, and the rest have gone to operation and maintenance.

The Impact of the Pandemic on Transit Agencies' Finances

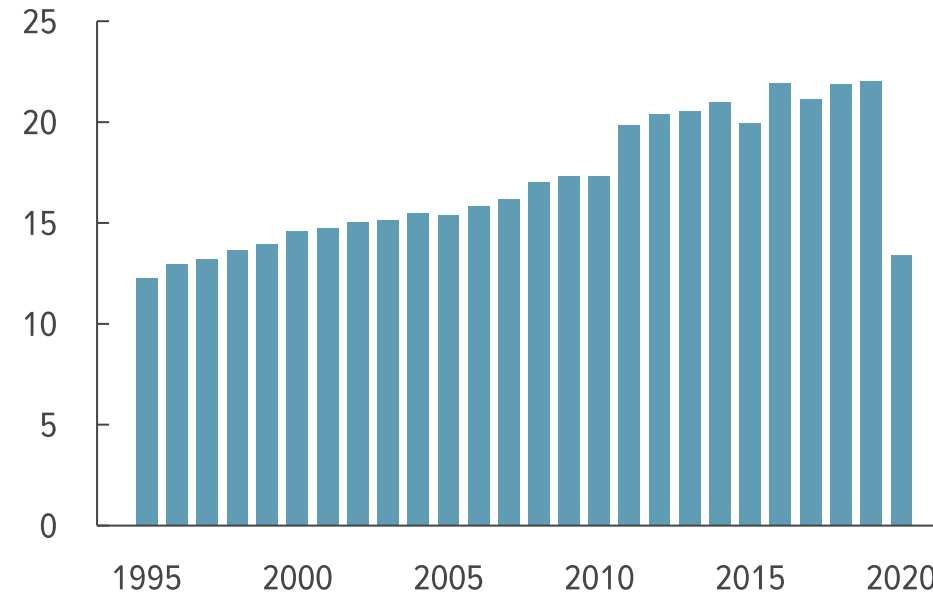
Passenger Trips

Billions of Trips



Operating Receipts

Billions of 2020 Dollars



Supplemental Funding for Public Transportation

Public transportation has received nearly \$70 billion in supplemental federal funding since March 2020.

- **Coronavirus Aid, Relief, and Economic Security (CARES) Act:** \$25 billion
- **Consolidated Appropriations Act, 2021:** \$14 billion
- **American Rescue Plan Act of 2021:** Almost \$31 billion

By the end of fiscal year 2021, approximately \$25 billion had been spent.

Reauthorization of Federal Transit Programs for the 2022–2026 Period



Average Annual Federal Funding for Public Transportation Programs, 2016 to 2026

	2016 to 2021 (Billions of dollars)	2022 to 2026 (Billions of dollars)	Percentage Change
Programs That Receive Annual Funding From the Highway Trust Fund			
Urbanized Area Formula Funding	4.8	6.7	40
State of Good Repair Formula Program	2.6	3.7	42
Grants for Buses and Bus Facilities Program	0.8	1.1	38
Formula Grants for Rural Areas	0.7	0.9	29
Growing States\High-Density States Program	0.6	0.8	33
Enhanced Mobility of Seniors and Individuals With Disabilities	0.3	0.4	33
Other programs	0.2	0.4	100
Subtotal, Highway Trust Fund	10.0	14.0	40
Programs That Are Funded From the Treasury's General Fund			
Programs that received annual funding from the FAST Act and IIJA			
Capital Investment Grants	2.3	1.6	-30
Other programs	0.7	0.6	-14
Programs that received funding from IIJA			
Grants for Buses and Bus Facilities Program (Low- or No-Emission Vehicle Program)	n.a.	1.1	n.a.
State of Good Repair Formula Program	n.a.	1.0	n.a.
Enhanced Mobility of Seniors and Individuals With Disabilities	n.a.	0.1	n.a.
Subtotal, general fund	3.0	4.4	47
Total Funding	13.0	18.4	42

Other Work From CBO About Federal Support for Infrastructure

Federal Financial Support for Public Transportation (March 2022),
www.cbo.gov/publication/57636.

Reauthorizing Federal Highway Programs: Issues and Options (May 2020),
www.cbo.gov/publication/56346.

Public-Private Partnerships for Transportation and Water Infrastructure
(January 2020), www.cbo.gov/publication/56003.

Federal Investment, 1962 to 2018 (June 2019), www.cbo.gov/publication/55375.

Federal Support for Financing State and Local Transportation and Water Infrastructure (October 2018), www.cbo.gov/publication/54549.

Public Spending on Transportation and Water Infrastructure, 1956 to 2017
(October 2018), www.cbo.gov/publication/54539.

Other Work From CBO About Federal Support for Infrastructure (Continued)

Approaches to Making Federal Highway Spending More Productive (February 2016),
www.cbo.gov/publication/50150.

The Highway Trust Fund and the Treatment of Surface Transportation Programs in the Federal Budget (June 2014), www.cbo.gov/publication/45416.

Federal Grants to State and Local Governments (March 2013),
www.cbo.gov/publication/43967.

Infrastructure Banks and Surface Transportation (July 2012),
www.cbo.gov/publication/43361.

Subsidizing Infrastructure Investment with Tax-Preferred Bonds (October 2009),
www.cbo.gov/publication/41359.