Analysis of the President's Proposed Transportation Budget FY 2002-2006

Prepared by the American Road & Transportation Builders Association

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About the American Road & Transportation Builders Association—

ARTBA, founded in 1902, is the only national association that exclusively represents the collective interests of all sectors of the U.S. transportation construction industry before the White House, Congress and federal agencies. Over the past decade, the association has also become the industry's primary advocate in environmental regulatory actions and litigation. ARTBA's more than 6,000 members all have an economic stake in transportation development programs. The association received eight national awards in 1999 for its government relations and communications programs. The U.S. transportation construction industry generates more than $175 billion in U.S. economic activity annually and provides employment for more than 2.2 million Americans.

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Analysis of the Bush Administration's Proposed FY 2002 Budget for Transportation

Executive Summary

- The *Budget of the U.S. Government for FY 2002* submitted by the Bush administration on April 9, 2001, would provide a total of $59.5 billion of spending authority for the Department of Transportation for FY 2002, up $800 million from the amount enacted for FY 2001. This, however, understates the increase proposed for the core transportation programs because the FY 2001 total includes $2.7 billion appropriated for special highway projects, Woodrow Wilson bridge and highway emergency relief that the budget assumes will not be repeated for FY 2002. Excluding this appropriation, the FY 2002 increase is $3.5 billion or 6.4 percent.

- The budget would provide $32.5 billion for the federal highway program. This is slightly below the total enacted for FY 2001. After excluding the one-time appropriation for FY 2001, the increase is just under $1.9 billion or 6.0 percent. The highway obligation limitation would be $31.6 billion, which is $2 billion more than FY 2001 but slightly less than is guaranteed for highways in FY 2002 under the Transportation Equity Act for the 21^{st} Century (TEA-21). The remaining $955 million involves funds that are not subject to the obligation limitation.

- The FY 2002 budget continues the Clinton administration's practice of recommending that some highway program funds be used in ways that differ from TEA-21. Transfers of highway funds to the Federal Motor Carrier Safety Administration would reduce the highway obligation limitation by $178 million (including $23 million required by law), while proposals to use highway program funds in ways that differ from TEA-21 would divert another $246 million from the core highway programs. The total reduction in highway funding would be about $400 million.

- The budget honors the $6.7 billion TEA-21 guarantee for the mass transit program and the $3.3 billion enacted by Congress for the Airport Improvement Program (AIP) in AIR-21 (Aviation Investment and Reform Act for the 21^{st} Century). AIP funding in FY 2002 would be almost double FY 2000.

- Amtrak capital expenditures would be held at the FY 2001 level, while expenditures on water and harbor projects by the Corps of Engineers would be cut.

- The balances in the Highway Trust Fund and the Airport and Airway Trust Fund would continue to increase.

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Introduction

On February 28, 2001, the Bush administration released its first budget document for Federal Fiscal Year 2002, entitled "A Blueprint for New Beginnings: A Responsible Budget for America's Priorities." The budget blueprint provided a broad outline of the Bush administration's budget priorities. The budget details were released on April 9, 2001. Based on these documents, this analysis identifies the essential elements of the President's proposed transportation budget for FY 2002.

Overall, the FY 2002 budget proposal is a welcome dose of good news for the federal transportation investment programs.

The budget requests a total of $59.5 billion for the Department of Transportation for FY 2002, up $800 million from the amount enacted for FY 2001. This understates the increase proposed for the core transportation programs, however, because the FY 2001 total includes $2.7 billion appropriated for special highway projects, the Woodrow Wilson bridge and highway emergency relief that the budget assumes will not be repeated for FY 2002. Excluding this one-time appropriation, the FY 2002 increase is $3.5 billion or 6.4 percent.

The budget would provide a total of $32.5 billion for the federal highway program. This is slightly below the total provided for FY 2001. Excluding the one-time appropriation for FY 2001, the FY 2002 figure represents an increase of just under $1.9 billion or 6.0 percent for the core highway program. The obligation limitation would be $31.6 billion. This is $1.9 billion more than FY 2001 but slightly less than was guaranteed for highways in FY 2002 under the Transportation Equity Act for the 21st Century (TEA-21). The remaining $955 million involves Minimum Guarantee, Emergency Relief and other funds not subject to the obligation limitation.

The budget also honors the $6.7 billion TEA-21 guarantee for the mass transit program and the $3.3 billion enacted by Congress in AIR-21 (Aviation Investment and Reform Act for the 21st Century) for the Airport Improvement Program.

The Bush administration's budget for FY 2002 continues the Clinton administration's practice of recommending that some highway program funds be used in ways that differ from the requirements of TEA-21, but not to the same extent. Changes recommended in the FY 2002 budget include using $145 million of RABA funds for a "New Freedom Initiative" to improve transportation alternatives for the disabled, $56 million of additional funding for the border infrastructure program, $47 million for motor carrier safety programs, and about $45 million for highway research.

Table 1 provides a summary of the FY 2002 budget for transportation.

For the years following FY 2002, funding in the budget for transportation largely reflects TEA-21 and AIR-21 guarantees and projected inflation. But there is no highway program revenue aligned budget authority (RABA) projection in the budget figures for FY 2003 or beyond. This is consistent with the way RABA has been handled in previous budgets but gives the misleading impression that a cut in transportation funding is projected after FY 2002.

The Federal Highway Program

The Bush administration proposes to invest a total of $32.5 billion in the federal highway program in FY 2002. This is $900 million less than the $33.4 billion enacted for highways in FY 2001. But the decrease occurs solely because the budget assumes $2.7 billion in the FY 2001 transportation appropriations act for special projects, the Woodrow Wilson bridge and the highway emergency relief program will not be repeated in FY 2002. Excluding the $2.7 billion, <u>the FY 2002 budget for highways represents an increase of $1.9 billion or just about 6 percent over the FY 2001 level.</u>

The $2.7 billion appropriated above TEA-21 for FY 2001 included:

- $1.37 billion for 91 specific highway projects. This funding was above and beyond TEA-21, and the FY 2002 budget assumes Congress will refrain from funding projects outside of TEA-

Table 1 - Transportation in the FY 2002 Budget
(Millions of dollars)

Program	FY 2001 Enacted	FY 2002 Requested	Percent Increase
Federal Highway Program			
Obligation Limitation, including RABA	$29,596	$31,563	6.6%
Additional Funding for the Minimum Guarantee and Emergency Relief Programs	$1,069	$955	
Total Funding for the Federal Highway Program	**$30,665**	**$32,518**	**6.0%**
One-time FY 2001 Appropriations for Special Projects, Woodrow Wilson Bridge, and Emergency Relief	$2,759	$0	
Total Funding for Highways	$33,424	$32,518	-2.7%
Highway Safety Programs			
Federal Motor Carrier Safety Administration	$269	$344	27.9%
National Highway Traffic Safety Administration	$403	$419	4.0%
Mass Transit Program	**$6,261**	**$6,747**	**7.8%**
Federal Aviation Program Total	$12,549	$13,288	5.9%
Airport Improvement Program	**$3,195**	**$3,300**	**3.3%**
Railroads	$755	$707	-6.4%
Amtrak Capital Improvements	**$520**	**$521**	**0.2%**
Programs Not Listed Above, including Coast Guard	$5,045	$5,482	8.7%
Total, Excluding FY 2001 One-time Appropriations	**$55,947**	**$59,505**	**6.4%**

Source: *FY 2002 Budget of the U.S. Government,* plus supplemental information

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21 in FY 2002;

- $600 million for the Woodrow Wilson bridge replacement project;
- $720 million to finance the backlog owed to the states for Emergency Relief highway projects. This program reimburses states for repairing highways and bridges damaged by natural disasters such as floods and earthquakes.

The $32.5 billion for highways includes an obligation limitation of $31.563 billion—up $1.9 billion from last year—plus $955 million for programs that are funded outside the obligation limitation.

The budget, however, provides $401 million less for the core highway programs than would be possible under strict adherence to TEA-21. Proposals to transfer highway funds to the Federal Motor Carrier Safety Administration would reduce the highway obligation limitation by $178 million, while proposals to use highway program funds in ways that differ from TEA-21 would divert another $246 million from the core highway programs. Details of these proposals are presented in Table 2.

Table 2 - Proposed Use of Federal Highway Funds in FY 2002 Budget
(Millions of dollars)

	Amount
TEA-21 obligation limitation for the highway program, inc. RABA	**$31,741**
Less transfer of RABA funds to FMCSA as required by PL 109-159	-$23
Adjusted TEA-21 obligation limitation for the highway program	**$31,718**
Subtract proposed reductions in obligations for highways:	
Increase FMCSA takedown from 1/3 to 2/3 percent	-$47
Adjust ob limit to reflect speedup of outlays	-$108
Total reduction in TEA-21 obligation limitation	-$155
Equals: Proposed obligation limitation for highways for FY 2002	**$31,563**
Subtract proposed reprogramming of highway program funds:	
New Freedom Initiative to improve transportation for the handicapped	-$145
Additional funding for border infrastructure program	-$56
Exempt highway research and ITS programs from obligation limitation	-$45
Total funds proposed to be reprogrammed	-$246
Equals: Funds remaining available for highway investment	**$31,317**
Net reduction in highway program funds versus TEA-21 requirements	**-$401**

Source: *FY 2002 Budget of the U.S. Government,* plus supplemental information

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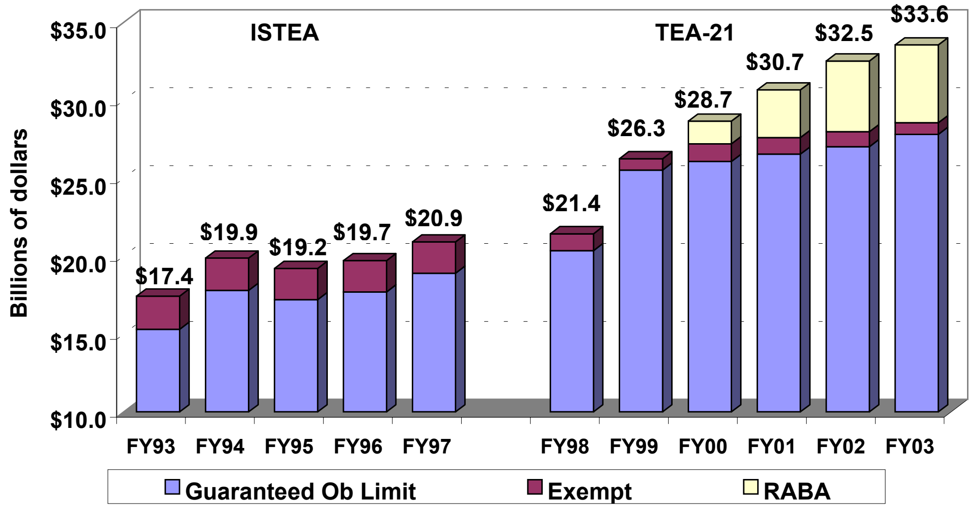
Figure 1 shows federal highway program funding under TEA-21 compared to the Intermodal Surface Transportation Efficiency Act (ISTEA). The bottom segment of each column represents the guaranteed funding level under TEA-21 and the amount enacted each year by Congress under ISTEA. The FY 2002 figure reflects the proposed budget. Next is a dark section representing the additional funding for Minimum Guarantee, Emergency Relief and other programs that are not subject to the annual obligation limitation[1]. The light third segment for FY 2000 – FY 2003

[1] Under ISTEA, the dark segments represent mainly the Minimum Allocation, Demo Projects and Emergency Relief programs.

Figure 1 - Highway Program Funding, TEA-21 vs. ISTEA



Source: ARTBA analysis of FHWA data

represents the annual RABA bonus (including a $5.0 billion RABA estimate for FY 2003). The $2.7 billion of one-time funding in the FY 2001 Transportation Appropriations Act is not included in this chart.

Table 3 shows the impact of the Bush budget proposal on the apportionment of federal highway funds among the states for FY 2002. The totals do not include funds held back to cover the Federal Highway Administration's (FHWA) administrative expenses or programs administered directly by the FHWA. Since the figures for FY 2002 in Table 3 are estimates based on the distribution of funds in FY 2001, actual FY 2002 distributions may differ. But the table provides a general indication of the cost of the Bush proposals to the states.

Highway Safety Programs

The FY 2002 budget would increase funding for the two highway safety agencies in the U.S. Department of Transportation, particularly for the Federal Motor Carrier Safety Administration (FMCSA).

The National Highway Traffic Safety Administration (NHTSA) would have a budget of $419 million for FY 2002 under the president's proposal, up 4.0 percent from $403 million in FY 2001. This includes the full TEA-21 guarantee for highway traffic safety grants plus a small increase for NHTSA operations and research.

FMCSA would receive a budget of $344 million in FY 2002 under the president's proposal, up almost 28 percent from the FY 2001 level of $269 million. Virtually all of the increase would come out of federal highway funds. This includes $23 million of RABA funds that would automatically go to FMCSA under the provisions of the Motor Carrier Safety Improvement Act (P.L. 106-159) and $47 million from an administration proposal to double the administrative takedown for FMCSA.

Table 3 - Distribution of Highway Obligation Limitation to the States for FY 2002

		Estimated FY 2002 Obligation Limitation		
State	FY 2001 Total	TEA-21 Provisions	Bush Budget Proposal	Cost of Bush Budget Proposal
Alabama	536,839,737	575,750,695	568,205,697	-7,544,998
Alaska	319,123,572	357,323,128	352,838,015	-4,485,113
Arizona	459,736,269	499,175,439	492,714,089	-6,461,350
Arkansas	354,170,947	380,968,728	375,991,043	-4,977,685
California	2,403,438,877	2,572,511,566	2,538,732,504	-33,779,062
Colorado	311,485,471	332,047,380	327,669,616	-4,377,763
Connecticut	404,567,601	441,068,067	435,382,084	-5,685,984
Delaware	115,525,559	124,103,349	122,479,699	-1,623,651
Dist. of Col.	104,448,015	109,991,585	108,523,624	-1,467,962
Florida	1,283,516,114	1,401,679,794	1,383,640,654	-18,039,140
Georgia	948,898,190	1,030,543,839	1,017,207,577	-13,336,262
Hawaii	138,568,983	149,048,186	147,100,672	-1,947,514
Idaho	209,072,113	226,568,327	223,629,929	-2,938,398
Illinois	895,161,045	956,764,149	944,183,135	-12,581,015
Indiana	657,675,151	713,781,578	704,538,302	-9,243,276
Iowa	319,319,683	339,378,321	334,890,452	-4,487,869
Kansas	308,250,012	327,274,579	322,942,288	-4,332,291
Kentucky	481,988,764	517,130,164	510,356,067	-6,774,097
Louisiana	428,160,585	458,749,863	452,732,293	-6,017,570
Maine	142,322,661	153,011,611	151,011,342	-2,000,270
Maryland	422,452,338	452,301,790	446,364,446	-5,937,344
Massachusetts	496,214,520	533,174,310	526,200,277	-6,974,033
Michigan	868,347,181	936,421,786	924,217,626	-12,204,160
Minnesota	396,377,200	423,444,306	417,873,434	-5,570,872
Mississippi	318,442,489	341,848,814	337,373,273	-4,475,541
Missouri	636,423,198	680,463,260	671,518,669	-8,944,591
Montana	261,935,339	286,414,044	282,732,681	-3,681,363
Nebraska	201,674,542	214,073,646	211,239,217	-2,834,429
Nevada	193,133,393	209,393,329	206,678,941	-2,714,388
New Hampshire	139,226,162	149,611,836	147,655,086	-1,956,750
New Jersey	714,569,002	764,175,617	754,132,728	-10,042,889
New Mexico	259,423,828	279,851,290	276,205,225	-3,646,065
New York	1,360,669,961	1,460,892,991	1,441,769,495	-19,123,496
North Carolina	755,907,513	817,074,807	806,450,927	-10,623,880
North Dakota	172,383,141	184,773,402	182,350,648	-2,422,754
Ohio	908,390,031	972,066,601	959,299,660	-12,766,941
Oklahoma	396,262,855	422,420,604	416,851,339	-5,569,265
Oregon	327,454,802	349,498,070	344,895,866	-4,602,204
Pennsylvania	1,351,471,645	1,441,896,935	1,422,902,716	-18,994,219
Rhode Island	158,727,893	170,969,346	168,738,510	-2,230,837
South Carolina	452,171,430	490,877,323	484,522,293	-6,355,030
South Dakota	193,606,696	207,757,719	205,036,679	-2,721,040
Tennessee	606,468,386	650,028,044	641,504,452	-8,523,592
Texas	2,023,080,999	2,193,527,919	2,165,094,586	-28,433,333
Utah	208,507,914	222,147,122	219,216,654	-2,930,468
Vermont	119,551,442	128,048,165	126,367,933	-1,680,232
Virginia	687,965,118	740,666,921	730,997,935	-9,668,986
Washington	476,202,481	507,346,409	500,653,635	-6,692,774
West Virginia	299,382,750	317,992,412	313,784,745	-4,207,666
Wisconsin	529,709,143	573,760,161	566,315,380	-7,444,782
Wyoming	181,079,714	193,038,126	190,493,147	-2,544,980
State Total	26,939,482,455	28,982,827,455	28,604,207,285	-378,620,171

Source: ARTBA estimates from FHWA data
Includes Mininum Guarantee funds not subject to limitation

In addition, the administration proposes to reprogram $56 million of RABA funds for construction of motor carrier inspection facilities at the U.S./Mexican border. These funds would remain in the FHWA budget but would be jointly administered by FHWA, FMCSA and the states.

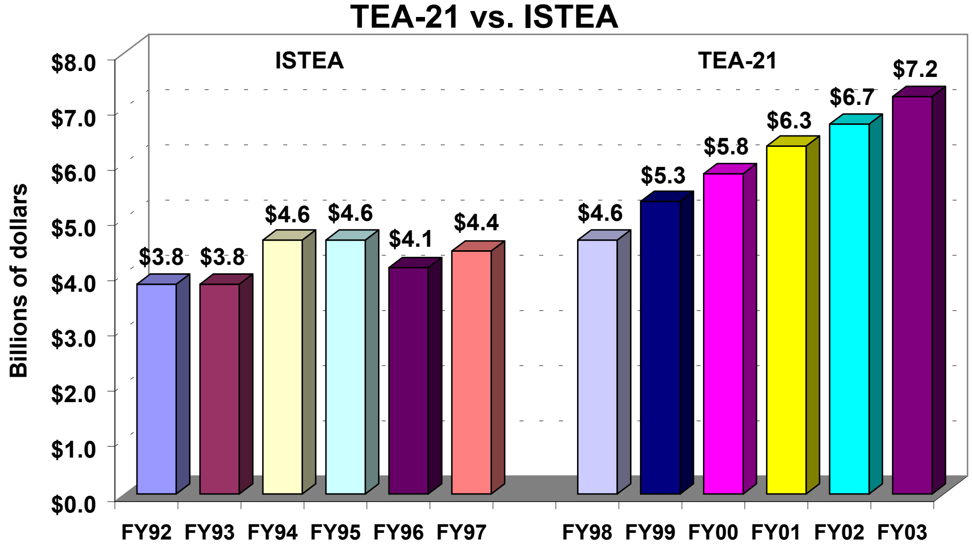
The Mass Transit Program

The Bush administration's budget blueprint for FY 2002 fully adheres to the TEA-21 funding guarantee for mass transit of $6.747 billion. This is $486 million, or 7.8 percent, more than the $6.261 billion enacted for FY 2001[2].

Figure 2 shows the amounts provided in TEA-21 for mass transit compared to the funding levels provided under ISTEA. Except for the small across-the-board budget reductions that affected all federal spending in FY 2000 and FY 2001, Congress has consistently adhered to the TEA-21 funding guarantees for mass transit. The budget resolutions passed by both houses of Congress for FY 2002 indicate they will continue to do so this year. Total funding for mass transit under TEA-21 will be 42 percent greater than under ISTEA.

Although federal funding for mass transit will grow to $6.7 billion in FY 2002, the impact on transportation construction will be small. Much of the federal funding each year for mass transit is used to purchase or repair rolling stock, such as buses and rail passenger cars, while almost 60 percent of the funds that do get into construction go for buildings such as terminals and vehicle maintenance facilities. The total amount of construction work performed each year on subways and light rail comes to about $1.5 billion, according to ARTBA's analysis of U.S. Bureau of the Census data[3], and that figure has been declining in recent years.

Figure 2 - Mass Transit Program Funding
TEA-21 vs. ISTEA



Source: Federal Transit Administration

[2] After the FY 2001 across-the-board 0.22 percent reduction.

[3] *Value of Transportation Construction Put in Place*, a monthly release available by subscription from ARTBA.

The Airport Improvement Program

Under the Aviation Investment and Reform Act for the 21st Century (AIR-21), which was enacted last year, federal funding for the Airport Improvement Program (AIP) is scheduled to grow to $3.3 billion in FY 2002. The president's budget honors that figure. This would represent a $105 million, or 3.3 percent, increase over the $3.195 billion enacted for the AIP in FY 2001[4]. The AIP funding level for FY 2002, if ratified by Congress, would be almost double the level provided as recently as FY 2000, as Figure 3 shows.

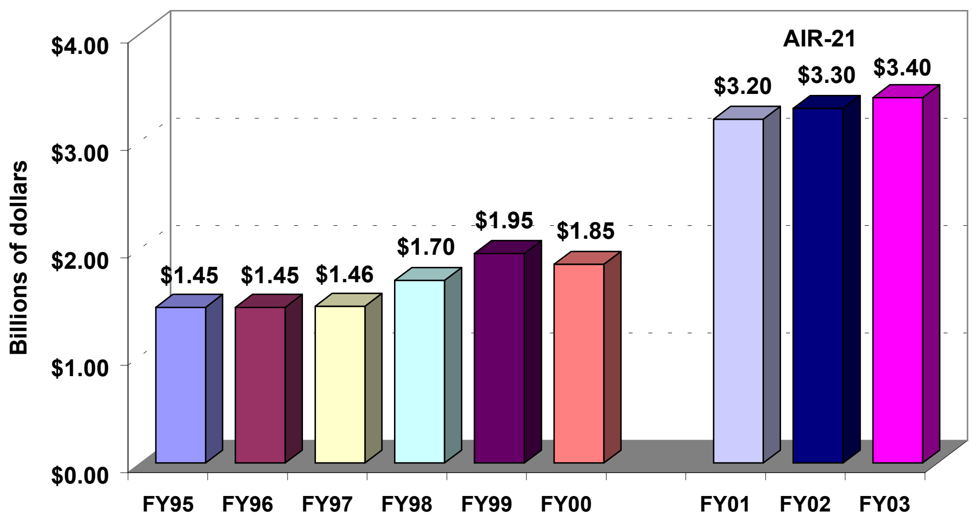
ports under the AIP are used for construction of runways, taxiways and other airside facilities. In recent years, most airport construction work has been on terminal buildings and hangars, so the AIP funding increase should help accelerate runway and other airside construction.

Other Transportation Programs

The budget includes the following proposals for other transportation-related programs:

- $521 million will be provided for Amtrak capital investment, the same as

Figure 3 - Appropriation Limitation for Airports



Source: Federal Aviation Administration

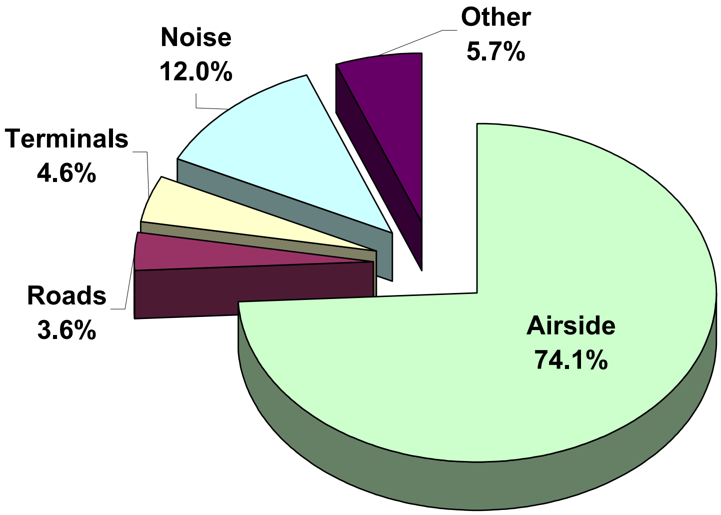
While AIP funds account for only a fraction of airport construction expenditures—the rest come from airport revenues, state and local governments, and passenger facility charges—the big AIP increase under AIR-21 should have a significant effect on transportation construction. As Figure 4 shows, most of the grants provided to air-

was appropriated in FY 2001. This is a funding level that, according to the administration, would support the railroad's glide path to operational self-sufficiency.

- Obligation of funds under the Corps of Engineers construction program would be cut from $2.168 billion in FY 2001 to $1.892 billion in FY 2002, a $276

[4] After the FY 2001 0.22 percent reduction.

Figure 4 - Use of Airport Improvement Grant Funds, 1992-97



Source: Federal Aviation Administration

million reduction. Most of the decrease comes from assuming that Congress will appropriate less for specific projects in FY 2002 than in FY 2001. The budget would emphasize completing ongoing construction projects rather than starting new projects. The Corps operations and maintenance budget would also be cut by just over $150 million. Corps of Engineer transportation construction expenditures are not included in the totals in Table 1.

Trust Fund Balances

Under the FY 2002 budget, the balances in the Highway Trust Fund and the Airport and Airway Trust Fund would continue to grow, as shown in Figure 5. By FY 2006, the balance in the Airport and Airway Trust Fund would be $22.9 billion, a $9 billion increase over the FY 2000 level. The Highway Trust Fund balance would grow to $47.8 billion, $16.7 billion above FY 2000.

This steady growth of the trust fund balances occurs primarily because transportation projects take a long time to plan and carry out. Expenditures from the trust funds to pay contractors for construction work generally lag two to three years or more behind when the funds were initially authorized or appropriated. During the lag, revenues into the trust funds continue to grow as the population grows and the amount of travel grows. So, each fiscal year, there will almost always be an excess of revenues above the amount required to finance actual expenditures from the trust funds. The result is the kind of growth of trust fund balances shown in Figure 5.

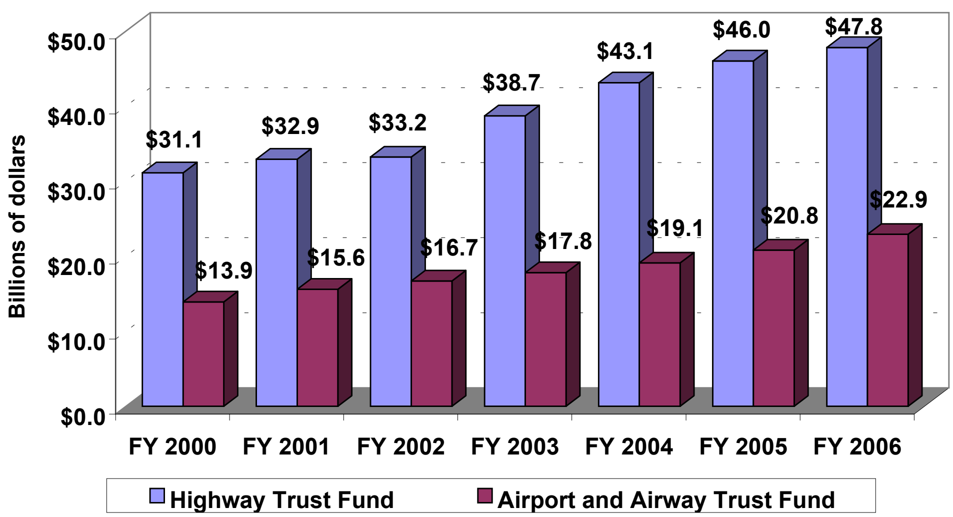
The growth of the Highway Trust Fund balance shown in Figure 5 is somewhat overstated. Since the budget does not make an assumption about highway RABA in FY 2003 or beyond, it also does not project any RABA-related expenditures from the trust fund. But revenues into the Highway Account of the Highway Trust Fund are running well above amounts anticipated in TEA-21, so there should be a highway program RABA in FY 2003. The amount could be as much as $5 billion. This would increase expenditures from the Highway Trust Fund for FY 2003 and beyond above the levels depicted in the budget. The resulting increase in expenditures would cause the balance growth to be smaller than shown in Figure 5. Nonetheless, the balance should still approach $40 billion by FY 2006.

operation and maintenance costs, would grow from $1.702 billion to $1.890 billion.

Congressional Action

Both Houses of Congress have passed budget resolutions for FY 2002 that are said to fully fund the federal highway, mass transit and airport improvement programs. Both resolutions do, in fact, fund

Figure 5 - Projected Balances in the Transportation Trust Funds



Source: Budget of the U.S. Government, FY 2002

Projects funded from the Inland Waterways Trust Fund and the Harbor Maintenance Trust Fund—both user fee financed—would be cut in FY 2002 and unspent balances in both trust funds would grow. These trust funds finance construction work by the Corps of Engineers.

The balance in the Inland Waterways Trust Fund, which finances half of the construction and major rehabilitation costs of specified waterway projects, would increase from $356 million at the end of FY 2001 to $409 million at the end of FY 2002. The balance in the Harbor Maintenance Trust Fund, which finances the Corps' harbor

the mass transit program and the AIP at the guaranteed levels for FY 2002—$6.7 billion and $3.3 billion respectively. But the level of funding for the highway program appears to be consistent with the $31.563 billion obligation limitation requested by the Bush administration rather than the $31.741 billion limitation that would be consistent with TEA-21.

At an April 26 hearing, Senator Robert Byrd of West Virginia pledged to seek the full highway funding guaranteed by TEA-21 and to oppose the budget changes proposed by the Bush administration. The outcome is unclear at this time.