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Highway Program Equity Guarantee Issues

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Highway Program Equity Guarantee Issues

Summary

Since 1982 Congress has included legislative provisions in every surface transportation reauthorization act to remedy concerns about the "equity" of the distribution of federal highway aid to the states. For many years some states have complained that they received significantly less federal highway aid than they paid in federal highway taxes to the highway trust fund. These states, referred to as donor states, have pressed for legislative remedies that would assure them a higher share of federal highway aid, most recently 95%. Donee states, states that receive more federal highway aid than they pay in federal highway taxes, have not opposed equity provisions per se but have opposed any reduction in their existing shares. Providing equity remedies that keep both donor and donee states reasonably content has been accomplished by giving more money to all states but giving more to donor states to bring their shares up to a designated per cent share, currently 90.5%. Providing equity in this way is very expensive in dollar terms, the minimum guarantee under TEA-21, in fact, became the largest highway program.

The current budgetary environment is more constrained than it was under the last reauthorization cycle, making it unlikely that the 95% goal can be achieved under the current equity framework. There are, however, a number of options that could help. The options range in scope from changes that may be seen as fine tuning the existing minimum guarantee (MG) system to options that would eliminate the TEA-21 MG framework completely.

During the 108th Congress, the House- and Senate-passed surface transportation bills took very different approaches to the equity issue. The House-passed reauthorization bill (H.R. 3550) retained the TEA-21 minimum guarantee structure (90.5%). The Senate-passed reauthorization bill (S. 1072) would have achieved the 95% return level in the last year of the authorization through an equity bonus mechanism. House and Senate conferees were unable to come to agreement during the 108th Congress. Congress will again address equity guarantee issues when reauthorization legislation is reintroduced in the 109th Congress.

In a broader sense the debate over equity remedies has implications for a number of overarching issues. An equity guarantee of a 95% rate of return could, in the minds of some, leave little room for addressing other or additional transportation needs that are uniquely federal. Another issue is whether the MG should be broadened, as some states have proposed, to include Federal Transit Administration programs. This report will not be updated.

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Highway Program Equity Guarantee Issues

Introduction

Guaranteeing each state a percentage share return of federal highway funding on its highway user's payments to the highway account of the highway trust fund (HTF) has been the major remedy designed to assuage persistent concerns about the equity of distribution of federal highway funding (often referred to as the *donor-donee state* issue).[1] Somewhat differing forms of a Minimum Guarantee (MG) program have been in place for over twenty years. Under the Transportation Equity Act for the 21st Century (TEA-21) (P.L.105-178; P.L. 105-206) the MG provided for a 90.5% guaranteed share return on each states user tax payments to the HTF.

During the on-going TEA-21 reauthorization debate a number of proposals for increasing the MG percentage have emerged. At first glance, raising the MG would simply appear to require an amendment changing the percentage specified in Section 105 of title 23 of the U.S.Code. A closer look shows that changing the MG has impacts on the interaction of highway program formulas, the funding of discretionary and formula programs, and the total budgetary resources needed to fund these programs: in short, on the whole Federal-Aid Highway Program (FAHP).

The Transportation Equity Act: A Legacy for Users (TEA-LU) (H.R. 3550)

TEA-LU, the House-passed surface transportation reauthorization bill, adheres to the basic TEA-21 MG framework. It retains a guaranteed rate of return on state payments to the HTF of 90.5%, a guaranteed $1 million minimum state payment, and continues the TEA-21hold harmless mechanism of guaranteed base shares. It limits, however, the designated programs that are subject to the guarantees to about 84% of the total highway program. It also includes a "re-opener" provision that would cut off funding of all non-safety apportioned programs on September 30, 2005, if Congress has failed by then to enact legislation that would increase states' rate of return to 95% by FY2009.

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[1] This report focuses on the minimum guarantee remedy. For a more detailed discussion of donor-donee issues see CRS Report RL31735, *Federal-Aid Highway Program: "Donor-Donee" State Issues*, by Robert S. Kirk. Unless otherwise indicated in the text, any occurrence of the HTF refers to the highway account of the HTF.

The Safe, Accountable, Flexible, and Efficient Transportation Equity Act (SAFETEA) (S. 1072)

The Senate-passed surface transportation reauthorization bill, takes a very different approach from the House-passed bill. The Senate bill would replace the entire TEA-21 MG program with an "Equity Bonus" program. Unlike the House bill, which retained the TEA-21 90.5% guaranteed rate of return, the Senate bill would achieve a guaranteed 95% state rate of return by FY2009. Basically, the individual program formulas would be run and an equity bonus would be added to these levels to bring every state up to 95% by the last year of the reauthorization, FY2009. The Senate bill would make about 93% of the total highway program subject to the equity bonus. The bill includes some provisions that would protect certain small, sparsely populated, and low income states from share reductions. It also includes provisions that set certain rules and limitations that, in effect, set a floor and a number of ceilings on the equity bonus.

House and Senate conferees were unable to come to agreement during the 108th Congress. Congress will again address equity guarantee issues when reauthorization legislation is reintroduced in the 109th Congress.

This report begins with a discussion of the MG concept and the federal highway program framework within which the MG is applied. It then sets forth the legislative history of the MG since 1982, the year a minimum state share provision was first enacted. The current MG (enacted in TEA-21) and how it is calculated is briefly discussed. The report then discusses options for raising the MG share percentage in a constrained fiscal environment. The report examines some of the overarching policy implications of the MG debate. The report appendices provides detailed step-by-step explanations of the calculation of the TEA-21 minimum guarantee.

Background

There are a number of characteristics of the Federal-Aid Highway Program that need to be kept in mind in a discussion of the donor-donee question. First, the Federal-Aid Highway Program (FAHP) is really an umbrella term for all the highway programs administered by the Federal Highway Administration (FHWA). Most of these programs can be described as being either formula (apportioned) programs, which constitute the vast majority of program funding, or the smaller discretionary (allocated) programs. The formula programs apportion funds to the State Departments of Transportation based on formulas set forth in legislation. The discretionary programs are programs nominally under the control of the FHWA that were designed to provide funds to projects chosen through competition with other projects. In recent years, however, most of the discretionary program funding has been earmarked by Congress.

The distinction between formula and discretionary programs becomes especially significant in the process of attempting to make equity adjustments in the funding levels among the states. For example, how can all discretionary programs be constructed to guarantee a designated percent return to states on their payments to the

HTF and still remain discretionary? The programs were created to fulfill perceived policy needs. The separate program budget accounts were authorized based at least in part on the amounts of money each program needs to meet its program goals (determined in part by the budget constraints of the time) rather than by some other measure such as basing the distribution on estimates of the revenue paid by highway users in the individual states.

Some highway needs, such as roads on federal lands, border crossing infrastructure, trade corridors, and interstate system maintenance, have inherently federal aspects that would likely not be addressed if the Federal-Aid Highway Programs were predicated on a return to all states approaching 100%. Even advocates of "devolution" of much of the Federal-Aid Highway Program to the states have acknowledged some federal needs.[2] In addition, donor states themselves have in the past recognized the need for some states to get an increased share of federal-aid funds. During the ISTEA reauthorization debate, for example, donor states agreed that large sparsely populated states and some small states (such as Rhode Island, Vermont, and Delaware) should receive increased shares. Authorizors thought that the sparsely populated "pass-though" states had insufficient state resources to build and maintain their parts of the national highway network, so they were given increased shares.

The size of the minimum guarantee/equity adjustment program umbrella (often referred to as "scope") has varied since the first equity program was introduced in 1982. The major formula programs were always under the MG umbrella but which other programs were included changed under the various surface transportation authorization acts. How many of the total programs are covered by the MG program umbrella is important for a number of reasons. First, under a guaranteed share MG, the more program dollars left outside the MG program the more likely that at least some donor states will not reach their minimum percentage return relative to the entire Federal-aid highway program. Second, in general, the more inclusive the MG umbrella the more costly the MG program.[3] Third, earmarking of programs under the MG umbrella usually provides no new dollars to the state receiving the earmarks. These earmarks simply allow Members of Congress to set project priorities. Earmarks of programs outside the MG umbrella actually provide more money to the state getting the earmark.

A number of statistical issues have an impact on the MG. The use of non-current data (i.e., revenue estimates from two years prior) may skew the state donor-donee ratios and lead to conclusions about donor or donee status that are questionable. Also state-by-state data on payments to the highway account of the HTF are estimates based on extrapolations from state tax data and may not always be completely accurate or up to date. The economic cycle can also have an impact

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[2] During the 1990s "devolution" generally referred to the shifting of federal programmatic responsibility and funding resources to the states.

[3] This assumes all other attributes of the MG are held constant. This is not always the case. For example, tax changes (such as a change in the tax treatment of ethanol) can have an impact on states' relative shares which could impact the calculation of total program size which is discussed later in this report.

on revenues and the budgetary process that can lead to years when revenues and spending levels differ significantly from each other: this can have an impact on rate of return. The MG and other equity adjustment proposals attempt to achieve a specified "share" return on two year old payments data. Distribution equity, however, is almost always judged by Table FE-221 in the annual FHWA *Highway Statistics Report*[4], which compares estimated dollars paid and apportionments and allocations received for the same fiscal year. This statistical disconnect means that even an effective MG or EB program will face criticism when the same year dollar for dollar return data are released. In addition, the impact of proposed revenue changes on states' relative shares of payments to the HTF are hard to gauge over the life of the reauthorization. These changes could change some donor states to donee states, or vice versa, over the next few years. It could also impact the calculation of program size under the MG.

Legislative History

Although the equity debate, it can be argued, goes back at least as far as the creation of the highway trust fund (supported by dedicated highway user taxes), it was the initial publication of Table FE-221 in the 1972 edition of FHWA's annual *Highway Statistics* that provided the statistical underpinnings of a growing movement to guarantee each state a "fair share" of federal highway dollars relative to the revenue its highway users paid to the trust fund. The table showed that the receipt of federal aid for each dollar paid to the trust fund varied greatly from state to state. Alaska faired best and South Carolina fared worst at $8.34 and $0.52, respectively. During the 1970s there was still significant construction on the Interstate Highway System. This may, in the minds of some, have provided a reasonable justification for such disparities. By the early 1980s, however, the Interstate Highway System was nearing completion.

Surface Transportation Assistance Act of 1982 (STAA)

STAA (P.L. 94-424) authorized a significant increase in funding for the Federal-Aid Highway system for the years FY1983-FY1986 and included a provision designed to mitigate the dissatisfaction of donor states by providing that each state would receive a minimum allocation from the core FHWA programs. Specifically, the bill ordered the FHWA to allocate among the states sufficient funds to assure that each state's total apportionments from the core highway and safety programs (Interstate Highway Substitution, Primary, Secondary, Interstate, Urban, Bridge Replacement and Rehabilitation, hazard elimination, and rail-highway crossings, and section 203 of the Highway Safety Act of 1973) would not be less than 85% of the percentage of estimated tax payments each state paid into the highway account of the HTF. These "equity adjustment" allocations could be obligated to the core highway programs.[5]

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[4] [http://www.fhwa.dot.gov/policy/ohim/hs02/fe221b.htm]

[5] STAA also established the Mass Transit Account of the HTF but did not make it subject

(continued...)

Surface Transportation and Uniform Relocation Assistance Act of 1987 (STURAA)

STURAA (P.L. 100-17) authorized the Federal-Aid Highway Program for FY1987-1991, retaining the 85% minimum allocation, but altered the basis of its calculation. The act revised the calculation to include the allocated (sometimes referred to as discretionary) programs, with the exception of the federal lands highways programs and safety programs. For FY1987 and FY1988 emergency relief funds and interstate construction discretionary funds were not included in the calculation. The act made permanent the minimum allocation provision established by STAA.

Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA)

ISTEA (P.L. 102-240) reauthorized surface transportation programs, including Federal-Aid Highway Programs, for FY1992-FY1997, making major changes in the overall program structure, program formulas, as well as equity provisions.

Equity Adjustment Provisions. ISTEA included five provisions, with separate funding, designed to assure a more equitable distribution of federal funds to the states.

The 90% Guarantees. The act raised the minimum allocation to 90% of estimated state contributions to the highway account of the HTF (although narrowing its calculation to the core formula programs, scenic byways, safety belt and motorcycle safety grants). The act also included a new minimum payments guarantee that assured that each state's apportionments (for the core formula programs) for the fiscal year and allocations (to the discretionary programs) from the previous year would be at least 90% of its estimated state contributions (i.e., calculated from all programs except special projects).

Donor State Bonus. For each fiscal year, donor states were identified by comparing projected contributions to the HTF with the apportionments to be received that year by each state. Under the donor state bonus, starting with the state with the lowest return, each state was brought up to the level of the state with the next highest level of return. This was repeated successively for each state until the ISTEA authorized program amount was exhausted.

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[5] (...continued)
to the minimum guarantee. Although, typically, donee states in the Northeast are more transit dependent, some highway donor states get significant federal transit funding, while some donee states, especially the large "pass-through" Western States get relatively little. Proposals to also subject the Transit Program to a minimum guarantee have surfaced within the context of surface transportation reauthorization. As will be discussed later, this could have an impact on the decision of some highway donor states to support or oppose highway program minimum guarantee changes.

Hold Harmless. This provision set a specific percentage that each state was to receive from the core formula highway programs plus Federal Lands Highway Programs, minimum allocation, donor state bonus, and Interstate Reimbursement. Each state received an addition to its regular apportionments to raise its total to the set percentage.

Reimbursement for Interstate Segments. ISTEA authorized $2 billion for FY1996 and FY1997 to reimburse some states for the costs to them of building segments of the interstate system without federal assistance prior to or during the early days of the Interstate Construction Program.

Despite these provisions significant gaps remained among states on their share return on contributions to the HTF. As reauthorization of ISTEA approached, dissatisfaction with the effectiveness of the equity provisions led to challenges to the ISTEA program paradigm.

TEA-21 Equity Provision Changes

The equity changes that were part of the debate and were included in TEA-21 were more limited than many would have expected early in the reauthorization debate. The main reason for this was the large increase (roughly 40%) in overall funding levels. Still, there were equity provisions that were included in the hope that they would further narrow the donor-donee divide.[6] For detailed, step-by-step descriptions of the calculation of the FY2003 MG, see Appendices I and II at the end of this report.

Minimum Guarantee. The TEA-21 minimum guarantee had three components:

Guaranteed Base Share. TEA-21 guarantees each state a percentage share (set forth in tabular form in TEA-21 Section 1104 (a), codified in 23 U.S.C. 105(b)) of the total program, defined as all the apportioned programs: Interstate Maintenance Program(IM), National Highway System Program (NHS), Surface Transportation Program (STP), Highway Bridge Replacement and Rehabilitation Program (HBRRP), Congestion Mitigation and Air Quality Program (CMAQ), Metropolitan Planning, Recreational Trails Program, Appalachian Development Highway System Program and Minimum Guarantee, as well as High Priority Projects.[7]

Minimum 90.5% Share on Contributions. Each state is guaranteed at least 90.5% return (up just 0.5% over ISTEA) on its share of tax contributions to the highway account of the HTF (based on the most recent year for which the data are

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[6] P.L. 105-178, Sec. 1104. Also 23 U.S.C. Sec. 105.

[7] For example, according to this provision of law, the base share of total national allocations for these programs is 1.5581% for Arizona, 0.3956% for the District of Columbia, and 4.9887% for Pennsylvania. The base shares for all states are set forth in Appendix II, step 2, column 1, of this report.

available — generally from two fiscal years before).[8] Using Ohio as an example, of the state's total FY2001 highway account contributions, Ohio's percentage share contributions amounted to 3.7578%. Ohio is guaranteed 90.5% of its share of estimated FY2001 contributions and is thus guaranteed a minimum share of 3.4008% of the FY2003 apportionments (i.e., the core formula programs), plus High Priority Projects and the Minimum Guarantee itself. If the above base share is less than a 90.5% return to a state then the share is adjusted upward until the 90.5% share is reached. The money to raise shares to 90.5% is provided by "squeezing" down the percentages (but not the total amounts) of those states that are above the minimum. This process of raising donor state shares and squeezing down donee state shares is repeated until the state share requirements are met and all the state shares total 100%.

Minimum State Payment. Each state is guaranteed that as part of the minimum guarantee it will receive at least $1 million in Minimum Guarantee funds.

It is important to keep in mind that the TEA-21 Minimum Guarantee was a compromise provision. It is constructed in such a way as to give money to all states in the process of bringing the donor states up to the 90.5% minimum guarantee.[9] Each state gets the $1 million minimum. Then, the lowest percent share of any state or the District of Columbia (under TEA-21 it was always the District) is used to extrapolate the total program funding (as defined under Minimum Guarantee) needed for the District to retain its total program percentage (see Appendix I, step 7, for a detailed explanation) To achieve that percentage for the District, a total FY2003 program size of $27.8 billion was needed. Ironically, the degree of the District's donor status has meant more money for all states (in absolute, not relative terms). To provide money for this adjustment 23 U.S.C. 105 (d) authorizes "such sums as may be necessary" to carry out the MG. The total Minimum Guarantee program funding needed to achieve this total was over $6 billion.

Minimum Guarantee Distribution. Each year, the first $2.8 billion of Minimum Guarantee funds are administered as Surface Transportation Program funds, except that set-asides for Transportation Enhancements, Safety Construction, and certain population-based sub-state allocations do not benefit from this distribution. Any Minimum Guarantee funds above $2.8 billion are distributed to the five core programs: Interstate Maintenance (IM); Highway Bridge Replacement and Rehabilitation Program (HBRRP); National Highway System (NHS); Congestion Mitigation and Air Quality Improvement (CMAQ), and again the STP. The distributions to the states are based on the ratio of each core program's apportionment to the total apportionment of all five programs for each state.[10]

The Resolution of the TEA-21 Donor-Donee Debate. In the end, what many observers had predicted would be a major battle over TEA-21's equity

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[8] Although this percentage increase was small, supporters of this level argued that under the TEA-21 framework, as opposed to the ISTEA MGs, states would actually receive a return much closer to the percentage goal on a dollar-in/dollar-out basis.

[9] TEA-21 authorizes such sums as may be necessary for FY1998-FY2003 for MG.

[10] 23 U.S.C. 105 (c) (1).

provisions was resolved relatively amicably.[11] This occurred despite the donor states only being able to achieve a 0.5% increase in the minimum guarantee percentage and formula changes which some predicted would have little impact on donor state returns on the tax revenues these states payed to the highway account of the HTF. Some even argued that donor states would have been better off if TEA-21 had retained the ISTEA formulas. In the case of TEA-21 what alleviated the concerns of the STEP-21 (a coalition of donor states) and other donor state advocates was the amount of money available during TEA-21's lifetime. By shifting revenues generated by the 4.3 cent deficit reduction gas tax to the HTF in 1997, Congress was able to provide for large increases in highway funding for all states. The extra money in turn made the donor-donee debate less urgent to the donor states.

The Central Dilemma: Raising Shares, Holding Harmless, and Funding Programs

The tension between the goal of donor states for a 95% return and the hold harmless goal of donee states has been heightened in the current surface transportation reauthorization debate by the absence of an HTF revenue base sufficient to easily fund both goals. In contrast to the current reauthorization situation, under TEA-21, the existence of large and growing revenues allowed for a more than 40% increase in the federal highway spending and an increase in the MG percentage (from 90% to 90.5%). Recent Congressional Budget Office (CBO) baseline spending and revenue forecasts for the highway account of the HTF (based on current law adjusted for inflation) forecasts that the unexpended balance in the HTF will decline from a roughly $13 billion beginning-of-year for FY2004 to a negative $617 million at the end of FY2008. The HTF is required to retain a balance sufficient to assure that unexpended highway contract authority may not exceed the end of year balance plus the anticipated revenues for the next two years, the so-called "Byrd Rule."[12]

Although the Senate-passed reauthorization bill (SAFETEA; S. 1072) provides for a total authorization of $318 billion and the House reported version (TEA-LU; H.R. 3550) provides for $275 billion, the Bush Administration has threatened to veto any bill that spends more than $256 billion. This makes raising the guaranteed share percentage to 95% problematic for authorizors. Even at the $318 billion funding level, the Senate bill, to save money, had to phase in the impact of the equity bonus and leave the larger donor states at 90.5% until the final year of SAFETEA. Even at $375 billion, the House bill, as introduced, had to resort to a gradual increase of its guaranteed share toward 95%.[13] In addition, because MG funds are authorized on a

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[11] See *Once and Future ISTEA*, by Geoff Earle, Governing Magazine, Feb. 1998. *STEP-21 Coalition Claims Victory*, National Journal: Congress Daily, Oct. 3, 1997.

[12] U.S. Internal Revenue Code, Title I, Section 9503(d).

[13] The bill also limited the programs under the MG program umbrella to programs representing roughly 80% of total highway program spending. This may have been done, in part, to save money but it also kept the HPP earmarks and Projects of National and (continued...)

"such sums as may be necessary" basis, the only ways to fund the MG programs growing needs as they rise to a 95% guaranteed share are to either dip into the Treasury general fund or to push down the total apportionments of all the formula programs to free up revenues for the MG distribution. Some observers believe that MG distributions could approach 50% of total apportionments.[14] The version of TEA-LU that passed the House was much smaller at $275 billion (guaranteed funding) than the bill as introduced. It kept the guaranteed rate of return at 90.5% and included only 84% of the total funding within the scope of the MG.

The difficulty of providing for an increase in guaranteed share while holding most donee states harmless in the absence of large amounts of new revenue, however, has not stopped advocates of changes in the MG program from pressing for change.[15]

Equity Guarantee Options in a Constrained Fiscal Environment

Despite the fiscal constraints that impede the donor state desire for a 95% return on payments to the HTF, there are a number of options that by themselves or in combination with others could mitigate some of the difficulties that authorizors face in producing a surface transportation reauthorization bill with equity provisions acceptable to both houses of Congress. The options range in scope from changes that may be seen as fine tuning the existing MG system to options that would eliminate the TEA-21 MG framework completely. Some of these options have already been included in the major TEA-21 reauthorization bills being actively considered by Congress, some have had a place in the debate but have not yet been selected for inclusion in active legislation, and finally some have been left out of the debate thus far. The following discussion does not include revenue proposals championed earlier in the reauthorization debate and the major revenue raising proposals in SAFETEA and H.R. 3971 are only discussed within the context of their impact on the possible program options being discussed.[16]

Statistical analysis of the MG and MG proposals can be problematic. As mentioned earlier, the process of calculating shares and projecting the federal highway program size can lead to results that appear counterintuitive.[17] In addition,

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[13] (...continued)
Regional Importance (which are expected to be earmarked) outside the MG. Earmarks inside the MG generally do not bring additional funds to the state that gets the earmark.

[14] Minimum Guarantee Revisited. *Transportation Weekly*, v. 5 Mar. 8, 2004. p. 9.

[15] This report is not a legislative tracking document for minimum guarantee provisions in surface transportation reauthorization legislation. See CRS Report RL32226, *Highway and Transit Program Reauthorization Legislation in the 2nd Session, 108th Congress.*

[16] For a discussion of these provisions see the Highway and Transit Finance chapter in CRS Report RL32226.

[17] For instance, revenue increases from changes in the tax treatment of gasohol could, under (continued...)

because most supporting statistics set forth by proponents or opponents of change in the MG are based on analysis of previous years revenue and funding data, while reauthorization legislation is for future years, the analysis is limited. Because of uncertainty in future revenue and funding allocations, there is a significant degree of uncertainty in the impact of changes in the MG. This is especially true prior to release of the reauthorization conference report. Even then, the statistics of the state-by-state tax contributions used in the first step of the MG calculation to the HTF would not be known for the last four years of a six year authorization. Only the Federal Highway Administration (FHWA) has the data bases and expertise to project the impact of these options on equity guarantee calculations in detail and even FHWA must base future projections on assumptions that may not come to pass.

Ways to Modify the Existing MG Program

Assuming that the TEA-21 MG framework survives, it could be modified. This section examines possible modifications to the TEA-21 framework.

Phase in the 95% Share Guarantee. This is perhaps the simplest money saving option. TEA-LU, as introduced, phases in the increase to a 95% guaranteed share over the life of the program and SAFETEA phases in the increase for some donor states and postpones the jump to 95% for other donor states until FY2009. Although this tactic saves money, it has drawbacks. First, given the Bush Administration's veto threat, its doubtful that there will be enough money even for a phased-in 95% return in a program small enough to avoid the Presidential veto. Second, some of the large donor states are unhappy with the phase in proposal, believing equity delayed is equity denied.

Eliminate or Reduce the District of Columbia's Role in Projecting Total Highway Program Size. As shown in the earlier description of the TEA-21 MG calculation, achieving DC's adjusted share determined the total highway program size.[18] Some argue that a way of reducing the size of the MG distribution needed to achieve a guaranteed share percentage would be to provide DC with a generous dollar amount for its road needs but eliminate it or a portion of its funding from the MG calculation. However, because both H.R. 3550 and SAFETEA provide for revenue changes, especially in the treatment of ethanol, it could, at least initially, reduce or eliminate the significance of dropping DC from the calculation. In other words, the DC-projected program size may already be reduced. FHWA would have to run the figures to determine the impact.[19]

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[17] (...continued)
some circumstances, restructure state shares relative to each other in a way that reduces the size of the projected total program target (i.e., a revenue increase could reduce the size of the program).

[18] For a detailed discussion of this process see the detailed explanations of step 7 of the calculation set forth in Appendix I and Appendix II.

[19] Dropping the $1 million minimum requirement, either entirely or as it applies to DC, could also reduce the required program size. The impact of the change, however, would be modest.

Determine Program Size Based on Total Annual Payments to the Highway Account of the HTF. The uncertainties of projecting total program size based on share has led to some discussion of eliminating this TEA-21 process (see step 7 in the earlier section on the MG calculation) and simply using the total annual payments to the highway account of the HTF to determine the program size for each fiscal year. Proponents argue that this change would not only simplify the MG calculation process but would also reduce the unexpected outcomes of tax or other revenue changes.[20] Having total annual payments to the highway account set the total highway program size, according to supporters, would also more effectively align state payments with their allocations.

There are a number of possible disadvantages to using total annual payments to the HTF to determine the total program size. As mentioned earlier, the data on contributions are not, generally available until early in the second fiscal year after the contributions are made, so the program size would be set according to old data. Also, this method would, in effect, set a ceiling on each year's spending (i.e., there is no need for the "such sums as may be necessary" for the MG). This could force a reduction in core program authorizations to make room for the MG distributions necessary to meet the requirements of the MG. Finally, revenues to the HTF can decline (as they did in FY2001). This could put Congress in the uncomfortable position of having to either draw monies from the general fund, draw down the unexpended balance of the HTF (if there is anything left to draw down), or allow spending to drop for the year.

Eliminate the State Percentages (Base Share) Table. The heart of TEA-21's hold harmless provisions is the State Percentages table codified in 23 U.S.C. 105 (b). One option which could save money would be to replace the percentage table with a simple dollar amount base guarantee for each state. These state amounts would be adjusted where necessary to bring states up to their dollar amount base guarantee. The 95% guaranteed return would then be accomplished by bringing up the apportionment of states whose base dollar guarantees are less than 95% of their estimated payments to the HTF. By guaranteeing a dollar figure rather than a share percentage that cannot be reduced, this could require a smaller program size to achieve the guaranteed return. Most donee states would probably resist giving up their base share guarantees in exchange for a dollar amount guarantee unless the dollar levels were generous. The savings could be significantly reduced depending on how generous the dollar base levels would need to be to pass the bill.

Restrict the Program Scope of the MG. One way to reduce the cost of the MG is to reduce the number of programs covered by the guarantee (assuming that other attributes are held constant). The states' percent share return on payments to the HTF could be applied to as small a number of the federal-aid highway programs as needed to stay within budget. Under TEA-21, the scope of the guarantee was in

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[20] During early discussions of redirecting the 2.5 cent ethanol tax to the highway account and compensating the account for the ethanol subsidy, FHWA confirmed that, to the surprise of most observers, that because of the role of DC (which uses virtually no gasohol) in determining total program size, the increase in revenues would actually lead to a drop in total program size.

the 93-94% range. SAFETEA, as passed by the Senate, has an MG scope of about 93%.

To an extent, TEA-LU as introduced, took this approach. The bill provided for a 95% guaranteed return on contributions to the HTF by the last year of the authorization, but the MG only covered programs that together accounted for about 80% of the bill's total funding (i.e. making the MG 95% of 80 %). The significantly downsized smaller bill that passed in the House provides for an expanded scope of roughly 84% but dropped the rate of return guarantee to the TEA-21 level of 90.5% (i.e., 90.5% of 84% of the total program). TEA-LU's categorization of programs under or not under the MG umbrella is controversial and is believed by some observers to create problems for the functioning of the MG. Donor states in particular are concerned that having such a large number of programs outside the MG will undermine the MG program's ability to actually achieve the 90.5% return on payments target. Donor states are also concerned that they will have to successfully compete for earmarks in the allocated (non-MG programs) to achieve this level. The large donor states, in particular, would probably see this process as, in effect, taking away with one hand what has been given with the other.

During floor debate on TEA-LU, scope became a major issue of contention in the form of an amendment (H. AMDT. 514) offered by Representative Johnny Isakson of Georgia. The amendment would have brought both the high priority project program and the new projects of national and regional significance within the scope of the MG. The amendment also would have increased funding to the core highway formula programs. The amendment, however, was defeated.

Reduce the Target Minimum Percent Return Below the 95% Level. Some have begun making the case that, under the current fiscal constraints, a 95% return is an unrealistic goal for this reauthorization cycle. During TEA-21 reauthorization there was also a major effort to increase the minimum return to 95%. In the end, as discussed previously, only a 0.5% increase was enacted. The large increase in HTF revenue that was available to assuage donor states in 1998 may be what is needed to provide for an increased guaranteed return. Such revenues are not expected to be available in the FY2004-FY2009 period. In the current fiscal environment the TEA-21 MG cannot provide a 95% return. Unless the TEA-21 MG framework is replaced or altered, the minimum rate of return guarantee can only be maintained or modestly increased.

Donor State Equity Bonus (EB)

One alternative to the TEA-21 MG framework would be to provide a bonus only to donor states to bring up their shares. The Senate-passed reauthorization bill, SAFETEA, would eliminate the existing MG program and replace it with an "Equity Bonus" program (EB).[21] The bill would achieve a 95% return on payments to the

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[21] The Equity Bonus provision was introduced as a modification to the EPW committee amendment in the nature of a substitute during initial floor consideration on February 3, 2004. See *Congressional Record*, Feb. 3, 2004: S506-09. See also *Transportation Weekly*, (continued...)

highway account of the HTF by FY2009, the final year of the authorization. Basically, the individual program formulas would determine the initial apportionment and the equity bonus would be added to these levels. Although the programmatic use of an equity bonus is not new (ISTEA), the use of a bonus to replace the entire MG is new.[22] The SAFETEA Equity Bonus requires that sufficient funds be distributed to ensure that each state receives at least a 95% share return on payments to the HTF to the programs under the EB umbrella. Unlike TEA-LU, the Senate bill would keep nearly all the TEA-21 programs as well as most new programs under the EB program umbrella, the main exception being the High Priority Projects program.[23]

Although the proposed EB program eliminates the TEA-21 hold harmless provisions it includes some of its own. The bill protects some states that would lose percent share under the EB. States with a population density of less than 20 people per square mile, a population under one million, or a median household income under $35,000 would get either the 95% share, or their state's average share of allocations under TEA-21. It also guarantees that each state will receive at least 110% of its TEA-21 annual average, no state's formula generated apportionments are to be cut, and no state will drop below 90.5% in any year.

In part, to save money SAFETEA places a specified annual ceiling on a state's total apportionments to all the programs within the EB umbrella. If a state's total apportionments exceeds the state's average TEA-21 apportionments by the following percentages the state gets no bonus.

- FY2004 ceiling: 120% of state's TEA-21 average
- FY2005 ceiling: 130% of state's TEA-21 average
- FY2006 ceiling: 134% of state's TEA-21 average
- FY2007 ceiling: 137% of state's TEA-21 average
- FY2008 ceiling: 145% of state's TEA-21 average
- FY2009 ceiling: 250% of state's TEA-21 average

These ceilings are the main mechanism that phases in the 95% share goal by the final year of the authorization. Although this mechanism probably saves money, the various hold harmless and special provisions along with the costs of adjusting to the impact of the SAFETEA's revenue provisions would make the EB one of the largest Federal-Aid Highway programs.[24]

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[21] (...continued)
v. 5, Jan. 27, 2004: 1, 5-10, and *Washington Letter on Transportation*, v. 23, Jan. 26, 2004: 3-4.

[22] ISTEA (P.L. 102-240) included a Donor State Bonus program, but it was just one part of a multifaceted equity guarantee regime.

[23] Historically, the Senate has held its HPP list of projects out of its reported bill only to add it during conference negotiations.

[24] FHWA estimates the cost of the equity bonus at $38.1 billion over the six year life of the bill. The cost estimate for TEA-LU is $46 billion.

Equity Bonus Distribution. The EB is distributed to the core formula programs (IM, NHS, STP, CMAQ, HBRR, the Highway Safety Improvement Program and Metropolitan Planning). The bonus would be distributed to each program based on the relative share each state received for each program based on the program formulas. Metropolitan Planning, however, would receive no bonus.

The Donor State "SHARE" Proposal for a 95% Guarantee

The Highway Funding Equity Act of 2003 (H.R. 2208, S. 1090) is a proposal supported by States' Highway Alliance for Real Equity (SHARE) that would replace the existing MG with a 95% share guarantee.[25] Both the House and Senate versions include a basic minimum guarantee of a 95% share return on state payments to the HTF. The House version of the bill also includes a 95% discretionary program guarantee which covers nearly all remaining program spending. This means that there are two MG program umbrellas that expand the "scope" of the MG to all programs except Federal Lands Highways, research, and the administrative takedown.

The bill includes some other significant attributes. It holds harmless states with fewer than 50 people per square mile. These states are guaranteed their TEA-21 base share from the table in 23 U.S.C.(b). The bill also requires that the Secretary of DOT shall "allocate among the States amounts sufficient to ensure that the percentage for each State of the total apportionment for the fiscal year equals or exceeds" the 95% minimum or the sparsely populated state percentage mentioned above. In addition, for the 95% share discretionary guarantee, in the House version, the Secretary is to allocate among the states amounts sufficient to ensure that when all of the allocations for the fiscal year have been identified each state's percentage will equal or exceed the percentage that is equal to 95% of the tax payments ratio (state estimated tax payments/all states' estimated tax payments). The bill authorizes "such sums as are necessary" to carry out the provision.[26]

The strength of the SHARE proposal for donor states is that it most fully addresses their preeminent desire for a 95% rate of return that covers the broadest scope of programs possible. For the unprotected donee states, its main weakness is their loss of share. Some observers might also argue that under SHARE the

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[25] This discussion is based on H.R. 2208. S. 1090 is similar except that it does not include a discretionary 95% guarantee.

[26] Intuitively, because the bill does not hold all donee states' shares harmless, one would expect the SHARE proposal to be less costly than TEA-LU (as reported) or SAFETEA (as passed), however this may or may not be the case. First, all other attributes held steady, the broader the programmatic scope of the MG the more costly its implementation. The SHARE proposal has a broader scope than either of the active legislative proposals. Second, the bill appears to still require a projection of total program size similar to that in TEA-21. This, combined with the ethanol tax revenue changes could, as with TEA-LU, lead to a larger or smaller program size than expected. The place it clearly saves money, however, in the unprotected donee state shares which are not held harmless. Although it appears that, under SHARE, donee states' dollar amounts would not drop below their TEA-21 levels, their shares would.

guaranteed rate of return is so high and all encompassing that it calls into question the rational for having a federal program and strengthens the arguments for "devolution" of the programs to the states.

Devolve the Highway Program to the States

One approach to the MG and donor-donee controversy that attracted attention during the debate prior to passage of TEA-21, but that has not garnered much interest in the current reauthorization debate, would be to simply devolve most of the federal highway program role to the states.[27] The Transportation Empowerment Act (H.R. 1470 and S. 1907, 105th Congress), sponsored by Senator Connie Mack of Florida and Representative John Kasich of Ohio, would have devolved much of the federal highway program role to the states.[28] Only a program for maintaining the Interstate System, federal lands highways, National Security Highways, Emergency Relief, and a proposed Infrastructure Special Assistance Fund would have remained federal. A four year phase out of 12 cents of the federal gas tax would have corresponded with the declining federal role. States would have had the option of replacing the declining federal taxes with gas tax increases of their own. States would then have had the freedom to spend, or not spend, on their own roads as they saw fit.

Although this proposal garnered some support from advocates of a reduced federal role in transportation, it did not obtain broad support from many governors, state legislatures, or State Departments of Transportation, many of whom were wary of the political implications of pushing large replacement gas tax increases through their state legislatures, and at the same time keeping these funds dedicated to transportation. Despite the failure of devolution proposals to be enacted, some would make the case that the closer the MG gets to 100% the more sense devolution to the states makes. They would argue that as the guaranteed rate of return increases the FHWA's simply becomes more like a tax collector for the states. The need for and efficiency of the federal government as middleman comes into question. At this time, however, there appears to be little interest at the state or federal level for any radical change in the federal role in the highway program.

Integrate the Guaranteed Rate of Return Into All Federal-Aid Highways Programs

If the assumption that the penultimate goal of federal-aid highway programs is to guarantee each state, say a 95% share rate of return, then one way to accomplish this would be to eliminate all other formula criteria and weight all the programs within the scope of the MG to provide each state with the percentage share of the program funds that would provide a 95% return on its share contributions to the HTF.

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[27] As mentioned previously, "devolution," during the 1990s, generally referred to the shifting of federal programmatic responsibility and funding resources to the states.

[28] Rep. Jeff Flake introduced a bill with similar attributes, H.R. 3113, the Transportation Empowerment Act, on September 17, 2003. The bill was referred to the House Subcommittee on Highways, Transit, and Pipelines on September 18, 2003. There has been no further action on the bill.

Congress would still authorize each program's dollar amount and the old core formula programs could still retain their program goals and requirements but the apportionment of program funds to the states would be strictly determined by each state's percent share of contributions to the HTF. Funding for allocated (discretionary) programs within the scope of MG could also be divided among the states based on 95% share of their shares of contributions to the HTF. In such a case, however, these funds would only be available for funding within each state's aggregate program allocations. The remaining 5% of revenues could be used to fund program administration, the Federal Lands Highways Program, Emergency Relief, and other small programs that do not lend themselves to a strict rate of return distribution.

This approach has advantages and disadvantages. The main advantage is that it would achieve the goal of a guaranteed percentage share return to the states without requiring an expensive MG program. There would be no separate MG program funding per se, since the rate of return minimum would be integrated into the individual programs. It would also have the advantage of simplicity over the existing MG program. Congress could set the size of the various programs without having to consider the impact on the core programs of the MG distributions.

On the other hand, such an option could limit the ability of the federal government to fund federal policy priorities. The program formulas that include such demographic and infrastructure characteristic factors as lane miles, vehicle miles traveled, diesel fuel used, cost to repair or replace deficient bridges, or weighted non-attainment and maintenance area population, are, at least in part, an attempt to direct federal funding where it is needed to fulfill the formulas' program goals. Some would also argue that basing federal funding distribution overwhelmingly on rate of return on payments to the HTF will lead to inefficiencies where states, for example, with relatively few deficient bridges could receive more bridge program funds than states with relatively more or states with no air quality non-attainment areas could get more CMAQ funding than some states with non-attainment areas. Perhaps the main disadvantage of basing all programs on a guaranteed rate of return is that it would doubtless be opposed by donee states who could not only see their shares reduced, but would, in some cases, actually see a reduction in dollars received under the federal programs.

Overarching Issues for Congress

Although much of the reauthorization debate has focused on the state by state estimates of funding flows under the various bills and amendment proposals, there are broad policy implications of the MG proposals, including the appropriate federal role vis-a-vis the states, program purpose, and possible implications for mass transit.

The Role of the Federal Government Vis-a-Vis the States

The federal-state partnership in surface transportation has been a fundamental element of federal highway policy since the passage of the Federal-Aid Road Act of

1916 (39 Stat. 355) although the nature and extent has changed over time.[29] Under the act funding was apportioned by formula to the state highway departments which were responsible for the construction and maintenance of the federal aid highways. The state and federal governments were seen as equal partners and this was, in part, the rationale for the 50% federal match for highway construction projects. With the passage of the Federal Highway and Revenue Acts of 1956 (70 Stat. 374 and 70 Stat 387), authorizations for the Interstate Highway System were greatly increased over a 13 year authorization. It also established the federal match for Interstate construction of 90%. The revenue title of the act established the HTF and raised the gas and other transportation taxes to support it. These taxes were to revert back to their original rates in FY1973, the estimated completion date for the interstate system.[30] However, although the obligations for the Interstate System as a percent of total trust funded obligations began to decline after 1967, increasing obligations for non-interstate highway programs more than made up for the difference. In addition, with the encouragement of the states as well as construction and other interest groups, the federal match for the major non-interstate programs was increased to 70% in 1970, to 75% in 1978, and to 80% in 1992. Over time the financial commitment has shifted away from the states and toward the federal government.[31]

While the federal financial role was increasing, states were pressing for increased flexibility to move their formula program apportionments among the other formula programs or to transit, thereby, significantly increasing state control over their spending choices under the Federal-Aid Highway programs (FAHP). The case can be made that by the enactment of TEA-21, while the federal financial role had increased significantly, through higher spending and increased federal share, the state control over spending decisions was also increasing. In addition, the MG distribution itself, which averaged roughly $6 billion per year during TEA-21, dilutes the impact of the program apportionment formula factors which were originally designed, at least in part, to help achieve federal program goals.

These trends, the enhanced federal financial role, increased state authority over spending decisions, as well as calls during the current reauthorization debate for a 95% MG rate of return on a wide scope of FAHP programs, raises policy questions. At what point does the federal role become so limited that converting the FAHP to a revenue sharing or block grant programs makes sense? Federal administrative, labor, and environmental requirements do add to most states' project costs. On the other hand, some would argue that despite state complaints concerning the costs of

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[29] See *Highway Assistance Programs: a Historical Perspective*, by Porter K. Wheeler. Washington, Congressional Budget Office. 1978. 86 p. See also archived CRS Report 91-12 E, *Matching Federal Aid for Highways: Rationale from Post Roads to Interstates*, by J.F. Hornbeck. 23 p.

[30] The fuel taxes were 2 cents per gallon prior to passage of the Federal Highway Revenue Act of 1956. The act raised the tax to 3 cents effective July 1, 1956. The tax was again raised in 1959 to 4 cents effective October 1, 1959.

[31] This is not to say that there is no cost to the states in participating in the Federal-Aid highway program. Federal administrative, labor, and environmental requirements add significant costs to federal highway projects in some states.

complying with the federal highway program requirements and donor state displeasure with their rates of return, the existing federal highway programs are still seen by many as serving a national purpose and continue to be very popular with most state departments of transportation.

Program Purpose and "Scope"

An issue which may be seen as being corollary to the federal role issue is whether a high rate of return percentage, such as 95%, coupled with a similarly broad program scope could constrain a federal programmatic response to federal needs as they arise. Some federal programs, such as the Federal Lands Highways programs, are accepted as being federal in nature and not lending themselves to equal distribution across 50 states. For some programs there is less of a consensus.[32]

Having a 95% guaranteed rate of return and a similar percentage scope would leave little room for targeted federal programs outside the MG. Given the combination of the impact of the MG distribution on apportionments and program flexibility that allows states to flex much of their core program funding among these programs or to transit, the case can be made that programs that are directed toward transportation infrastructure needs that are inherently federal in nature should be outside the scope of the MG. Perhaps an option would be to redefine scope in a way that only programs that serve what are clearly federal purposes could be outside the scope of the MG. These programs could be designated in law as being inherently federal. Any other programs whether formula or discretionary would be retained within the scope of the MG. The MG debate would then be focused on a more clearly defined concept of scope. Doing this would require a broad consensus among both donor and donee state Members of Congress. Donor states advocates would probably be concerned that programs defined as being federal in nature could add up over time to the detriment of donor state rates of return. The issue is whether the need for equity is greater than needs that are inherently federal.

Good for the Gander: a Minimum Guarantee for Transit?

Although the minimum guarantee/equity remedy debate during the current surface transportation reauthorization debate in Congress has focused exclusively on a guaranteed rate of return on payments to the highway account, some have argued that a similar guarantee should be applied to payments to the mass transit account of

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[32] The issue of scope came up during the TEA-LU floor debate on the unsuccessful Isakson amendment concerning the impact of including the proposed Projects of National and Regional Significance program within the scope of the MG. Also referred to as "Mega," this program would fund very large projects costing over $500 million or the equivalent of 75% of a state's annual total program apportionment to address transportation problem areas that would lead to regional or national transportation improvements. The Amendment, by including the Mega projects within the scope of the MG, would in effect have reduced the MG apportionments of the state which received the Mega project funding. This would reduce the attractiveness of such targeted federal programs to the states as well as diluting the impact of the program. By leaving it out of the scope of the MG, the state or states getting the grant would receive it as additional funding. See *Congressional Record*. V. 150, April 2, 2004. P. H2070-H2080.

the HTF.[33] The mass transit account is credited with the revenues from 2.86 cents of federal fuel taxes. Roughly 80% of the Federal Transit Administration's funding comes from the mass transit account, the remaining funding is provided by treasury general funds. The distribution of nearly all of these funds is by formula and by earmark from the federal government to the individual transit authorities (i.e., it differs from the highway programs which are funded through the state DOTs). From a state perspective, the program set up tends to favor states that have large cities with existing fixed guideway type transit systems (heavy rail, light rail, dedicated bus lanes). Rural states and states with bus dependent transit tend to get less. The top five states receiving federal transit funding (as of FY2002), California, New York, New Jersey, Illinois, and Texas, received over 49% of total transit obligations. Some transit donor states see their tax payments as subsidizing the urbanized states and argue that they have transit needs themselves that are unmet. They also argue that FTA programs unfairly underfund bus-only transit systems and that the need for public transportation in rural areas is mostly ignored by the current funding distribution.

Supporters of the FTA programs can make a number of arguments in defense of the uneven geographic distribution of transit funding. The main argument is one of program national purpose. Under the statement of policies, findings, and purposes in 49 U.S.C. 1501, the focus is clearly on urban mass transportation with a goal to "efficiently maximize mobility of individuals and goods in and through urbanized areas and minimize transportation-related fuel consumption and air pollution." For transit systems to be efficient they need to serve areas of concentrated population. A mass transit 95% guaranteed rate of return would shift large amounts of funding to less densely populated areas where the number of people served would be low and the costs per passenger mile would be high (i.e. would lead to inefficiencies). Some would also argue that the support for a transit minimum guarantee is really based on the assumption by states that they could flex a significant portion of their transit funding to highway programs. Transit donee states may argue that a transit guaranteed rate of return would punish the urban areas that have taken the initiative to build, in some cases before significant federal funding was available, transit systems that are in line with federal policy goals of enhancing urban mobility, reducing fuel consumption, and improving air quality. Finally, transit interests argue that the role of cities as economic centers means that urban mobility benefits not just the cities but the nation as a whole.

The transit minimum guarantee debate has not garnered wide-spread public support during the current reauthorization cycle but, especially should a 95% guarantee for highway programs be enacted , it would not be surprising for some form of transit equity provision to be at issue in the next reauthorization cycle. The

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[33] For an example of state support of a 95% share guarantee for transit, see [http://www.michigan.gov/documents/ReauthorizationBasicsWashington3_7_59563_7.ppt] The State Highway Alliance for Real Equity (SHARE) has distanced itself from advocates of a transit guarantee and has a policy statement on its website [http://www.sharestates.org]: "The SHARE Coalition and its predecessors have been organized over the last twenty years in an effort to improve their rate of return in the highway program funds. SHARE specifically focuses on the highway program and has made a deliberate decision not to address transit equity issues."

big losers would be California and New York. Interestingly, some states that are highway program donor states are major beneficiaries of the transit program. For example, should California and New Jersey support the 95% return on payments to the highway account of the HTF, they could be in the position of having to oppose a transit minimum guarantee or risk a loss of much more transit funding than they gained through the highway program guarantee. In addition, such a major shift in funding would probably require a major rewriting of the federal transit programs for the programs to make sense as a whole. It would also overturn what many see as the great compromise of 1982 under which the transit account of the HTF was created and funded with 1 cent of the fuel tax increase in the bill. Transit dependent states supported an expanded highway program in return.

Appendix I: How the TEA-21 Minimum Guarantee is Calculated

The TEA-21 MG is calculated using a multi-step process. The program guarantees that each state's *share of the sum of the apportionments* of the programs under the MG umbrella will be at least *90.5% of its share of payments* to the highway account of the HTF. This requirement, however, must be met while at the same time fulfilling the two other parts of the guarantee, the guaranteed base share and the $1 million minimum state payment. TEA-21 required that the guaranteed return on contributions to the HTF be based on data estimated for the most recent fiscal year for which state-by state payment data are available. For the FY2003 MG calculation, the most recent year for which data was available was FY2001.

The following discussion describes these steps and provides the step by step results for three "states," Arizona, the District of Columbia (DC), and Pennsylvania. The full FHWA calculation tables for FY2003 are reproduced in Appendix II.[34] An understanding of the process and peculiarities of the calculation process are key to understanding some of the MG policy options discussed in this report. Each step is begun with a summary sentence or paragraph followed by a more detailed technical description.

Step 1: Determine the minimum State Share of Apportionments Each State Must Receive to meet the 90.5% guaranteed return on its payments to the HTF. The estimated state payments for each state are divided by the contributions (i.e. payments to the HTF) made by all states to produce each state's percent share of total contributions. These state shares of total contributions are then multiplied by 90.5% to determine each state's minimum percentage share of apportionments and high priority project allocations it must receive.

Table 1: MG Calculation Step 1

State	FY2001 Highway Account Contributions ($000) (1)	State Share of Total Contributions (2)	90.5% of State Share of Contributions (3)
Arizona	505,219	1.8770%	1.6987%
Dist. of Columbia	30,960	0.1150%	0.1041%
Pennsylvania	1,084,084	4.0277%	3.6451%
Total for all states	26,915,773	100%	90.5%

[34] This discussion is based on FY2003 MG calculation tables produced by FHWA. These tables are used for instructional purposes by FHWA and are reproduced in Appendix II of this report. No adjustment has been made for the 0.65% across-the-board rescission imposed in P.L. 108-7.

Step 2: Compare base share from table in Sec. 1104 of TEA-21 to 90.5% of state share calculated in step 1 to determine if adjustment is needed. If the TEA-21 base share from the table in 23 U.S.C. 105(b) is lower than the share (calculated in step 1) required to guarantee a 90.5% return, **Table 2** identifies which states' shares must be increased to assure each state's return on their contributions.[35]

Table 2: MG Calculation Step 2

State	Base Shares Specified in TEA-21 (Sec. 1104) (1)	90.5% of State Share of Total Contributions (2)	Is Increase Needed to Provide at Least a 90.5% Return (3)
Arizona	1.5581%	1.6978%	Yes
Dist. of Columbia	0.3956%	0.1041	No
Pennsylvania	4.9887	3.6451	No
Total for all states	100%	90.5%	(9 of 50 states) Yes

Steps 3-5: raise adjustments to sec. 1104 base shares where necessary to guarantee a 90.5% return and squeeze down other state base shares so total equals 100%. For FY2003 a sequence of three adjustments were required to bring all states base shares up to 90.5%, to squeeze down the other state shares, and to obtain a 100% total for all state shares (for detail, see Appendix II steps 3 through 5). **Table 3** (Step 6) sets forth the revised state shares.

Step 6: check results of previous adjustment rounds and display final return on highway account contributions for each state. This step verifies that the repeated process of raising low shares up to 90.5% and the squeezing down of other state shares is complete (column (1) showing the sec. 1104 base shares has been added for comparison). As set forth in the **Table 3**, column 2, the "Revised Shares for all States" are the shares that will be used to calculate the MG. Column 3 shows the percent share necessary to guarantee 90.5%. Column 5 computes the final return on HTF contributions by dividing the revised share from column 2 by the state share of total contributions from step 1 column 2.

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[35] TEA-21 sec. 1104 also limited the initial base share adjustment to states that received a 90.5% return in 1998. This has been left out of this discussion for simplicity's sake and because later adjustments prevent these states from being penalized by the provision.

Table 3: MG Calculation Step 6

State	Original Sec. 1104 Base Share (1)	Revised Share for All States (used to calculate MG) (2)	90.5% of State Share of Contribut-ions (3)	Any States Revised Shares Below 90.5% (4)	Final Return on Highway Account Contribut-ions (5)
Arizona	1.5581%	1.6987%	1.6987%	No	90.5%
Dist. Of Columbia	0.3956%	0.3860%	0.1041%	No	335.5%
Pennsylvania	4.9887%	4.8671%	3.6451%	No	120.8%
Total for all States	100%	100%	90.5%		

As **Table 3** shows, Arizona's base share has increased to assure that its final return on HTF contributions meets the 90.5% share minimum guarantee. At the same time DC and Pennsylvania's shares have been squeezed down but still maintain a return of well over 100%.

Keep in mind that, at this point in the process, no dollar amounts have been introduced since step 1. All the adjusting has been the adjusting of share percentages, not dollars.

Step 7: Determine the Program Level. Step 7 may be the most confusing of all the steps. In simple terms, because no money apportioned may be taken back, the only way to meet all states guaranteed apportionment shares (determined in step 6) is to increase the national total for all programs under the MG umbrella. The required program size to meet each states percent share is projected and the largest amount needed to meet any state's share becomes the total program level.

In more detail, the MG, as mentioned earlier, requires that the states' share of apportionments of the total apportionments for the programs listed in Sec. 1104 (IM, NHS, STP, HBRR, CMAQ, ADHS, Recreational Trails, Metropolitan Planning, HPP, and the MG itself) will be the final revised share, set forth in step 6. It also provides that no state shall receive less than $1 million annually. Step 7 begins, in column 1 (see **Table 4** below), with the state-by-state formula driven program apportionment totals plus HPP funding. Each state is then given the $1 million minimum amount (column 2). These total dollar amounts (column 3) may not be taken away from any state. This means that the only way to achieve the percent share set forth in column 4 is to set the national total based on the state that would need the largest downward share adjustment.

Under TEA-21 this "state" has been DC. DC's total program level in column 3, $107,154,552, is 0.4965% of the column's national total of $21,592,143,690. DC's MG percent share is supposed to be 0.3860%. In other words, DC's share must be reduced from 0.4965% to 0.3860% without taking any money away from DC. The only way to do this is to expand the total program to the level that will reduce DC's share to 0.3860%. FHWA calculates that for FY2003 the program needs to be $27.763 billion.

Table 4: MG Calculation Step 7

State	Sum of All Apportion-ments (before MG) and High Priority Projects (1)	Add Minimum MG Amount of $1 Million (2)	Total (Add first and second columns) (3)	Percent Share (4)	Program Size (including MG needed to provide state shares) (Col. 3/Col. 4) (5)
Arizona	316,379,875	1,000,000	317,379,875	1.6987%	18,683,489,297
Dist. Of Columbia	106,154,552	1,000,000	107,154,552	0.3860%	27,763,290,761
Pennsylvania	1,171,973,757	1,000,000	1,172,973,757	4.8671%	24,100,025,780
Total for all States	21,541,143,690	51,000,000	21,592,143,690	100.000%	

Note: totals may not compute due to rounding.

Step 8: Calculate MG Apportionments to Reach National and State Program Size Targets. Basically, this step uses the final percent share for each state determined in step six to calculate each state's dollar share of the $27.763 billion national program. From these state dollar totals the sum of each state's total apportionments and HPP funds (column 1 in step 7) is subtracted. The result is the MG apportionment for each state and for the MG program as a whole.

Table 5: MG Calculation Step 8

State	Percent Share from Step 6 (1)	State Share of Target Program Size (2)	Sum of all previous Apportion-ments and HPP (3)	Minimum Guarantee Apportion-ment Col 2 - Col 3 (4)
Arizona	1.6987%	471,620,135	316,379,875	155,240,260
District of Columbia	0.3860%	107,154,552	106,154,552	1,000,000
Pennsylvania	4.8671%	1,351,268,739	1,171,973,757	179,294,982
Total	100.0000%	27,763,290,761	21,541,143,690	6,222,147,071

Note: MG apportionment totals do not reflect the 0.65% across the board reduction required by P.L. 108-7. Further steps reduce the MG apportionment by 2% for state planning and research as well as determining the base and "remainder" distribution amounts. Totals may not calculate due to rounding.

The complexity of the MG calculations is a result of FHWA's successful attempt to meet the requirements of the MG statute. The process reconciles two requirements of the law that are, at face value, seemingly contradictory: that donor states should get increased shares while donee state shares, for the most part, are to be held harmless. Under TEA-21 these seemingly contradictory requirements were resolved by the process of increasing the total program size. This worked under TEA-21 because there was, as mentioned earlier, an increase in available gas tax revenues supporting the HTF. This is not the situation in the current reauthorization environment making it probable that the TEA-21 MG structure will need to be significantly altered or replaced, if the guaranteed rate of return is to be increased.

Appendix II: FHWA's FY2003 MG Calculation Tables

Step 1 - Determine share needed to provide guaranteed return on contributions.

State	FY2001 Highway Account Contributions ($000)	State Share of Total Contributions	90.5 % of State Share of Contributions (col. (2) x 90.5%)
	-1-	-2-	-3-
Alabama	530,211	1.9699%	1.7828%
Alaska	55,149	0.2049%	0.1854%
Arizona	505,219	1.8770%	1.6987%
Arkansas	358,046	1.3302%	1.2039%
California	2,774,089	10.3066%	9.3274%
Colorado	381,643	1.4179%	1.2832%
Connecticut	279,414	1.0381%	0.9395%
Delaware	69,877	0.2596%	0.2350%
Dist. of Col.	30,960	0.1150%	0.1041%
Florida	1,420,379	5.2771%	4.7758%
Georgia	1,051,012	3.9048%	3.5339%
Hawaii	65,214	0.2423%	0.2193%
Idaho	150,304	0.5584%	0.5054%
Illinois	954,519	3.5463%	3.2094%
Indiana	678,256	2.5199%	2.2805%
Iowa	298,853	1.1103%	1.0048%
Kansas	287,634	1.0686%	0.9671%
Kentucky	516,121	1.9175%	1.7354%
Louisiana	471,684	1.7524%	1.5860%
Maine	145,885	0.5420%	0.4905%
Maryland	483,282	1.7955%	1.6250%
Massachusetts	506,099	1.8803%	1.7017%
Michigan	908,223	3.3743%	3.0538%
Minnesota	403,413	1.4988%	1.3564%
Mississippi	360,319	1.3387%	1.2115%
Missouri	677,349	2.5166%	2.2775%
Montana	119,374	0.4435%	0.4014%
Nebraska	199,332	0.7406%	0.6702%
Nevada	194,606	0.7230%	0.6543%
New Hampshire	123,203	0.4577%	0.4143%
New Jersey	784,934	2.9163%	2.6392%
New Mexico	240,784	0.8946%	0.8096%
New York	1,085,665	4.0336%	3.6504%
North Carolina	832,487	3.0929%	2.7991%
North Dakota	84,669	0.3146%	0.2847%
Ohio	1,011,436	3.7578%	3.4008%
Oklahoma	451,040	1.6757%	1.5166%
Oregon	323,878	1.2033%	1.0890%
Pennsylvania	1,084,084	4.0277%	3.6451%
Rhode Island	72,226	0.2683%	0.2428%
South Carolina	489,539	1.8188%	1.6460%
South Dakota	86,785	0.3224%	0.2918%
Tennessee	658,017	2.4447%	2.2125%
Texas	2,328,273	8.6502%	7.8284%
Utah	223,770	0.8314%	0.7524%
Vermont	65,479	0.2433%	0.2202%
Virginia	746,594	2.7738%	2.5103%
Washington	513,692	1.9085%	1.7272%
West Virginia	187,696	0.6973%	0.6311%
Wisconsin	508,343	1.8886%	1.7092%
Wyoming	136,713	0.5079%	0.4597%
Total	26,915,773	100.0000%	90.5000%

The MG provision guarantees that each State's Interstate Maintenance, National Highway System, Surface Transportation Program, Highway Bridge Rehabilitation and Replacement, Congestion Mitigation and Air Quality Improvement, Recreational Trails, Appalachian Development Highway System, Metro Planning, and the Minimum Guarantee itself, along with high priority projects (excluding #1818-1849) will be at least 90.5% of its share of Highway Account contributions (hereafter referred to as the 90.5% return). In this step we determine the minimum share of the apportionments (including MG) and high priority projects that a State must receive to meet the guaranteed 90.5% return on its Highway Account contributions.

a. This computation is based on estimated contributions for the latest fiscal for which data are available. For the FY2003 Minimum Guarantee calculations, FY2001 Highway Account contributions are used. The FY2001 contributions are shown in column (1).

b. In column (2) we determine what share of the total Highway Account contributions came from each State by dividing each State's contributions by the national total.

c. Since the guarantee promises only a 90.5% return on each State's share of Highway Account contributions, we multiply the share of contributions in column (2) by 90.5%. The result is shown in column (3).

No State will receive less than the percentage shown in column (3) of the specified apportionments (including MG) and high priority project allocations.

Step 2 - Compare share provided in § 1104 to minimum share needed to guarantee 90.5% return and determine if initial adjustment is needed.

State	Base Shares Specified in § 1104	90.5 % of State Share of Contributions (Step 1, col. (3))	Is Increased Share Needed to Provide at Least 90.5% Return? (col. (1) < col. (2))	Is State Eligible for Initial Adjustment? (1998 Return = 90.5%)
	-1-	-2-	-3-	-4-
Alabama	2.0269%	1.7828%		
Alaska	1.1915%	0.1854%		
Arizona	1.5581%	1.6987%	Yes	Yes
Arkansas	1.3214%	1.2039%		
California	9.1962%	9.3274%	Yes	Yes
Colorado	1.1673%	1.2832%	Yes	
Connecticut	1.5186%	0.9395%		
Delaware	0.4424%	0.2350%		
Dist. of Col.	0.3956%	0.1041%		
Florida	4.6176%	4.7758%	Yes	Yes
Georgia	3.5104%	3.5339%	Yes	Yes
Hawaii	0.5177%	0.2193%		
Idaho	0.7718%	0.5054%		
Illinois	3.3819%	3.2094%		
Indiana	2.3588%	2.2805%		Yes
Iowa	1.2020%	1.0048%		
Kansas	1.1717%	0.9671%		
Kentucky	1.7365%	1.7354%		Yes
Louisiana	1.5900%	1.5860%		
Maine	0.5263%	0.4905%		
Maryland	1.5087%	1.6250%	Yes	Yes
Massachusetts	1.8638%	1.7017%		
Michigan	3.1535%	3.0538%		Yes
Minnesota	1.4993%	1.3564%		
Mississippi	1.2186%	1.2115%		
Missouri	2.3615%	2.2775%		
Montana	0.9929%	0.4014%		
Nebraska	0.7768%	0.6702%		
Nevada	0.7248%	0.6543%		
New Hampshire	0.5163%	0.4143%		
New Jersey	2.5816%	2.6392%	Yes	
New Mexico	0.9884%	0.8096%		
New York	5.1628%	3.6504%		
North Carolina	2.8298%	2.7991%		Yes
North Dakota	0.6553%	0.2847%		
Ohio	3.4257%	3.4008%		Yes
Oklahoma	1.5419%	1.5166%		
Oregon	1.2183%	1.0890%		
Pennsylvania	4.9887%	3.6451%		
Rhode Island	0.5958%	0.2428%		
South Carolina	1.5910%	1.6460%	Yes	Yes
South Dakota	0.7149%	0.2918%		
Tennessee	2.2646%	2.2125%		Yes
Texas	7.2131%	7.8284%	Yes	Yes
Utah	0.7831%	0.7524%		
Vermont	0.4573%	0.2202%		
Virginia	2.5627%	2.5103%		Yes
Washington	1.7875%	1.7272%		
West Virginia	1.1319%	0.6311%		
Wisconsin	1.9916%	1.7092%		
Wyoming	0.6951%	0.4597%		
Total	100.00%	90.5000%	9	14

Section 1104 provides base State shares, but requires that they be adjusted to ensure that each State receives the 90.5% return on its share of Highway Account contributions. In this step, we identify which need their starting shares from §1104 increased to ensure their return on their contributions.

a. Column (1) shows the base State shares from §1104,

b. Column (2) shows the minimum share required for each State to meet the guarantee of a 90.5% return. These are the result of Step 1 and are the percentages shown in column (3) on the previous page.

c. Column (3) identifies States that need an increase in the base share from §1104 to receive the guaranteed 90.5% return. A State needs an increase if its percentage from §1104 column (1) is less than the share determined in Step 1 (shown in column (2)).

d. Under a provision in TEA-21 § 1104, States are eligible for an initial increase to their base share to provide the 90.5% return only if they received the minimum return for FY1998. Column (4) shows the States that received a 90.5 percent return for FY1998. States not eligible in the initial round of adjustments are NOT penalized by this provision. Watch the subsequent steps for Colorado to see how this plays out.

States with a "Yes" in both columns (3) and (4) will have their base shares increased to ensure the guaranteed 90.5% return on their share of Highway Account contributions. Seven States will be adjusted.

Step 3 - Make initial adjustments, as needed, to base shares from §1104 to guarantee 90.5% return and adjust shares of other States so total remains 100%.

State	Base Shares in §1104	90.5 % of State Share of Contributions (Step 1, col. (3))	Initial Revised Shares Raise share to 90.5% Level for Eligible States (from col. (2))	Unadjusted Base Shares for Remaining States	Reduced Base Shares on Other States to Keep Total at 100%	Revised Shares for All States (from cols. (3) & (5))
	-1-	-2-	-3-	-4-	-5-	-6-
Alabama	2.0269%	1.7828%		2.0269%	1.9914%	1.9914%
Alaska	1.1915%	0.1854%		1.1915%	1.1706%	1.1706%
Arizona	1.5581%	1.6987%	1.6987%			1.6987%
Arkansas	1.3214%	1.2039%		1.3214%	1.2983%	1.2983%
California	9.1962%	9.3274%	9.3274%			9.3274%
Colorado	1.1673%	1.2832%		1.1673%	1.1469%	1.1469%
Connecticut	1.5186%	0.9395%		1.5186%	1.4920%	1.4920%
Delaware	0.4424%	0.2350%		0.4424%	0.4347%	0.4347%
Dist. of Col.	0.3956%	0.1041%		0.3956%	0.3887%	0.3887%
Florida	4.6176%	4.7758%	4.7758%			4.7758%
Georgia	3.5104%	3.5339%	3.5339%			3.5339%
Hawaii	0.5177%	0.2193%		0.5177%	0.5086%	0.5086%
Idaho	0.7718%	0.5054%		0.7718%	0.7583%	0.7583%
Illinois	3.3819%	3.2094%		3.3819%	3.3227%	3.3227%
Indiana	2.3588%	2.2805%		2.3588%	2.3175%	2.3175%
Iowa	1.2020%	1.0048%		1.2020%	1.1809%	1.1809%
Kansas	1.1717%	0.9671%		1.1717%	1.1512%	1.1512%
Kentucky	1.7365%	1.7354%		1.7365%	1.7061%	1.7061%
Louisiana	1.5900%	1.5860%		1.5900%	1.5622%	1.5622%
Maine	0.5263%	0.4905%		0.5263%	0.5171%	0.5171%
Maryland	1.5087%	1.6250%	1.6250%			1.6250%
Massachusetts	1.8638%	1.7017%		1.8638%	1.8312%	1.8312%
Michigan	3.1535%	3.0538%		3.1535%	3.0983%	3.0983%
Minnesota	1.4993%	1.3564%		1.4993%	1.4730%	1.4730%
Mississippi	1.2186%	1.2115%		1.2186%	1.1973%	1.1973%
Missouri	2.3615%	2.2775%		2.3615%	2.3201%	2.3201%
Montana	0.9929%	0.4014%		0.9929%	0.9755%	0.9755%
Nebraska	0.7768%	0.6702%		0.7768%	0.7632%	0.7632%
Nevada	0.7248%	0.6543%		0.7248%	0.7121%	0.7121%
New Hampshire	0.5163%	0.4143%		0.5163%	0.5073%	0.5073%
New Jersey	2.5816%	2.6392%		2.5816%	2.5364%	2.5364%
New Mexico	0.9884%	0.8096%		0.9884%	0.9711%	0.9711%
New York	5.1628%	3.6504%		5.1628%	5.0724%	5.0724%
North Carolina	2.8298%	2.7991%		2.8298%	2.7802%	2.7802%
North Dakota	0.6553%	0.2847%		0.6553%	0.6438%	0.6438%
Ohio	3.4257%	3.4008%		3.4257%	3.3657%	3.3657%
Oklahoma	1.5419%	1.5166%		1.5419%	1.5149%	1.5149%
Oregon	1.2183%	1.0890%		1.2183%	1.1970%	1.1970%
Pennsylvania	4.9887%	3.6451%		4.9887%	4.9013%	4.9013%
Rhode Island	0.5958%	0.2428%		0.5958%	0.5854%	0.5854%
South Carolina	1.5910%	1.6460%	1.6460%			1.6460%
South Dakota	0.7149%	0.2918%		0.7149%	0.7024%	0.7024%
Tennessee	2.2646%	2.2125%		2.2646%	2.2249%	2.2249%
Texas	7.2131%	7.8284%	7.8284%			7.8284%
Utah	0.7831%	0.7524%		0.7831%	0.7694%	0.7694%
Vermont	0.4573%	0.2202%		0.4573%	0.4493%	0.4493%
Virginia	2.5627%	2.5103%		2.5627%	2.5178%	2.5178%
Washington	1.7875%	1.7272%		1.7875%	1.7562%	1.7562%
West Virginia	1.1319%	0.6311%		1.1319%	1.1121%	1.1121%
Wisconsin	1.9916%	1.7092%		1.9916%	1.9567%	1.9567%
Wyoming	0.6951%	0.4597%		0.6951%	0.6829%	0.6829%
Total	100.00%	90.5000%	30.4352%	70.8049%	69.5648%	100.0000%

Sum of col.(3) and col. (4)==> 101.2401%

States whose base shares from §1104 do not yield the 90.5% guaranteed return AND which are eligible for the initial adjustment, that is, States with a Yes in columns (3) and (4) in Step 2, will receive the necessary increase to their base shares. The base shares of all remaining States will be adjusted proportionately downward so that the total of the adjusted shares is 100%.

a. Column (3) shows each State needing and eligible for an increase receiving the minimum share necessary to guarantee the 90.5% return. These are the shares developed in Step 1 and are shown in column (2) for convenience. The sum of the shares in column (3) is 30.4352%

b. Column (4) shows the remainder of the States receiving the base shares from §1104. Just under the table is shown the sum of columns (3) and (4). As expected, the percentages now add to more than 100%.

c. Column (5) shows the shares for the remaining States after their base shares have been adjusted so the sum of the revised shares is 100%. The shares have been proportionally reduced so that the sum of the shares for these States is reduced to 69.5648% — the difference between 100% and the amount reserved for the increases to the States shown in column (3).

d. Column (6) shows the revised shares for all States. The entries come from column (3) for the 7 States that received adjustments to get the 90.5% return and from column (5) for the remaining States.

Step 4 - Check results of initial adjustment process (Step 3). If any States are receiving less than the 90.5% guarantee, increase their shares to the 90.5% return level and adjust shares of other States so total remains 100%.

State	Revised Shares for All States (Step 3, col. (6))	90.5 % of State Share of Contributions (Step 1, col. (3))	Any States Below 90.5% Level? (col. (1) < col. (2))	Second Round of Share Adjustments: Shares Raised to 90.5% Level	Unadjusted Shares for Remaining States	Reduced Shares on Other States to Keep Total at 100%	Revised Shares Round 2 (from cols. (4) & (6))
	-1-	-2-	-3-	-4-	-5-	-6-	-7-
Alabama	1.9914%	1.7828%			1.9914%	1.9780%	1.9780%
Alaska	1.1706%	0.1854%			1.1706%	1.1627%	1.1627%
Arizona	1.6987%	1.6987%		*1.6987%*			1.6987%
Arkansas	1.2983%	1.2039%			1.2983%	1.2895%	1.2895%
California	9.3274%	9.3274%		*9.3274%*			9.3274%
Colorado	1.1469%	1.2832%	Yes	1.2832%			1.2832%
Connecticut	1.4920%	0.9395%			1.4920%	1.4820%	1.4820%
Delaware	0.4347%	0.2350%			0.4347%	0.4317%	0.4317%
Dist. of Col.	0.3887%	0.1041%			0.3887%	0.3861%	0.3861%
Florida	4.7758%	4.7758%		*4.7758%*			4.7758%
Georgia	3.5339%	3.5339%		*3.5339%*			3.5339%
Hawaii	0.5086%	0.2193%			0.5086%	0.5052%	0.5052%
Idaho	0.7583%	0.5054%			0.7583%	0.7532%	0.7532%
Illinois	3.3227%	3.2094%			3.3227%	3.3003%	3.3003%
Indiana	2.3175%	2.2805%			2.3175%	2.3019%	2.3019%
Iowa	1.1809%	1.0048%			1.1809%	1.1730%	1.1730%
Kansas	1.1512%	0.9671%			1.1512%	1.1434%	1.1434%
Kentucky	1.7061%	1.7354%	Yes	1.7354%			1.7354%
Louisiana	1.5622%	1.5860%	Yes	1.5860%			1.5860%
Maine	0.5171%	0.4905%			0.5171%	0.5136%	0.5136%
Maryland	1.6250%	1.6250%		*1.6250%*			1.6250%
Massachusetts	1.8312%	1.7017%			1.8312%	1.8188%	1.8188%
Michigan	3.0983%	3.0538%			3.0983%	3.0774%	3.0774%
Minnesota	1.4730%	1.3564%			1.4730%	1.4631%	1.4631%
Mississippi	1.1973%	1.2115%	Yes	1.2115%			1.2115%
Missouri	2.3201%	2.2775%			2.3201%	2.3045%	2.3045%
Montana	0.9755%	0.4014%			0.9755%	0.9689%	0.9689%
Nebraska	0.7632%	0.6702%			0.7632%	0.7581%	0.7581%
Nevada	0.7121%	0.6543%			0.7121%	0.7073%	0.7073%
New Hampshire	0.5073%	0.4143%			0.5073%	0.5038%	0.5038%
New Jersey	2.5364%	2.6392%	Yes	2.6392%			2.6392%
New Mexico	0.9711%	0.8096%			0.9711%	0.9645%	0.9645%
New York	5.0724%	3.6504%			5.0724%	5.0382%	5.0382%
North Carolina	2.7802%	2.7991%	Yes	2.7991%			2.7991%
North Dakota	0.6438%	0.2847%			0.6438%	0.6395%	0.6395%
Ohio	3.3657%	3.4008%	Yes	3.4008%			3.4008%
Oklahoma	1.5149%	1.5166%	Yes	1.5166%			1.5166%
Oregon	1.1970%	1.0890%			1.1970%	1.1889%	1.1889%
Pennsylvania	4.9013%	3.6451%			4.9013%	4.8683%	4.8683%
Rhode Island	0.5854%	0.2428%			0.5854%	0.5814%	0.5814%
South Carolina	1.6460%	1.6460%		*1.6460%*			1.6460%
South Dakota	0.7024%	0.2918%			0.7024%	0.6976%	0.6976%
Tennessee	2.2249%	2.2125%			2.2249%	2.2099%	2.2099%
Texas	7.8284%	7.8284%		*7.8284%*			7.8284%
Utah	0.7694%	0.7524%			0.7694%	0.7642%	0.7642%
Vermont	0.4493%	0.2202%			0.4493%	0.4463%	0.4463%
Virginia	2.5178%	2.5103%			2.5178%	2.5009%	2.5009%
Washington	1.7562%	1.7272%			1.7562%	1.7444%	1.7444%
West Virginia	1.1121%	0.6311%			1.1121%	1.1046%	1.1046%
Wisconsin	1.9567%	1.7092%			1.9567%	1.9435%	1.9435%
Wyoming	0.6829%	0.4597%			0.6829%	0.6783%	0.6783%
Total	100.00%	90.5000%	8	46.6069%	53.7552%	53.3931%	100.0000%

Sum of col. (4) and Col. (5) = 100.3622%

There are two reasons that a State might be below the 90.5% return level after the initial adjustments. (1) Some States, Colorado for example, needed an adjustment from the beginning of the process but were not eligible for the initial adjustment because their 1998 return was above 90.5%. (2) The downward adjustments made in Step 3 to bring the total shares back to 100% may have reduced the share of a State whose initial base share from §1104 had been high enough to an amount below the 90.5% return level. Kentucky is an example of this situation.

a. Column (1) shows the initial revised shares from Step 3.

b. Column (2) shows the share (determined in Step 1) necessary to provide the guaranteed 90.5% return.

c. Column (3) identifies the States whose shares are below the minimum. Kentucky's, Louisiana's, Mississippi's, North Carolina's, Ohio's, and Oklahoma's returns at the beginning of the adjustment process were above the minimum, but dropped below the minimum during the adjustment. The other two States, Colorado and New Jersey were already below the minimum at the beginning. They were prevented from getting adjustments in the initial round by the requirement that initial adjustments go only to States whose FY1998 returns were at the 90.5% minimum level.

d. Column (4) shows the shares raised for for the 8 States that were below the minimum after the initial round of adjustments. It also shows, in italics, the shares for the States whose shares were raised in the initial round. These States must have their shares held constant or they will fall below the 90.5% return they achieved in the initial round.

e. Columns (5) and (6) show the adjustment of the shares of the remaining States so that the sum of the shares will be 100%,

Step 5 - Check results of second adjustment process (Step 4). If any States are receiving less than the 90.5% guarantee, increase their shares to the 90.5% return level and adjust shares of other States so total remains 100%.

State	Revised Shares for All States (Step 4, col. (7))	90.5 % of State Share of Contributions (Step 1, col. (3))	Any States Below 90.5% Level? (col. (1) < col. (2))	Third Round of Share Adjustments: Shares Raised to 90.5% Level	Unadjusted Shares for Remaining States	Reduced Shares on Other States to Keep Total at 100%	Revised Shares Round 3 (from cols. (4) & (6))
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Alabama	1.9780%	1.7828%			1.9780%	1.9775%	1.9775%
Alaska	1.1627%	0.1854%			1.1627%	1.1625%	1.1625%
Arizona	1.6987%	1.6987%		*1.6987%*			1.6987%
Arkansas	1.2895%	1.2039%			1.2895%	1.2892%	1.2892%
California	9.3274%	9.3274%		*9.3274%*			9.3274%
Colorado	1.2832%	1.2832%		*1.2832%*			1.2832%
Connecticut	1.4820%	0.9395%			1.4820%	1.4816%	1.4816%
Delaware	0.4317%	0.2350%			0.4317%	0.4316%	0.4316%
Dist. of Col.	0.3861%	0.1041%			0.3861%	0.3860%	0.3860%
Florida	4.7758%	4.7758%		*4.7758%*			4.7758%
Georgia	3.5339%	3.5339%		*3.5339%*			3.5339%
Hawaii	0.5052%	0.2193%			0.5052%	0.5051%	0.5051%
Idaho	0.7532%	0.5054%			0.7532%	0.7530%	0.7530%
Illinois	3.3003%	3.2094%			3.3003%	3.2995%	3.2995%
Indiana	2.3019%	2.2805%			2.3019%	2.3013%	2.3013%
Iowa	1.1730%	1.0048%			1.1730%	1.1727%	1.1727%
Kansas	1.1434%	0.9671%			1.1434%	1.1431%	1.1431%
Kentucky	1.7354%	1.7354%		*1.7354%*			1.7354%
Louisiana	1.5860%	1.5860%		*1.5860%*			1.5860%
Maine	0.5136%	0.4905%			0.5136%	0.5135%	0.5135%
Maryland	1.6250%	1.6250%		*1.6250%*			1.6250%
Massachusetts	1.8188%	1.7017%			1.8188%	1.8184%	1.8184%
Michigan	3.0774%	3.0538%			3.0774%	3.0766%	3.0766%
Minnesota	1.4631%	1.3564%			1.4631%	1.4628%	1.4628%
Mississippi	1.2115%	1.2115%		*1.2115%*			1.2115%
Missouri	2.3045%	2.2775%			2.3045%	2.3039%	2.3039%
Montana	0.9689%	0.4014%			0.9689%	0.9687%	0.9687%
Nebraska	0.7581%	0.6702%			0.7581%	0.7579%	0.7579%
Nevada	0.7073%	0.6543%			0.7073%	0.7071%	0.7071%
New Hampshire	0.5038%	0.4143%			0.5038%	0.5037%	0.5037%
New Jersey	2.6392%	2.6392%		*2.6392%*			2.6392%
New Mexico	0.9645%	0.8096%			0.9645%	0.9643%	0.9643%
New York	5.0382%	3.6504%			5.0382%	5.0370%	5.0370%
North Carolina	2.7991%	2.7991%		*2.7991%*			2.7991%
North Dakota	0.6395%	0.2847%			0.6395%	0.6393%	0.6393%
Ohio	3.4008%	3.4008%		*3.4008%*			3.4008%
Oklahoma	1.5166%	1.5166%		1.5166%			1.5166%
Oregon	1.1889%	1.0890%			1.1889%	1.1886%	1.1886%
Pennsylvania	4.8683%	3.6451%			4.8683%	4.8671%	4.8671%
Rhode Island	0.5814%	0.2428%			0.5814%	0.5813%	0.5813%
South Carolina	1.6460%	1.6460%		*1.6460%*			1.6460%
South Dakota	0.6976%	0.2918%			0.6976%	0.6975%	0.6975%
Tennessee	2.2099%	2.2125%	Yes	2.2125%			2.2125%
Texas	7.8284%	7.8284%		*7.8284%*			7.8284%
Utah	0.7642%	0.7524%			0.7642%	0.7640%	0.7640%
Vermont	0.4463%	0.2202%			0.4463%	0.4462%	0.4462%
Virginia	2.5009%	2.5103%	Yes	2.5103%			2.5103%
Washington	1.7444%	1.7272%			1.7444%	1.7439%	1.7439%
West Virginia	1.1046%	0.6311%			1.1046%	1.1043%	1.1043%
Wisconsin	1.9435%	1.7092%			1.9435%	1.9431%	1.9431%
Wyoming	0.6783%	0.4597%			0.6783%	0.6782%	0.6782%
Total	100.00%	90.5000%	2	51.3297%	48.6823%	48.6703%	100.0000%

Sum of col. (4) and col. (5) == 100.0120%

The downward adjustments to States in the second round brought two States — Tennessee and Virginia — below the minimum 90.5% return. The share for these States must be increased to meet to minimum 90.5% return and the shares of other States must be reduced so that the sum of all the shares remains at 100%. This is exactly the same process as the previous step. The process is repeated until no State receives less than the 90.5% return.

a. Column (1) shows the revised shares from Step 4 — the second round of adjustments.

b. Column (2) shows the share (determined in Step 1) necessary to provide a guaranteed 90.5% return.

c. Column (3) identifies the States whose shares are below the minimum.

d. Column (4) shows the shares raised for the two States that were below the minimum after the second round of adjustments. It also shows, in italics, the shares for the States whose shares were raised in the initial and and second rounds. These States must have their shares held constant or they will fall below the 90.5% return level in the previous rounds of adjustments.

e. Columns (5) and (6) show the adjustment of the shares of the remaining States so that the sum of the shares will be 100%.

Step 6 - Check results of third adjustment process (Step 5). If any States are receiving less than the 90.5% guarantee, increase their shares to the 90.5% return level and adjust shares of other States sototal remains 100%.

State	Revised Shares for All States (Step 5, col. (7))	90.5 % of State Share of Contributions (Step 1, col. (3))	Any States Below 90.5% Level? (col. (1) < col. (2))	Final Return on Highway Account Contributions
	(1)	(2)	(3)	(4)
Alabama	1.9775%	1.7828%	No	100.4%
Alaska	1.1625%	0.1854%	No	567.3%
Arizona	1.6987%	1.6987%	No	90.5%
Arkansas	1.2892%	1.2039%	No	96.9%
California	9.3274%	9.3274%	No	90.5%
Colorado	1.2832%	1.2832%	No	90.5%
Connecticut	1.4816%	0.9395%	No	142.7%
Delaware	0.4316%	0.2350%	No	166.3%
Dist. of Col.	0.3860%	0.1041%	No	335.5%
Florida	4.7758%	4.7758%	No	90.5%
Georgia	3.5339%	3.5339%	No	90.5%
Hawaii	0.5051%	0.2193%	No	208.5%
Idaho	0.7530%	0.5054%	No	134.8%
Illinois	3.2995%	3.2094%	No	93.0%
Indiana	2.3013%	2.2805%	No	91.3%
Iowa	1.1727%	1.0048%	No	105.6%
Kansas	1.1431%	0.9671%	No	107.0%
Kentucky	1.7354%	1.7354%	No	90.5%
Louisiana	1.5860%	1.5860%	No	90.5%
Maine	0.5135%	0.4905%	No	94.7%
Maryland	1.6250%	1.6250%	No	90.5%
Massachusetts	1.8184%	1.7017%	No	96.7%
Michigan	3.0766%	3.0538%	No	91.2%
Minnesota	1.4628%	1.3564%	No	97.6%
Mississippi	1.2115%	1.2115%	No	90.5%
Missouri	2.3039%	2.2775%	No	91.6%
Montana	0.9687%	0.4014%	No	218.4%
Nebraska	0.7579%	0.6702%	No	102.3%
Nevada	0.7071%	0.6543%	No	97.8%
New Hampshire	0.5037%	0.4143%	No	110.0%
New Jersey	2.6392%	2.6392%	No	90.5%
New Mexico	0.9643%	0.8096%	No	107.8%
New York	5.0370%	3.6504%	No	124.9%
North Carolina	2.7991%	2.7991%	No	90.5%
North Dakota	0.6393%	0.2847%	No	203.2%
Ohio	3.4008%	3.4008%	No	90.5%
Oklahoma	1.5166%	1.5166%	No	90.5%
Oregon	1.1886%	1.0890%	No	98.8%
Pennsylvania	4.8671%	3.6451%	No	120.8%
Rhode Island	0.5813%	0.2428%	No	216.6%
South Carolina	1.6460%	1.6460%	No	90.5%
South Dakota	0.6975%	0.2918%	No	216.3%
Tennessee	2.2125%	2.2125%	No	90.5%
Texas	7.8284%	7.8284%	No	90.5%
Utah	0.7640%	0.7524%	No	91.9%
Vermont	0.4462%	0.2202%	No	183.4%
Virginia	2.5103%	2.5103%	No	90.5%
Washington	1.7439%	1.7272%	No	91.4%
West Virginia	1.1043%	0.6311%	No	158.4%
Wisconsin	1.9431%	1.7092%	No	102.9%
Wyoming	0.6782%	0.4597%	No	133.5%
Total	100.00%	90.5000%		

No further adjustments are needed. The shares determined in Step 5 — the third round of adjustments brought all States up to the minimum return of 90.5%

a. Column (1) shows the revised shares from Step 5 — the third round of adjustments.

b. Column (2) shows the share (determined in Step 1) necessary to provide the guaranteed 90.5% return.

c. Column (3) identifies the States whose shares are below the minimum — none. The shares determined in the third round (and shown in column (1)) will be used to calculate the Minimum Guarantee.

d. Column (4) shows each State's percentage return on its Highway Account contributions. This is computed as the final share of apportionments from column (1) divided by the share of contributions from step 1, column (2).

Step 7 - Determine program level.

State	Sum of All Apportionments (before MG) and High Priority Projects	Add Minimum MG Amount of $1 Million	Total (col. (1) + (2))	Percent Share (from Step 6)	Program Size (including MG) Necessary to Provide State Shares (col. (3) / col. (4))
	-1-	-2-	-3-	-4-	-5-
Alabama	434,899,917	1,000,000	435,899,917	1.9775%	22,043,018,395
Alaska	104,850,848	1,000,000	105,850,848	1.1625%	9,105,774,570
Arizona	316,379,875	1,000,000	317,379,875	1.6987%	18,683,489,297
Arkansas	275,422,209	1,000,000	276,422,209	1.2892%	21,441,503,252
California	2,122,252,227	1,000,000	2,123,252,227	9.3274%	22,763,522,956
Colorado	287,120,698	1,000,000	288,120,698	1.2832%	22,453,054,726
Connecticut	260,760,855	1,000,000	261,760,855	1.4816%	17,667,614,088
Delaware	93,207,279	1,000,000	94,207,279	0.4316%	21,826,592,553
Dist. of Col.	106,154,552	1,000,000	107,154,552	0.3860%	27,763,290,761
Florida	801,003,084	1,000,000	802,003,084	4.7758%	16,793,069,034
Georgia	656,550,732	1,000,000	657,550,732	3.5339%	18,607,150,427
Hawaii	108,828,704	1,000,000	109,828,704	0.5051%	21,744,743,711
Idaho	148,416,893	1,000,000	149,416,893	0.7530%	19,843,191,635
Illinois	799,808,637	1,000,000	800,808,637	3.2995%	24,270,827,647
Indiana	446,645,810	1,000,000	447,645,810	2.3013%	19,451,809,342
Iowa	293,005,587	1,000,000	294,005,587	1.1727%	25,070,772,454
Kansas	287,795,475	1,000,000	288,795,475	1.1431%	25,263,327,596
Kentucky	398,709,329	1,000,000	399,709,329	1.7354%	23,033,027,825
Louisiana	355,391,164	1,000,000	356,391,164	1.5860%	22,471,603,377
Maine	117,790,671	1,000,000	118,790,671	0.5135%	23,134,790,173
Maryland	371,422,987	1,000,000	372,422,987	1.6250%	22,918,919,371
Massachusetts	444,548,594	1,000,000	445,548,594	1.8184%	24,502,611,242
Michigan	649,935,628	1,000,000	650,935,628	3.0766%	21,157,376,124
Minnesota	356,028,578	1,000,000	357,028,578	1.4628%	24,407,935,031
Mississippi	281,474,126	1,000,000	282,474,126	1.2115%	23,315,771,354
Missouri	543,360,712	1,000,000	544,360,712	2.3039%	23,627,372,212
Montana	161,209,884	1,000,000	162,209,884	0.9687%	16,745,125,333
Nebraska	189,636,202	1,000,000	190,636,202	0.7579%	25,154,330,318
Nevada	141,042,575	1,000,000	142,042,575	0.7071%	20,087,086,582
New Hampshire	111,255,615	1,000,000	112,255,615	0.5037%	22,285,508,493
New Jersey	617,498,072	1,000,000	618,498,072	2.6392%	23,434,920,610
New Mexico	201,512,015	1,000,000	202,512,015	0.9643%	21,000,742,875
New York	1,121,902,959	1,000,000	1,122,902,959	5.0370%	22,293,257,085
North Carolina	559,902,845	1,000,000	560,902,845	2.7991%	20,038,650,017
North Dakota	144,250,490	1,000,000	145,250,490	0.6393%	22,719,252,466
Ohio	760,051,996	1,000,000	761,051,996	3.4008%	22,378,666,264
Oklahoma	379,448,085	1,000,000	380,448,085	1.5166%	25,086,416,106
Oregon	278,974,651	1,000,000	279,974,651	1.1886%	23,554,889,281
Pennsylvania	1,171,973,757	1,000,000	1,172,973,757	4.8671%	24,100,025,780
Rhode Island	128,447,434	1,000,000	129,447,434	0.5813%	22,269,452,838
South Carolina	317,128,305	1,000,000	318,128,305	1.6460%	19,327,393,680
South Dakota	152,517,716	1,000,000	153,517,716	0.6975%	22,010,494,655
Tennessee	500,816,813	1,000,000	501,816,813	2.2125%	22,681,217,948
Texas	1,487,004,971	1,000,000	1,488,004,971	7.8284%	19,007,664,509
Utah	189,084,550	1,000,000	190,084,550	0.7640%	24,879,760,448
Vermont	106,112,094	1,000,000	107,112,094	0.4462%	24,007,885,311
Virginia	522,853,208	1,000,000	523,853,208	2.5103%	20,868,123,109
Washington	425,887,052	1,000,000	426,887,052	1.7439%	24,478,428,408
West Virginia	276,059,371	1,000,000	277,059,371	1.1043%	25,088,886,306
Wisconsin	371,530,304	1,000,000	372,530,304	1.9431%	19,172,382,669
Wyoming	163,277,555	1,000,000	164,277,555	0.6782%	24,224,093,907
Total	21,541,143,690	51,000,000	21,592,143,690	100.0000%	

The Minimum Guarantee provision ensures that each State's share of apportionments for the IM, NHS, STP, Bridge, CMAQ, ADHS, Recreational Trails, Metro Planning, and Minimum Guarantee, plus their funding for High Priority Projects (excluding #1818-1849) will be the share determined in Step 6 AND that no State receives less than $1 million annually.

a. Column (1) shows the sum of the above funding at the start of the calculation. At this point the Minimum Guarantee amount is $0.

b. Columns (2) and (3) shown the addition of the $1 million minimum amount of MG funding to each State.

c. Column (4) shows the percentage share determined in Step 6.

d. Column (5) shows how large the overall program (sum of the apportionments already made, the Minimum Guarantee, and the High Priority Projects) would have to be to deliver the percentage for that State considered by itself.

For example, going into the determination of the target program size, the District of Columbia (DC) has 0.496% of the total program counting its original apportionments, its High Priority Projects, and the $1 million of Minimum Guarantee that each State must receive. In Step 6, we determined that DC should get only 0.386 percent of the total program. In other words, DC has too big a share. None of the funding that DC has already received may be taken back. The only way to change the ratio of DC funding to the national total funding is to change the national total. The amount shown for DC in column (5) shows the level to which the national program would have to be increased to reduce DC's share of the national program to 0.386%. This computation is performed for each State.

The maximum required program size, in this case for the District of Columbia, will be the target program size in the Minimum Guarantee calculation.

Step 8 - Calculate Minimum Guarantee apportionment to reach target program size.

State	Percent Share from Step 6	State Share of Target Program Size	Sum of All Previous Apportionments and High Priority Projects	Minimum Guarantee Apportionment (col. (2) - col. (3))
	(1)	(2)	(3)	(4)
Alabama	1.9775%	549,018,103	434,899,917	113,452,596
Alaska	1.1625%	322,736,726	104,850,848	216,615,066
Arizona	1.6987%	471,620,135	316,379,875	154,334,827
Arkansas	1.2892%	357,922,207	275,422,209	82,018,820
California	9.3274%	2,589,602,192	2,122,252,227	464,624,163
Colorado	1.2832%	356,262,380	287,120,698	68,738,416
Connecticut	1.4816%	411,336,963	260,760,855	149,697,878
Delaware	0.4316%	119,831,075	93,207,279	26,468,515
Dist. of Col.	0.3860%	107,154,552	106,154,552	994,168
Florida	4.7758%	1,325,918,733	801,003,084	521,854,097
Georgia	3.5339%	981,115,955	656,550,732	322,672,208
Hawaii	0.5051%	140,227,279	108,828,704	31,215,444
Idaho	0.7530%	209,054,305	148,416,893	60,283,746
Illinois	3.2995%	916,041,404	799,808,637	115,554,843
Indiana	2.3013%	638,918,497	446,645,810	191,151,263
Iowa	1.1727%	325,580,818	293,005,587	32,385,237
Kansas	1.1431%	317,373,581	287,795,475	29,405,593
Kentucky	1.7354%	481,797,113	398,709,329	82,603,177
Louisiana	1.5860%	440,315,332	355,391,164	84,428,851
Maine	0.5135%	142,556,726	117,790,671	24,621,608
Maryland	1.6250%	451,142,024	371,422,987	79,254,078
Massachusetts	1.8184%	504,839,874	444,548,594	59,939,633
Michigan	3.0766%	854,175,631	649,935,628	203,048,780
Minnesota	1.4628%	406,109,251	356,028,578	49,788,579
Mississippi	1.2115%	336,356,502	281,474,126	54,562,276
Missouri	2.3039%	639,649,835	543,360,712	95,727,520
Montana	0.9687%	268,942,757	161,209,884	107,104,525
Nebraska	0.7579%	210,408,635	189,636,202	20,651,278
Nevada	0.7071%	196,323,608	141,042,575	54,958,608
New Hampshire	0.5037%	139,848,067	111,255,615	28,425,688
New Jersey	2.6392%	732,733,091	617,498,072	114,562,915
New Mexico	0.9643%	267,723,860	201,512,015	65,825,667
New York	5.0370%	1,398,426,494	1,121,902,959	274,910,721
North Carolina	2.7991%	777,123,647	559,902,845	215,953,869
North Dakota	0.6393%	177,498,428	144,250,490	33,054,021
Ohio	3.4008%	944,171,900	760,051,996	183,046,031
Oklahoma	1.5166%	421,044,232	379,448,085	41,353,539
Oregon	1.1886%	329,995,932	278,974,651	50,723,701
Pennsylvania	4.8671%	1,351,268,739	1,171,973,757	178,249,251
Rhode Island	0.5813%	161,381,906	128,447,434	32,742,383
South Carolina	1.6460%	456,982,911	317,128,305	139,038,909
South Dakota	0.6975%	193,642,035	152,517,716	40,884,463
Tennessee	2.2125%	614,256,524	500,816,813	112,778,078
Texas	7.8284%	2,173,434,545	1,487,004,971	682,425,997
Utah	0.7640%	212,115,090	189,084,550	22,896,215
Vermont	0.4462%	123,866,978	106,112,094	17,651,329
Virginia	2.5103%	696,942,837	522,853,208	173,074,257
Washington	1.7439%	484,172,805	425,887,052	57,945,803
West Virginia	1.1043%	306,593,118	276,059,371	30,355,660
Wisconsin	1.9431%	539,456,536	371,530,304	166,946,808
Wyoming	0.6782%	188,278,891	163,277,555	24,855,517
Total	100.0000%	27,763,290,761	21,541,143,690	6,185,856,616

In this step, we determine each State's share of the target program size identified in Step 7. The amount computed will be the TOTAL of the State's apportionments for IM, NHS, STP, Bridge, CMAQ, ADHS, Rec. Trails, Metro Planning, and Minimum Guarantee, plus its High Priority Project funding.

a. Column (1) shows the adjusted State shares from Step 6.

b. Column (2) shows the application of the State shares in column (1) to the national total program size. In Step 7, we determined that the national level program size would be $27,763,290,761 — the highest value in Step 7, column (5).

c. Column (3) shows the sum of all apportionments and High Priority Project funding each State had BEFORE the Minimum Guarantee calculation began.

d. Column (4) shows the Minimum Guarantee apportionment. It is the amount that each State must receive in addition to the amounts shown in column (3) so that all provisions of of the Minimum Guarantee are met. **The amount shown has been reduced to comply with the 0.65% across-the-board cut required by section 601 of P.L. 108-7. The $639 million of the Minimum Guarantee that is exempt from the obligation limitation is also exempt from the cut as well.**

Step 9A - Subdivision of Minimum Guarantee.

State	Minimum Guarantee Apportionment (from Step 8)	Set Aside 2% for State Planning & Research (col. (1) * 2%)	Remainder after SPR Setaside
	(1)	(2)	(3)
Alabama	113,452,596	2,269,052	111,183,544
Alaska	216,615,066	4,332,301	212,282,765
Arizona	154,334,827	3,086,697	151,248,130
Arkansas	82,018,820	1,640,376	80,378,444
California	464,624,163	9,292,483	455,331,680
Colorado	68,738,416	1,374,768	67,363,648
Connecticut	149,697,878	2,993,958	146,703,920
Delaware	26,468,515	529,370	25,939,145
Dist. of Col.	994,168	19,883	974,285
Florida	521,854,097	10,437,082	511,417,015
Georgia	322,672,208	6,453,444	316,218,764
Hawaii	31,215,444	624,309	30,591,135
Idaho	60,283,746	1,205,675	59,078,071
Illinois	115,554,843	2,311,097	113,243,746
Indiana	191,151,263	3,823,025	187,328,238
Iowa	32,385,237	647,705	31,737,532
Kansas	29,405,593	588,112	28,817,481
Kentucky	82,603,177	1,652,064	80,951,113
Louisiana	84,428,851	1,688,577	82,740,274
Maine	24,621,608	492,432	24,129,176
Maryland	79,254,078	1,585,082	77,668,996
Massachusetts	59,939,633	1,198,793	58,740,840
Michigan	203,048,780	4,060,976	198,987,804
Minnesota	49,788,579	995,772	48,792,807
Mississippi	54,562,276	1,091,246	53,471,030
Missouri	95,727,520	1,914,550	93,812,970
Montana	107,104,525	2,142,091	104,962,434
Nebraska	20,651,278	413,026	20,238,252
Nevada	54,958,608	1,099,172	53,859,436
New Hampshire	28,425,688	568,514	27,857,174
New Jersey	114,562,915	2,291,258	112,271,657
New Mexico	65,825,667	1,316,513	64,509,154
New York	274,910,721	5,498,214	269,412,507
North Carolina	215,953,869	4,319,077	211,634,792
North Dakota	33,054,021	661,080	32,392,941
Ohio	183,046,031	3,660,921	179,385,110
Oklahoma	41,353,539	827,071	40,526,468
Oregon	50,723,701	1,014,474	49,709,227
Pennsylvania	178,249,251	3,564,985	174,684,266
Rhode Island	32,742,383	654,848	32,087,535
South Carolina	139,038,909	2,780,778	136,258,131
South Dakota	40,884,463	817,689	40,066,774
Tennessee	112,778,078	2,255,562	110,522,516
Texas	682,425,997	13,648,520	668,777,477
Utah	22,896,215	457,924	22,438,291
Vermont	17,651,329	353,027	17,298,302
Virginia	173,074,257	3,461,485	169,612,772
Washington	57,945,803	1,158,916	56,786,887
West Virginia	30,355,660	607,113	29,748,547
Wisconsin	166,946,808	3,338,936	163,607,872
Wyoming	24,855,517	497,110	24,358,407
Total	6,185,856,616	123,717,133	6,062,139,483

In this step, subdivide each State’s minimum guarantee apportionment.

a. Column (1) shows the minimum guarantee amount for each State from step 8.

b. The first subdivision of the MG apportionment is the setaside of 2% of the MG apportionment for State Planning and Research. (This same setaside is made from the IM, NHS, STP, Bridge, and CMAQ programs.) Column (2) shows the SPR setaside from MG and is equal to 2% of column (1).

c. Column (3) shows the amount remaining in the MG “pot” after the SPR setaside.

Step 9B - Subdivision of Minimum Guarantee.

State	Remainder after SPR Setaside (Step 9A)	Base Minimum Guarantee $2.8 Billion (col. (1) * 0.4619)	Remainder after SPR and Base MG col. (1) - col. (2)
	(1)	(2)	(3)
Alabama	111,183,544	51,353,804	59,829,740
Alaska	212,282,765	98,049,830	114,232,935
Arizona	151,248,130	69,858,962	81,389,168
Arkansas	80,378,444	37,125,448	43,252,996
California	455,331,680	210,310,025	245,021,655
Colorado	67,363,648	31,114,133	36,249,515
Connecticut	146,703,920	67,760,067	78,943,853
Delaware	25,939,145	11,980,854	13,958,291
Dist. of Col.	974,285	450,006	524,279
Florida	511,417,015	236,214,895	275,202,120
Georgia	316,218,764	146,056,115	170,162,649
Hawaii	30,591,135	14,129,529	16,461,606
Idaho	59,078,071	27,287,165	31,790,906
Illinois	113,243,746	52,305,377	60,938,369
Indiana	187,328,238	86,523,754	100,804,484
Iowa	31,737,532	14,659,031	17,078,501
Kansas	28,817,481	13,310,308	15,507,173
Kentucky	80,951,113	37,389,955	43,561,158
Louisiana	82,740,274	38,216,338	44,523,936
Maine	24,129,176	11,144,859	12,984,317
Maryland	77,668,996	35,874,000	41,794,996
Massachusetts	58,740,840	27,131,403	31,609,437
Michigan	198,987,804	91,909,111	107,078,693
Minnesota	48,792,807	22,536,575	26,256,232
Mississippi	53,471,030	24,697,367	28,773,663
Missouri	93,812,970	43,330,629	50,482,341
Montana	104,962,434	48,480,379	56,482,055
Nebraska	20,238,252	9,347,707	10,890,545
Nevada	53,859,436	24,876,765	28,982,671
New Hampshire	27,857,174	12,866,758	14,990,416
New Jersey	112,271,657	51,856,384	60,415,273
New Mexico	64,509,154	29,795,691	34,713,463
New York	269,412,507	124,437,094	144,975,413
North Carolina	211,634,792	97,750,542	113,884,250
North Dakota	32,392,941	14,961,753	17,431,188
Ohio	179,385,110	82,854,957	96,530,153
Oklahoma	40,526,468	18,718,492	21,807,976
Oregon	49,709,227	22,959,854	26,749,373
Pennsylvania	174,684,266	80,683,717	94,000,549
Rhode Island	32,087,535	14,820,691	17,266,844
South Carolina	136,258,131	62,935,332	73,322,799
South Dakota	40,066,774	18,506,167	21,560,607
Tennessee	110,522,516	51,048,487	59,474,029
Texas	668,777,477	308,897,039	359,880,438
Utah	22,438,291	10,363,867	12,074,424
Vermont	17,298,302	7,989,793	9,308,509
Virginia	169,612,772	78,341,279	91,271,493
Washington	56,786,887	26,228,905	30,557,982
West Virginia	29,748,547	13,740,352	16,008,195
Wisconsin	163,607,872	75,567,717	88,040,155
Wyoming	24,358,407	11,250,738	13,107,669
Total	6,062,139,483	2,800,000,000	3,262,139,483

TEA-21 requires that $2.8 billion of the national total of MG have the same eligibilities as STP funds, but that the $2.8 billion is not subject to the setaside and suballocation requirements of the STP program. (Setasides for safety and transportation enhancements and suballocation for various sub-State areas)

The remainder of the MG funds are redistributed to the 5 core programs: IM, NHS, STP, Bridge, and CMAQ.

a. Column (1) shows the amount of MG left after setting aside 2% for the SPR program in step 9A. This totals $6.062 billion.

b. Column (2) shows the calculation of the portion of the $2.8 billion for each State. It is calculated by multiplying the remaining funds after the SPR setaside (col. 1) by 0.4618831 — the ratio of the $2.8 billion to $6.062 billion.

c. Column (3) shows the remainder after the SPR setaside and the determination of the base MG amount. This remainder is distributed to the five core programs — IM, NHS, STP, Bridge, and CMAQ in the same proportions that those programs make up of the State's core program total.