TEXAS DEPARTMENT OF TRANSPORTATION

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FY 2001 Federal Transportation Budget Released

Texas Could Lose $97 Million in Highway Funds

Under the Transportation Equity Act for the 21st Century (TEA 21) highway spending levels were tied to Highway Trust Fund income and protected by budgetary firewalls. These firewalls prohibit the income from being used to offset other spending. That firewall protection and guaranteed spending is a target of appropriators and the Clinton Administration, who object to having the transportation funding exempted from their control as they face other spending needs. In addition, gas tax receipts in the Highway Trust Fund for FY 2000 (the basis for FY 2001 funding) are expected to be more than $3 billion above TEA 21 estimates. Under TEA 21's Revenue Aligned Budget Authority (RABA) provision, those additional funds are distributed to TEA 21's highway programs according to established formulas.

The administration's FY 2001 transportation budget claims to redirect only about $740 million in RABA funds to a series of items, including more than $400 million for high-speed rail projects around the country. However, House authorizers argue that the budget also heavily amends TEA 21 to insert an additional $785 million in new spending (drawn from Highway Trust Fund revenues above TEA 21 estimates) for targeted programs. Combined with the proposed "redirection of RABA funds," the new and redirected spending totals $1.526 billion and would cost the states a cumulative $1.3 billion in highway obligation authority for FY 2001. Texas' share of the $1.3 billion would be about $97 million.

House Transportation Committee **Chairman Bud Shuster** (R - PA) said last week that he will "vigorously oppose" provisions in any FY 2001 spending bill that would change the authorized spending of federal gas tax money. TEA 21, Shuster said, "clearly states that all gas tax revenues will be preserved for transportation improvements, and that should tax revenues be higher than anticipated, each state would receive a proportional share of the surplus."

In response, Transportation **Secretary Rodney Slater** said "all but $100 million of the $1.3 billion will go directly to the states or Indian lands." Slater went on say "the states will be the prime beneficiaries of the president's proposal to invest in those programs that are critical to improving transportation safety, mobility, and access to opportunity across the nation." Texas would have no guaranteed share of those funds and, by placing the funds in targeted programs, the administration would limit state and local discretion on how those funds can be used. Most redirected funds would be allocated at the discretion of the Federal Highway Administration (FHWA). Although Texas does receive funds from many of these programs, Texas' rate of return on them has been ridiculously low, around $.47 on the dollar (see article beginning on page 3).

Clinton Proposes Targeted Spending of RABA Funds. The administration's proposed targeted program increases include:

Program	Additional or New Funding from Highway Account
TEA 21 Programs with Highway Trust Fund Contract Authority	
Indian Reservation Roads	$75 million
TCSP Pilot Program	$25 million
IRS gas tax evasion program	$20 million
FMCSA commercial drivers programs	$10 million
Emergency Relief	$398 million
Research	$102 million
Border/Corridor discretionary programs	$140 million
ITS Deployment	$120 million
TEA 21 Programs without Highway Trust Fund Contract Authority	
NHTSA highway safety programs	$70 million
FTA's Access to Jobs / Reverse Commute	$50 million
Programs Not Authorized in TEA 21	
Mississippi Delta Transportation Initiative	$48 million
Expansion of Intercity Passenger Rail Service	$468 million
Total	$1.526 billion

Under the administration's plan, certain targeted programs would receive 100% obligation authority, meaning that they would get fully funded before the states get their share of obligation authority for FY 2001. **John Horsley**, Executive Director for the American Association of State Highway and Transportation Officials (AASHTO), noted that "since there is no additional obligation authority provided over what was included in TEA 21, the obligation ceiling for core highway programs would be reduced by $785 million to accommodate these new one-year authorizations."

FAA Authorization Bill Remains Stalled

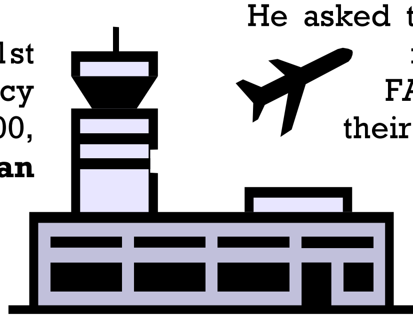
Debate Continues Over Funding, Budget Treatment

The Second Session of the 106th Congress began in mid-January will little progress on efforts to reauthorization the Federal Aviation Administration (FAA) and provide funding for the nation's aviation system. Congressional leaders remained locked in their respective positions over future funding levels for these programs and the fate of the Aviation Trust Fund within the budgetary process. In the meantime, the nation's airports, large and small, continue to hope for the restoration of funding for needed improvements and operations.

Senate Budget Committee **Chairman Pete Domenici** (R - NM), a member of the Senate conference committee on H.R. 1000, has stated that he had made his final offer on the stalled FAA authorization bill and he was unwilling to compromise further.

Domenici's proposal would fund the FAA at the level of revenue into the aviation trust fund and offers interest accrued in the trust fund. The House conference committee members seek an additional contribution from the general fund on top of trust fund revenues and interest. Domenici and others have maintained that the FAA should not receive special budgetary treatment, given concerns about the agency's history of cost overruns and delays.

As he accepted AASHTO's 21st Century Transportation Legacy Award on February 1, 2000, House T&I Committee **Chairman Bud Shuster** encouraged the states to press the Senate to move forward on the FAA bill. "The general fund contribution to the FAA is essential to our efforts to improve the nation's aviation system. We won't accept anything less," Shuster said.



He asked the states to tell the Senate the impact that the current delay in FAA authorization is having on their aviation programs.

Currently, 32 Texas general aviation and reliever airport projects are on hold because of the delay in reauthorization of the federal Airport Improvement Program. If the delays continue beyond April, two full years' worth of projects will be delayed.

Texas' TEA 21 Rate of Return Less than Expected

Highway Discretionary Program Funding Is Culprit

When Congress enacted the $203 billion Transportation Equity Act for the 21st Century (TEA 21), Texas lawmakers and transportation officials celebrated. And they should have. TEA 21 is very good for Texas. It sharply increased federal highway dollars coming to Texas by about 60 percent over its predecessor, the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA).

TEA 21 also increased Texas' rate of return on each of our federal highway user fee dollars deposited into the Highway Account of the Highway Trust Fund when those dollars were either distributed to the states through TEA 21's formulas or earmarked by Congress for high priority projects.

These programs include about 95 percent of TEA 21's funding for highways, $163 billion or more nationwide. Under ISTEA, Texas had a rate of return of about 82¢ through those programs. TEA 21 increased our rate of return on these funds to about 90.5¢ and guaranteed it.

However, **Senator Phil Gramm** (R-Texas) says it was the intention of TEA 21 "that highway funds be redistributed to the states equitably by ensuring that each state receive at least 90.5 cents from Washington for every dollar paid in gasoline taxes into the federal Highway Trust Fund." Realization of that goal continues to elude Texas in the competition for another pool of highway funds.

About 3 percent of TEA 21's funding for highways - $4.7 billion - is distributed to the states at the discretion of the FHWA. Despite the state's best efforts, Texas ranks 34th - behind smaller states like Utah, New Mexico, and Washington - in the latest allocation of these funds.

Through this point in TEA 21's third year, Texas has received only $54.6 million in these discretionary funds. This gives Texas a rate of return of only about 47¢ in highway discretionary programs, compared to the 90.5¢ rate TEA 21 guarantees for formula distributions and

Congressional High Priority Projects. A fair share of these funds would have been about $89 million over that same period and about $350 million over TEA 21's six-year term.

One element of TxDOT's federal agenda is to ensure that Texas competes more effectively for highway discretionary funds. Texas Transportation Commissioner **David M. Laney** says the state's low rate of return on discretionary funding has been caused by the U.S. Department of Transportation's (USDOT) "poor implementation and a failure of leadership and guidance." "The USDOT has not focused adequately on circumstances in Texas," Laney said, "and that's not doing justice to Texas."

Key Discretionary Programs for Texas. Probably the most significant of these discretionary programs to Texas are the National Corridor Planning and Development Program and the Coordinated Border Infrastructure Program. Senator Gramm created these two programs to address the strains of increased US-Mexico truck traffic, though projects nationwide may qualify under the programs established in TEA 21. Texas has received only $33 million of the $182 million distributed through those programs to date, including $15 million that **Congressman Tom DeLay** (R-Sugar Land) earmarked for the Texas portion of the Interstate 69 Corridor in the FY 2000 USDOT appropriations act. Gramm recently expressed concern to Secretary of Transportation Rodney Slater that it was "inexplicable" that, though Texas highways carry 80 percent of US-Mexico truck traffic, our state is being "shortchanged" in the distribution of those funds. "Diverting badly needed funds to states that play a lesser role in the international trade and transportation infrastructure critical to America's economic success suggests a political agenda, not an economic plan," Gramm told Slater.

> "Texas highways carry most of the trade between the United States and Mexico, but you'd never know it from USDOT funding decisions. In fiscal year 1999, the USDOT awarded Texas only 13% of the discretionary corridor and border transportation development funds available.
>
> Federal decision-makers should not force Texas to operate at a transportation dollar deficit while our roads carry the load for the nation."
>
> Texas Lt. Governor Rick Perry

Two other key programs for Texas are the Interstate Maintenance and Bridge Discretionary Programs. Texas has the largest Interstate network in the nation, and about 20 percent of those roads are highly congested. We also have more bridges, and more bridges in need of repair, than any other state. However Texas has not received a dime in either of these discretionary programs under TEA 21.

The ***Federal Flyer*** is a publication of the TxDOT Legislative Affairs Office. It is intended to provide up-to-date information on major legislative activities in the 106th Congress for the management of the Texas Department of Transportation, state leaders, and others interested in Texas transportation issues. This report will also feature key activities in the national transportation community. Sources include news services and staff reports.

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Texas Department of Transportation