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FY2006 Appropriations for the Department of Transportation

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Summary

The Department of Transportation (DOT) is funded through annual appropriations acts. For FY2006, the Administration requested \$58.3 billion for the Department of Transportation. This is \$1.4 billion (2%) less than the \$59.7 billion provided for FY2005. The major proposed reductions were the Administration's zeroing out of Amtrak (down from \$1.2 billion in FY2005) and a reduction in funding for the Airport Improvement Program (to \$3.0 billion, \$500 million (14%) below FY2005's \$3.5 billion). The budget request conforms to the basic outline of the Transportation Equity Act for the 21st Century as extended (TEA-21; P.L. 105-178), which authorizes spending on highways and transit, and which the 109th Congress is in the process of reauthorizing (H.R. 3), though the request also reflects changes proposed in the Administration's reauthorization proposal (108th Congress: H.R. 2088/S. 1072). The FY2006 figures for highway and transit programs will likely be affected if Congress passes new surface transportation reauthorization legislation.

The FY2006 budget also reflects a statutory change to one of the DOT's operating administrations. The Norman Y. Mineta Research and Special Programs Improvement Act (P.L. 108-426; 118 Stat. 2423) created two new operating administrations in place of the former Research and Special Programs Administration (RSPA): the Pipeline and Hazardous Materials Safety Administration (PHMSA) and the Research and Innovative Technology Administration (RITA).

On June 30, 2005, the House passed H.R. 3058, the FY2006 appropriations bill funding the Department of Transportation (and several other agencies). The House provided \$63.5 billion for the Department, \$3.7 billion over FY2005's enacted level and \$5.2 billion over the Administration request. The bill increased funding (beyond the requested levels) for the Federal Aviation Administration, the Federal Highway Administration, the Federal Transit Administration, and Amtrak. The House approved two amendments relating to Amtrak; one added \$626 million to the \$550 million recommended by the House Committee on Appropriations, bringing Amtrak's FY2006 funding to \$1.2 billion; the other eliminated the prohibition on federal funding for routes with a per-passenger subsidy of \$30 or more proposed by the Appropriations Committee.

The Senate Committee on Appropriations marked up H.R. 3058 on July 21, 2005. The Committee recommended \$64.2 billion for the Department of Transportation, \$4.3 billion over FY2005 and \$770 million over the House-passed figure. The Committee recommended more funding than the House approved for highway programs and Amtrak, and less for aviation and transit. The Committee also recommended several provisions affecting Amtrak operations. This report will be updated.

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FY2006 Appropriations for the Department of Transportation

Most Recent Developments

On July 21, 2005, the Senate Committee on Appropriations marked up H.R. 3058, the FY2006 Departments of Transportation, Treasury, and Housing and Urban Development, The Judiciary, District of Columbia, and Independent Agencies Appropriations bill. The Committee recommended \$64.2 billion for the Department of Transportation, \$4.2 billion over the FY2005 enacted level and \$5.9 billion over the Administration's request for FY2006. The Committee recommended \$1.45 billion for Amtrak, for which the Administration had requested no funding, and also included several provisions affecting Amtrak operations, including prohibiting federal funding to subsidize losses on food and beverage service and sleeper car service.

Legislative Status

Table 1. Status of FY2006 Department of Transportation Appropriations (H.R. 3058)

Subcommittee Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
6/15/05	7/19/05	H.Rept. 109-153 6/21/05	6/30/05 405-18	S.Rept. 109-109 7/21/05					

Overview

Budget Structure of the Department of Transportation

The budget for DOT includes both budget and contract authority for expenditures drawn from both trust funds and general funds, expended through both formula and discretionary programs. Most of DOT's funding is in the form of contract authority, is drawn from trust funds, and is expended through formula programs.

Table 2. DOT Budget by Funding Source
(billions of dollars)

Source	FY2005 Enacted		FY2006 Request	
	\$	%	\$	%
Trust Funds	\$46.0	77%	46.3	80%
General Funds	13.7	23%	11.9	20%
Total	59.6	100%	58.2	100%

Source: Budget Authority table provided by the House Committee on Appropriations. Figures may differ from the figures in the Administration budget documents. Figures reflect the across-the-board 0.83% rescission imposed by the FY2005 Consolidated Appropriations Act and rescissions of contract authority imposed by House or Senate Committees on Appropriations.
“Trust Funds” figures equal ‘limitations on obligations’ plus ‘exempt obligations.’

Table 3. Funding Trends for Transportation Appropriations
FY2000-FY2006
(billions of current dollars)

Department	FY2000	FY2001 ^b	FY2002	FY2003 ^c	FY2004 ^d	FY2005 ^e	FY2006 House Passed	FY2006 Senate Reported
Title I: Transportation ^a	\$46.2	\$51.9	\$57.4	\$55.7	\$58.4	\$59.7	\$63.5	

Source: United States House of Representatives, Committee on Appropriations, Comparative Statement of Budget Authority tables from fiscal years 1999 through 2006.

- a. Figures for Department of Transportation appropriations for FY1999-FY2003 have been adjusted for comparison with FY2004 and later figures by subtracting the United States Coast Guard, the Transportation Security Administration, the National Transportation Safety Board, and the Architectural and Transportation Barriers Compliance Board, and by adding the Maritime Administration.
- b. FY2001 figures reflect 0.22% across-the-board rescission.
- c. FY2003 figures reflect 0.65% across-the-board rescission.
- d. FY2004 figures reflect 0.59% across-the-board rescission.
- e. FY2005 figures reflect 0.83% across-the-board rescission.

Table 4. Department of Transportation Appropriations

(in millions of dollars — totals may not add)

Department or Agency (Selected Accounts)	FY2005 Enacted ^a	FY2006 Request	FY2006 House Passed	FY2006 Senate Reported
Office of the Secretary of Transportation	\$238	\$209	\$198	\$223
<i>Essential Air Service^b</i>	52	—	54	60
Federal Aviation Administration (FAA)	13,549	12,710	14,631	13,610
<i>Operations (trust fund & general fund)</i>	7,713	8,201	8,397	8,176
<i>Facilities & Equipment (F&E) (trust fund)</i>	2,525	2,448	3,053	2,448
<i>Grant-in-aid Airports (AIP) (trust fund) (limit. on oblig.)</i>	3,517	3,000	3,620	3,520
<i>Research, Engineering & Development (trust fund)</i>	130	130	130	135
Federal Highway Administration (FHWA)	35,834	35,439	37,026	38,713
<i>(Limitation on Obligations)</i>	34,422	34,700	36,287	40,194
<i>(Exempt Obligations)</i>	739	739	739	739
<i>Additional funds (trust fund)</i>	735	—	—	—
<i>Additional funds (general fund)</i>	1,315	—	—	80
Federal Motor Carrier Safety Administration (FMCSA)	444	465	501	490
National Highway Traffic Safety Administration (NHTSA)	454	696	782	779
Federal Railroad Administration (FRA)	1,432	552	1,332	1,669
<i>Amtrak</i>	1,207	—	1,176	1,450
Federal Transit Administration (FTA)	7,646	7,781	8,482	8,209
<i>General Funds</i>	956	956	1,272	1,384
<i>Trust Funds</i>	6,691	6,825	7,210	6,825
St. Lawrence Seaway Development Corporation	16	16	16	16
Maritime Administration (MARAD)	305	294	291	323
Pipeline and Hazardous Materials Safety Administration	69	117	116	116
<i>Pipeline safety program</i>	69	73	73	73
<i>Emergency preparedness grants</i>	14	—	14	14
Research and Innovative Technology Administration	47	6	4	4
Office of Inspector General	59	62	62	62
Surface Transportation Board	20	23	25	23
Total, Department of Transportation	59,724	58,297	63,469	64,238

Note: Figures are from a budget authority table provided by the House Committee on Appropriations, except Senate Committee figures from budget table in S.Rept. 109-109. Because of differing treatment of offsets, the totals will not always match the Administration's totals. The figures within this table may differ slightly from those in the text due to supplemental appropriations, rescissions, and other funding actions. Columns may not add due to rounding or exclusion of smaller program line-items.

a. These figures reflect the 0.83% across-the-board rescission included in P.L. 108-447.

b. These amounts are in addition to the \$50 million annual authorization for the Essential Air Service program; thus, the total FY2005 funding would be \$102 million (\$50 million + \$52 million).

FY2006 Appropriations

The Administration's FY2006 budget proposed a DOT budget of \$58.3 billion, \$1.4 billion (2%) below FY2005's enacted level of \$59.7 billion (see **Table 4**).¹ The major funding changes from FY2005 are in the requests for Amtrak (\$1.2 billion (100%) below FY2005) and in the Federal Aviation Administration's Airport Improvement Program (\$500 million (14%) below FY2005). The budget request conforms to the basic outline of the Transportation Equity Act for the 21st Century as extended (TEA-21; P.L. 105-178) which authorizes spending on highways, highway safety, and transit, and which the 109th Congress is in the process of reauthorizing (see **Appendix 2** for more information on this authorizing act), though the request also reflects changes proposed in the Administration's reauthorization proposal (108th Congress: H.R. 2088/S. 1072).

The FY2006 budget also reflects a statutory change to one of the DOT's Administrations. The Norman Y. Mineta Research and Special Programs Improvement Act, which was enacted as P.L. 108-426 (118 Stat. 2423), created two new operating administrations in place of the former Research and Special Programs Administration (RSPA): the Pipeline and Hazardous Materials Safety Administration and the Research and Innovative Technology Administration.

The House Committee on Appropriations recommended \$62.8 billion; increases over the requested amounts were provided for Federal Aviation Administration, the Federal Highway Administration, the Federal Transit Administration, and Amtrak. The House approved two transportation-related amendments to the bill, increasing the level of funding for Amtrak beyond the Committee-recommended level, and striking the Committee-recommended provision barring federal funding for Amtrak routes with per-passenger subsidy levels of \$30 or more. The House-passed bill increased DOT funding to \$63.5 billion.

Essential Air Service (EAS)

In its FY2006 request, the Administration once again proposed that the size of the EAS program be reduced, capping the program at the \$50 million level. The House Committee on Appropriations recommended \$104 million for the program, up slightly from \$102 million enacted for FY2005. This was reduced to \$50 million during House floor consideration when \$54 million was struck on a point of order relating to the source of the funding. The Senate Committee recommended \$110 million.

¹ This report relies on figures from tables provided by the House and Senate Committees on Appropriations. Because of differing treatment of offsets, rescissions, and the structure of appropriations bills, the totals will, at times, vary from those provided by the Administration. The FY2004 and later total budget numbers for DOT are not directly comparable to those of previous years due to the transfer of the Coast Guard and Transportation Security Administration to the Department of Homeland Security during FY2003, as well as other changes.

The EAS program was established in 1978, when Congress deregulated commercial aviation. There was concern that airlines would drop service to smaller airports with low levels of ridership. In order to preserve air service to small communities, Congress established the EAS program, which subsidizes the cost to airlines of providing service to these communities. The EAS program is operated through the Office of the Secretary of Transportation, and receives its authorized funding from designated user fees collected from overflights of United States territory by foreign aircraft.

The EAS program has had an annual authorized funding level of \$50 million for the last several years. The overflight funding mechanism, however, has never provided this much annual funding, so funding has been provided from other sources to make up the difference. In addition, for the past few years Congress has provided additional funding in order to enable the program to serve more airports. The EAS program continues to enjoy significant support in Congress.

Federal Aviation Administration (FAA)

[<http://www.faa.gov/>]

The Bush Administration request for FY2006 is \$13.9 billion, slightly more than the FY2005 enacted level of \$13.8 billion. The proposal is essentially devoid of major new initiatives, but contains some program adjustments and significantly reduces funding for the Airport Improvement Program (AIP). The proposed cut to the AIP program would put its FY2006 appropriation below the level 'guaranteed' in the Century of Aviation Reauthorization Act (Vision 100, P.L. 108-176). Both the formula provisions and the guarantee provisions of that act would cause significant disruption to the AIP program at the proposed funding level. The House Committee on Appropriations recommended \$14.4 billion, and provided the authorized FY2006 level of funding for the AIP. The House-passed bill provides \$14.6 billion. The Senate Committee on Appropriations recommended \$13.6 billion. The Committee recommendation was \$200 million less than the House for FAA Operations, \$600 million less for Facilities and Equipment, and \$100 million less for the AIP program.

The vast majority of FAA funding is provided from the Airport and Airway Trust Fund. Only O&M funding uses a mix of trust fund and Treasury general fund monies. Over the past ten years (FY1996-FY2005), the general fund has contributed an average of 21% of FAA's budget.² In FY2002, a Treasury general fund contribution of \$1.1 billion was provided for O&M funding. While the general fund contribution for FY2002 was on the low side historically (8% of FAA's total budget), the FY2003 amount returned to a higher contribution level of \$3.2 billion (24% of FAA's total funding). However, the general fund contribution has been declining since then: to \$3.0 billion (22% of FAA's total budget) in FY2004, to an estimated \$2.8 billion (20%) in FY2005, and to an estimated \$1.6 billion (11%) in the

² Testimony of Kenneth M. Mead, Inspector General, Department of Transportation, before the House Committee on Transportation and Infrastructure Subcommittee on Aviation, May 4, 2005, p. 4.

Administration's FY2006 request.³ Historically, the trust fund/general fund split has been an important part of the annual FAA budget debate. The rationale behind the general fund contribution has been that the public at large realizes some benefit from aviation whether it uses the system or not.⁴

Trust fund revenues have been running below projections for several years. With general fund contributions to FAA's budget also declining from their historical average, the difference between FAA's budget level and these two funding sources has been made up by tapping the trust fund's uncommitted balance, which is now quite low by historical standards (\$2.4 billion).

Operations and Maintenance (O&M). For FY2006, the Administration proposed \$8.2 billion in total spending, a \$500 million (6%) increase over the \$7.7 billion enacted for FY2005. The House Committee on Appropriations recommended \$8.2 billion, virtually identical to the Administration request; the House-passed bill provides \$8.4 billion. The Senate Committee on Appropriations recommended \$8.2 billion. The majority of funding in this category is for the salaries of FAA personnel engaged in air traffic control, certification, and safety-related activities. Much of the increased funding called for in the FY2006 request is for increased air traffic control system costs and safety-related activities.

One issue is the increasingly urgent need to hire additional air traffic controllers. There is concern that many of the current controllers, who were hired after the air traffic controllers strike of 1981, are now rapidly approaching retirement age. Controller union representatives contend that the FAA is not taking sufficient action to mitigate against potential future staff shortages. The request includes \$25 million to hire 1,249 controllers in FY2006. This is expected to result in a net gain of around 604 controllers, since around 645 controllers are expected to leave through attrition during FY2006.

Facilities and Equipment (F&E). The Administration request for F&E was \$2.4 billion, slightly down from \$2.5 billion in FY2005 and below the FY2006 authorized level of \$3.1 billion. The House Committee on Appropriations recommended \$3.1 billion, the authorized level; this was approved by the House. The Senate Committee on Appropriations recommended \$2.4 billion. F&E funding is used primarily for capital investment in air traffic control and safety.

Research, Engineering, and Development (RE&D). The Administration requested \$130 million in FY2006, identical to the FY2005 level. The House Committee on Appropriations recommended the same amount; the House concurred. The Senate Appropriations Committee recommended \$134.5 million. Most RE&D activity is focused on safety/air traffic control activities. No significant new initiatives were proposed in the Bush Administration FAA budget.

³ Ibid.

⁴ General fund appropriations have varied substantially, both in dollar terms and as a percentage of FAA appropriations as a whole, from year to year. Over the last 12 years the share has ranged from 0% to 47%. See table 1 in CRS Report RS20177, *Airport and Airway Trust Fund Issues in the 106th Congress*, by John W. Fischer, p. 6.

Grants-in-Aid for Airports. The Airport Improvement Program (AIP) provides grants for airport planning and development, and for projects to increase airport capacity (such as building new runways) and other facility improvements. The Bush Administration FY2006 budget proposal requested \$3.0 billion for AIP, \$500 million below the FY2005 level. Some Members of Congress have questioned AIP cuts at a time when aviation traffic is finally returning to pre-September 11th volumes and is expected to continue to grow. Construction of new runways is seen by many as the best way to alleviate airport congestion. The proposed \$3 billion level for FY2006 is also \$600 million below the funding level “guaranteed” for FY2006. Section 104 of Vision 100 (49 USC 48114(c)(2)) provides that “it shall not be in order” for Congress to consider any bill appropriating funding for FAA Operations or Research and Development accounts if the combined funding for the Grants-in-Aid to Airports and Facilities and Equipment accounts is below their combined authorization level for that year. The combined FY2006 proposal for the AIP and F&E programs is \$5.45 billion, \$1.2 billion below their combined authorized level of \$6.65 billion. In addition, the proposed AIP funding level of \$3 billion is below the \$3.2 billion threshold set under AIP distribution formulas in Vision 100. Due to a provision in the authorizing legislation, this shortfall could result in cutting most AIP formula distributions in half.

The Administration defends its proposed reduction with three arguments: it notes that the AIP funding level has increased significantly from its \$1.9 billion level in FY2000; it asserts that airport capital development needs (as measured by requests for issuances of airport revenue bonds and in FAA’s National Plan of Integrated Airport Systems) have declined by 15% in recent years; and it asserts that airports can compensate for the reduction in AIP funding by increasing their use of passenger facility charges.⁵ The Administration estimates that airports could raise an additional \$350 million annually by increasing passenger facility fees to the maximum allowed by law. Some Members of Congress have questioned the wisdom of imposing fee increases on an unprofitable airline industry struggling unsuccessfully with the impact of high fuel costs.

The House Committee on Appropriations recommended \$3.6 billion for AIP, the authorized level for FY2006; the House concurred. The Senate Committee on Appropriations recommended \$3.5 billion.

Federal Highway Administration (FHWA)

[<http://www.fhwa.dot.gov>]

The FHWA budget provides funding for the Federal-Aid Highway Program (FAHP), which is the umbrella term for nearly all the highway programs of the agency.

⁵ Marion Blakey, Administrator, Federal Aviation Administration, testifying before the House Committee on Appropriations Subcommittee on Transportation, Treasury, HUD, the Judiciary and the District of Columbia, May 10, 2005.

There are several major highway programs within FHWA, and most funding is reserved for these core programs. These programs are: National Highway System (NHS), Interstate Maintenance (IM), Surface Transportation Program (STP), Bridge Replacement and Rehabilitation (BRR), and Congestion Mitigation and Air Quality Improvement (CMAQ). All of these programs are subject to apportionment on an annual basis by formula and are not subject to program-by-program appropriation.

There is a second category of highway funding. This so-called “exempt” category consists mostly of two elements: an additional annual authorization of minimum guarantee funding (\$639 million per fiscal year) and emergency relief (\$100 million per fiscal year). These funds are not subject to the annual limitation on obligations.

There is a further set of programs, known as the “allocated” programs (also referred to as discretionary programs). These programs are under the direct control of FHWA or other governmental entities. These programs include the Federal Lands Highway Program, High Priority Projects (former demonstration project category), Appalachian Development Highway System roads, the National Corridor Planning and Border Infrastructure Program, and several other small programs. In recent years, nearly all discretionary program funding has been earmarked by Congress in the appropriations process.

The Administration Request. TEA-21 had not yet been reauthorized when the President’s budget was released; the President’s FY2006 budget assumed that the authorization would conform to the President’s surface transportation reauthorization recommendations.

For FY2006, the President requested \$35.4 billion for FHWA. That is slightly less than the \$35.8 billion level for FY2005; it is significantly less than the FY2006 authorized level that was proposed in either the House (\$37.0 billion) or Senate (\$38.9 billion) versions of TEA-21 reauthorization legislation (H.R. 3). The House Committee on Appropriations recommended \$37.0 billion, the amount authorized in the House reauthorization legislation. The House concurred with this recommendation. The Senate Committee on Appropriations recommended \$38.7 billion. The conference report on H.R. 3 was passed by Congress on July 29, 2005; the authorized FY2006 funding level for federal-aid highway programs is \$36.8 billion.

Federal Motor Carrier Safety Administration (FMCSA)

[<http://www.fmcsa.dot.gov/>]

FMCSA issues and enforces the Federal Motor Carrier Safety Regulations that govern many aspects of specified commercial truck and bus operations, including the interstate operation and maintenance of commercial vehicles and requirements for commercial drivers. FMCSA also administers grants and programs to help states conduct truck and bus safety enforcement activities. Together with the states, FMCSA conducts inspections of Mexican-domiciled drivers and vehicles entering the United States, advances Intelligent Transportation Systems for commercial vehicle operations, and each year reviews or audits thousands of carriers transporting

property and passengers. Most of the funds used to conduct FMCSA activities are derived from the Highway Trust Fund.

The FY2006 Administration request for the FMCSA is \$465 million, 5% more than the FY2005 level of \$446 million. The House Committee on Appropriations recommended \$501 million, 12% above the FY2005 enacted level and 8% above the Administration request. The House concurred with this recommendation. The Senate Committee on Appropriations recommended \$490 million.

The FMCSA appropriation has two primary components: FMCSA administrative expenses (including operations and research); and financial assistance provided primarily to the states to conduct various truck and bus safety programs.

Administrative and Operations Expenses. The President's budget request for FMCSA's administrative and operations expenses for FY2006 is \$233 million. The House Committee on Appropriations recommended \$215 million; the House concurred. The Senate Committee recommended \$211 million. This account includes funds for research and technology (R&T) and regulatory development. Some of the activities that would be funded include enforcement to reduce the number of unsafe motor carriers and drivers, and the funding of a medical review board to assist FMCSA in improving its physical examination requirements for commercial drivers. Some of the core FMCSA activities or expenses supported by these funds include rent, administrative infrastructure, personnel compensation and benefits and other related staff expenses for more than 1,000 employees; outreach efforts to help educate the commercial motor vehicle industry about the federal safety regulations; and monies to improve truck and bus, as well as driver, standards and oversight. This account also funds agency information systems used to oversee the safety of motor carriers.

Grants to States and Other Activities. The Administration's FY2006 request for these activities is \$232 million. House Committee on Appropriations recommended \$286 million; the House concurred. The Senate Committee on Appropriations recommended \$279 million. These funds are used primarily to pay for the Motor Carrier Safety Assistance Program (MCSAP), which provides grants to states to help them enforce commercial vehicle safety and hazardous materials transportation regulations. MCSAP grants cover up to 80% of the eligible costs of a state's commercial truck and bus safety program. Some 9,000 state and local law-enforcement officers conduct more than 2.9 million roadside inspections of trucks and buses annually under the program.

National Highway Traffic Safety Administration (NHTSA)

[<http://www.nhtsa.dot.gov/>]

NHTSA funding supports behavioral (including both driver and pedestrian) and vehicular (including crash worthiness and avoidance) programs that are intended to improve traffic safety. More specifically, NHTSA seeks to reduce impaired driving, increase occupant protection, improve police traffic services, enhance emergency medical responses to crashes, ensure compliance with various federal vehicle safety regulations, and track and seek to mitigate emerging vehicle safety problems.

NHTSA also provides grants to the states for the implementation of various highway traffic safety programs.

For FY2006, the Administration requested \$696 million to carry out NHTSA's mission, a \$22 million (3%) increase over comparable FY2005 funding.⁶ Of the total amount requested by the Administration, \$465 million was designated to support general traffic safety and incentive grants to states. The incentive grants are intended primarily to encourage use of occupant protection measures and reduce impaired driving. The remaining \$231 million was for NHTSA's operations and research activities to reduce highway fatalities and prevent injuries due to traffic crashes. More specifically, the funds proposed would be used for activities including research and analysis (e.g., collection of crash statistics, research on vehicle performance and occupant injury during these crashes, and driver distraction testing); highway safety programs (e.g., developing improved countermeasures to combat alcohol- or drug-impaired driving and measures to increase safety belt usage); safety assurance (e.g., testing of vehicles to ensure compliance with federal motor vehicle safety standards and maintaining a legislatively-required database to track vehicle defects); and conducting crash avoidance and crash-worthiness testing, and evaluating child safety seats.

The House Committee on Appropriations recommended \$782 million for FY2006, \$184 million (162%) over the FY2005 enacted level and \$86 million (12%) over the Administration request. The House concurred. The Senate Committee on Appropriations recommended \$779 million.

Federal Railroad Administration (FRA)

[<http://www.fra.dot.gov>]

The Administration requested \$552 million in funding for the Federal Railroad Administration for FY2006. This is \$880 million (61%) below the \$1.4 billion FRA received in FY2005. The difference is largely due to the Administration's request for no funding for Amtrak, which received \$1.2 billion in FY2005; the Administration request also zeroed out the Next Generation High-Speed Rail Program. The House Committee on Appropriations recommended \$732 million for FY2006. The House provided \$1.3 billion, adding \$626 million through a floor amendment for Amtrak. The Senate Committee on Appropriations recommended \$1.7 billion; the major difference from the House-passed figure was recommending an additional \$274 million for Amtrak, for a total FY2006 level of \$1.45 billion for Amtrak.

Although most of the debate involving the FRA budget centers on Amtrak, agency safety activities (which receive more detailed treatment in the next section), the Next Generation High-Speed Rail program, and how states might obtain additional funds for high-speed rail initiatives are also continuing issues.

⁶ The Administration's request includes a proposal to transfer \$222 million from FHWA's budget to NHTSA's budget; in previous years, that money was budgeted in FHWA for programs that were administered by NHTSA.

Railroad Safety. The FRA promotes and regulates railroad safety. Increased railroad traffic volume and density make equipment, employees, and operations more vulnerable to accidents. The Administration proposed \$146 million in FY2006 for FRA's safety program and related administrative and operating activities, \$9 million (6%) above the FY2005 enacted level. The House Committee on Appropriations recommended the requested amount; the House concurred. The Senate Committee recommended the same. The funds requested support FRA's goals of reducing rail accidents and incidents, reducing grade-crossing accidents, and contributing to the avoidance of serious hazardous materials transportation incidents.

The railroad safety statute was last reauthorized in 1994. Funding authority for the program expired at the end of FY1998. FRA's safety program continues using the authorities specified in existing federal railroad safety law and funds provided by annual appropriations. Though hearings have been held since 1994, the deliberations have not resulted in agreement on reauthorization of FRA's regulatory and safety compliance activities or change to any of the existing authorities used by FRA to promote railroad safety.

Next Generation High-Speed Rail R&D. This program supports work on high-speed train control systems, track and structures technology, corridor planning, grade-crossing hazard mitigation, and high-speed non-electric locomotives. The Administration did not request any funding for this program for FY2006; it received \$19 million in FY2005. The House Committee on Appropriations recommended \$10.2 million; the House concurred. The Senate Committee recommended \$11.5 million.

Amtrak. The Administration requested no funding for Amtrak for FY2006; Amtrak's Board of Directors (all of whom were appointed by the Administration) has requested \$1.8 billion. The DOT Inspector General has testified that Amtrak requires at least \$1.4 billion to survive in its current form. Amtrak received \$1.2 billion in FY2005; combined with the nearly \$200 million in cash Amtrak had at the end of FY2004, that gave Amtrak \$1.4 billion for FY2005. Amtrak expects to end FY2005 with little or no cash on hand, partly due to its difficulties with its Acela trains on the Northeast Corridor. The Administration requested \$360 million for the Surface Transportation Board to administer Amtrak operations necessary to support commuter rail services in the event of an Amtrak shutdown.

The House Committee on Appropriations recommended \$550 million for Amtrak for FY2006, of which \$50 million is for the Secretary of Transportation to make capital grants for repairs to the Northeast Corridor, in consultation with Amtrak to select the projects most critical to help bring the Corridor into a state of good repair. The Committee also recommended \$20 million to be held in reserve for the Surface Transportation Board to carry out directed service should Amtrak cease operations, and \$10 million to support the orderly discontinuation of Amtrak's mail and express service.

In addition, the Committee established a threshold subsidy figure for federal support to Amtrak's individual routes. Routes with a federal subsidy greater than \$30 per passenger would no longer be eligible for federal support. The Committee

noted that the states served by these routes could provide the funding needed to support the routes; otherwise, the routes would be eliminated.

In its report accompanying the bill, the Committee wrote that “While the Committee agrees that reform is critical, it is also equally important to sustain passenger rail service in geographic regions where this service is viable.”⁷ In a press release describing the bill’s Amtrak provisions, the Committee wrote that the bill “fully supports rail service for ... 80 percent of Amtrak’s ridership.”⁸ Whether the bill actually does that is not clear. The routes whose per passenger subsidy level is below the Committee’s threshold are chiefly in the Northeast, on the West Coast, and in the Midwest. The routes that would be eliminated serve other, largely rural, sections of the country.

In a press release describing the bill’s Amtrak provisions, the Committee wrote that the bill “fully supports rail service for ... 80 percent of Amtrak’s ridership.”⁹ Whether the bill actually does that is not clear. The bill provides only \$550 million for Amtrak, far less than the \$1.4 to \$1.5 billion the DOT IG has testified that Amtrak needs for FY2006.¹⁰ The Inspector General also testified concerning the idea that eliminating Amtrak’s long-distance trains would largely solve Amtrak’s funding problem.

It’s important to appreciate that while they are highly subsidized and often inefficient, their total elimination will not come close to making ends meet.

⁷ Committee on Appropriations, House of Representatives, United States Congress, preprint of committee report on the FY2006 Transportation, Treasury, and Housing and Urban Development, the Judiciary, District of Columbia, and Independent Agencies Appropriations Bill distributed at the markup session, p. 44.

⁸ House of Representatives, United State Congress. Smarter, More Effective Funding for Amtrak. Press Release issued June 15, 2005. [Available at http://appropriations.house.gov/index.cfm?FuseAction=PressReleases.Detail&PressRelease_id=492&Month=6&Year=2005]

⁹ House of Representatives, United State Congress. Smarter, More Effective Funding for Amtrak. Press Release issued June 15, 2005. [Available at http://appropriations.house.gov/index.cfm?FuseAction=PressReleases.Detail&PressRelease_id=492&Month=6&Year=2005]

¹⁰ Kenneth Mead, Inspector General, United States Department of Transportation, in transcript of Senate Appropriations Subcommittee on Transportation, Treasury, the Judiciary and Housing and Urban Development, Hearing on FY2006 Appropriations, May 12, 2005, published by CQ. [<http://www.cq.com/display.do?prod=4&dockey=/cqonline/prod/data/docs/html/transcripts/congressional/109/congressionaltranscripts109-000001677392.html@committees&metapub=CQ-CONGTRANSCRIPTS&binderName=com.cq.oc.biz.BudgetTrackerNewsWidget%3Fsection%3Dhearings%26group-id%3D1695&rthu=budgettrackerbill.do%23btheahrhits>]

Savings ultimately would be in the neighborhood of around \$300 million, and the savings would not be immediate due to the need for labor severance payments.¹¹

Amtrak's President, David Gunn, asserting that Amtrak would owe its employees \$1.4 billion over three years in severance payments if the long-distance trains were eliminated,¹² has said the Committee's recommended funding would lead to an Amtrak shut down, because the company cannot meet debt service, pay its obligations to the railroad retirement fund and make required payments to the workers it would have to lay off.¹³ In an "Additional Views" section of the Committee's report on the bill, the ranking members of the Committee and the transportation Subcommittee argued that the bill would make it impossible for Amtrak to operate even a limited number of routes. "After mandatory debt service payments of \$275 million to \$287 million and mandatory labor payments of \$300 million or more [severance payments to Amtrak workers laid off as a result of terminating the long distance routes] are made, no funds would be available to operate even a few routes and no funds would be available to invest in sorely needed capital upgrades."¹⁴

During consideration of the bill on the House floor, the chair of the House Transportation and Infrastructure Subcommittee on Railroads, Representative LaTourette, and the ranking member of the Transportation and Infrastructure Committee, Representative Oberstar, introduced an amendment to increase Amtrak's funding by \$626 million, to \$1,176 million. This is \$31 million less than Amtrak is receiving for FY2005, but \$276 million more than the House proposed for Amtrak for FY2005. The amendment was offset by reductions in several other accounts in the bill, and passed by voice vote.

Another amendment, introduced by the ranking member of the Transportation and Infrastructure Subcommittee on Railroads, Representative Brown, and Representative Menendez and Representative Rahall, deleted the Appropriation Committee's recommendation that federal funding not be available to Amtrak routes requiring more than \$30 per passenger in subsidy. This amendment passed by a vote of 269-152.

The Senate Committee on Appropriations recommended \$1.45 billion for Amtrak, \$274 million more than the House-passed figure. The Committee also recommended several provisions affecting Amtrak operations. These include forbidding the use of federal funding to support food and beverage service and sleeper car service on Amtrak's routes.¹⁵ Other provisions would require Amtrak to

¹¹ Ibid.

¹² Chris Mondics, "Amtrak Chief says 'Ideologues' Urging Cuts," *Philadelphia Inquirer*, June 16, 2005, A1.

¹³ Matthew L. Wald, "National Briefing Washington: Committee Votes To Cut Amtrak Subsidy," *New York Times*, June 16, 2005, A23.

¹⁴ H.Rept. 109-153, 249.

¹⁵ Recent reports by the Amtrak Inspector General and the DOT Inspector General found
(continued...)

adopt a managerial accounting system that can identify average and marginal costs for Amtrak's services, allow Amtrak to impose a surcharge on its passenger tickets to raise money for capital improvements, and allow the Secretary of Transportation to impose fees on commuter rail operations using the Northeast Corridor to cover the direct maintenance costs imposed by each operator.

Congress has taken steps in recent years to exert more control over Amtrak's finances. Beginning with Amtrak's FY2003 appropriation (P.L. 108-7), Congress directed that Amtrak's appropriation would not go directly to Amtrak, but rather that the Secretary of Transportation would provide funding to Amtrak quarterly through the grant-making process. Congress also imposed several other requirements on Amtrak beginning in FY2003 which had the effect of reducing Amtrak's discretion with its federal funding. Among these was a requirement that Amtrak submit a five-year business plan to Congress, which it did in April 2003. In this plan, Amtrak requested average annual federal support of \$1.6 billion for FY2004-FY2008 to both maintain the current network and begin to address the estimated \$6 billion in backlogged maintenance needs. The plan did not propose expansion of the existing rail network. Amtrak has submitted annual updates of this Strategic Plan to Congress. Congress has not supported the funding levels requested in these Strategic Plans.

Amtrak's authorization expired in September 2002. Efforts to reauthorize Amtrak have been stymied by disagreement over the future shape of federal passenger rail policy. The House Committee on Transportation and Infrastructure has ordered to be reported out legislation reauthorizing Amtrak at \$2 billion annually for FY2006-FY2009 (H.R. 1630); similar legislation was reported out by the Committee in the 108th Congress but saw no further action. Legislation reflecting the Administration's reauthorization proposal, which would restructure Amtrak and transfer responsibility for administering and funding passenger rail service to the states, has also been introduced (H.R. 1713); similar legislation was also introduced in the 108th Congress, but was not supported. The Amtrak Board has submitted a restructuring proposal to Congress, but no legislation has been introduced reflecting that proposal.

Federal Transit Administration (FTA)

[<http://www.fta.dot.gov/>]

President Bush's FY2006 budget request for FTA was \$7.8 billion, \$167 million (2%) more than FTA's FY2005 appropriation of \$7.6 billion. The House Committee on Appropriations recommended \$8.5 billion, the amount authorized for FY2006 in the House's surface transportation reauthorization bill (H.R. 3 as passed by the House). The House concurred. The Senate Committee on Appropriations recommended \$8.2 billion, \$430 million more than the request and \$270 less than the

¹⁵ (...continued)

that Amtrak loses money on both its food and beverage service and its sleeper car service. These provisions would, in effect, require Amtrak to either break even on these operations or eliminate them.

House-passed figure. The guaranteed authorization level for FTA for FY2006 in the surface transportation reauthorization legislation approved by Congress on July 29, 2005, is \$8.6 billion.

The Administration's request also proposed changes to FTA's program structure, reflecting the Administration's transit reauthorization proposals. These proposals included grouping all funding into three categories (administrative expenses, formula funds, and capital investment grants), zeroing out the Bus Discretionary grant program, and creating a New Freedom Initiative program to help assist persons with disabilities with transportation to work. Some of these proposals are included in the surface transportation reauthorization bills currently in conference. New proposals in the President's request include an Intermodal Passenger Facilities Program to provide intercity bus intermodal passenger facility grants (\$75 million) and a National Parks Legacy Project to improve access to national parks (\$30 million).

FTA Program Structure and Funding. The largest transit programs are the Capital Investment Grants and Loans Program and the Urbanized Area Formula Grants Program. There are also several smaller formula and discretionary programs.

Capital Investment Grants and Loans Program (Section 5309). This program (formerly known as Section 3) has three components: a new transit infrastructure component ('New Starts'), a fixed guideway modernization component, and a bus and bus facilities component. The funds are typically allocated among these three components on a roughly 40-40-20 basis, respectively; funds for the fixed guideway component are distributed by formula, while funds for the other components are distributed on a discretionary basis by FTA or earmarked by Congress. The Administration request reflects its proposed change to this program's structure: it requested \$1.53 billion for the transit New Starts program (up about 6% from \$1.44 billion in FY2005). It also requested \$1.3 billion for the fixed guideway modernization component (up 9% from FY2005's \$1.2 billion), which would be placed under a different program area (an enlarged Formula Grants program area). No funding was requested for the bus and bus facilities discretionary component, which received \$725 million in FY2005.¹⁶

The House Committee on Appropriation recommended \$1.56 billion for the New Starts program (9% above FY2005), \$1.39 for fixed guideway modernization (15% above FY2005), and \$693 million for buses and bus facilities (4% above the comparable FY2005 figure). The House concurred. The Senate Committee on Appropriations recommended \$1.39 billion for New Starts, \$1.31 billion for fixed guideway modernization, and \$797 million for bus and bus facilities.

Urbanized Area Formula Program (Section 5307). This program (formerly known as Section 9) provides capital and, in some cases, operating funds

¹⁶ In FY2005, as in previous years, the Bus and Bus Facilities appropriation was supplemented by \$50 million authorized for the clean bus program. The appropriation for bus and bus facilities was \$675 million; the additional funding resulted in a total of \$725 million.

for urbanized areas (population 50,000 or more). Eligible activities include bus and bus-related purchases and maintenance facilities, fixed guideway modernization, new systems, planning, and operating assistance. Funds are apportioned by a formula based, in part, on population (areas with populations over 1,000,000 receive two-thirds of the funding; urbanized areas with populations under 1,000,000 receive the remaining one-third) and on transit service data. For FY2006, the Administration proposed \$3.7 billion, up 3% from FY2005's 3.6 billion.

The House Committee on Appropriations did not specify a figure for this program; the FY2006 authorization for this program in the House version of surface transportation reauthorization legislation (H.R. 3) is \$3.98 billion (11% above FY2005). The Senate Committee on Appropriations recommended \$3.7 billion.

With the enactment of TEA-21, operating assistance funding was eliminated for urbanized areas with populations over 200,000. However, preventive maintenance, generally considered an operating expense, is now eligible for funding as a capital expense. Urbanized areas under 200,000 population, and non-urbanized areas (Section 5311), can use formula funds for either capital or operating purposes.

Job Access and Reverse Commute Program. TEA-21 authorized a new discretionary Job Access and Reverse Commute grant program. This program provides funding for transportation projects that assist welfare recipients and low-income persons to find and get to work in suburban areas. The Administration proposed \$164 million for it in FY2006, up from \$125 million in FY2005, and proposes to convert it to a formula program. The House Committee on Appropriations recommended \$175 million for FY2006; the House concurred. The Senate Committee on Appropriations recommended \$122 million. Changing the program from a discretionary to a formula program would be done by the surface transportation authorization legislation (and was done, in H.R. 3 as passed by Congress).

Maritime Administration (MARAD)

[<http://www.marad.dot.gov>]

MARAD's mission is to promote the development and maintenance of a U.S. merchant marine capable of carrying the nation's waterborne domestic commerce, a portion of its waterborne foreign commerce, and to serve as a naval and military auxiliary in time of war. MARAD administers programs that benefit U.S. vessel owners, shipyards, and ship crews. For FY2006, the President requested \$294 million for MARAD, about 3% below the FY2005 level of \$305 million. The House Committee on Appropriations recommended \$291 million. The House concurred. The Senate Committee on Appropriations recommended \$323 million.

The Maritime Guaranteed Loan Program (the "Title XI" program) provides guaranteed loans for purchasing ships from U.S. shipyards and for the modernization of U.S. shipyards. The purpose of the program is to promote the growth and modernization of U.S. shipyards. As in budget requests in prior years, the Administration has requested no funds for new loan guarantees, calling the program a "corporate subsidy." The Administration has, however, requested \$4 million for

the administration of existing loans. The House Committee supported this request; the House concurred.

For operations and training, the Administration requested \$114 million, about 5% above the FY2005 funding of \$109 million. The House Committee recommended \$112 million; the House agreed to that. The Senate Committee on Appropriations recommended \$119 million. Most of this funding goes to the U.S. Merchant Marine Academy and to MARAD operations.

The Administration requested \$156 million, 59% above the FY2005 level of \$98 million, for the Maritime Security Program (MSP); the House Committee supported this request, and the House concurred. The Senate Committee on Appropriations also recommended \$156 million. MSP pays to support a fleet of privately-owned U.S. flag commercial vessels engaged in international trade that are available to support the Department of Defense in a national emergency. The request would increase the size of the fleet from 47 to 60 vessels.

For the disposal of obsolete vessels in the National Defense Reserve Fleet (NDRF), the Administration requested \$21 million, about the same as provided in FY2005; the House Committee supported this request, as did the full House and the Senate Committee on Appropriations. There are over 130 vessels in the NDRF that are awaiting disposal because of their age. These vessels have raised environmental concerns due to the presence of asbestos and other hazardous substances. MARAD has until 2006 to dispose of these surplus ships, most of which are located on the James River in Virginia and in Suisan Bay, California.

The Administration requested no funding for the National Defense Tanker Vessel Construction program, and requested a rescission of the \$74 million appropriated for this program in FY2005. The House Committee on Appropriations recommended no funding for FY2006, but did not support the rescission of the FY2005 funding; the House concurred. The Senate Committee on Appropriations recommended \$25 million for FY2006, and did not rescind any of the FY2005 appropriation.

The National Defense Tanker Vessel Construction program was authorized under subtitle D of the Maritime Security Act of 2003 (P.L. 108-136), National Defense Tank Vessel Construction Assistance. The program would provide up to \$50 million per vessel for the construction of a commercial tank vessel in a U.S. shipyard, provided that the vessel was also capable of carrying militarily useful petroleum products and the shipowner entered into an agreement with the Department of Defense to make the ship available for the military's use in time of war. The intent of the law is to decrease the Department of Defense's reliance on foreign-flag oil tankers. An aspect of the program that has proved controversial is the allowance of up to 10% of a vessel's total steel weight to be constructed by a foreign shipyard. Some argue this is necessary to allow U.S. shipyards to import foreign technological expertise, while others argue that it results in subsidies flowing to foreign shipyards.

Pipeline and Hazardous Materials Safety Administration (PHMSA)

[<http://www.phmsa.dot.gov>]

PHMSA was created with passage of the Norman Y. Mineta Research and Special Programs Improvement Act (P.L. 108-426, 118 Stat. 2423), which was signed into law on November 30, 2004. The statute creates two new operating administrations in place of the Research and Special Programs Administration (RSPA). is charged with maintaining the safety and integrity of the Nation's pipeline transportation system, as well as maintaining the safety of hazardous materials transported by any mode. The Administration requested \$117 million for PHMSA for FY2006, up from \$69 million in FY2005. The House Committee on Appropriations recommended \$116 million, plus a limitation on obligations of \$14 million for the emergency preparedness grant program. The House concurred with this recommendation. The Senate Committee on Appropriations also recommended \$116 million, plus the \$14 million limitation on obligations.

Research and Innovative Technology Administration (RITA)

[<http://www.rita.dot.gov>]

RITA, the other offspring of the former Research and Special Programs Administration, focuses on research and development activities, transportation analysis, and statistics (it includes the Bureau of Transportation Statistics, formerly a separate agency within DOT). RITA also conducts transportation-related research and provides training to transportation professionals in safety methods and technologies (through the Transportation Safety Institute) on a reimbursable basis.

The Administration is requesting \$6.3 million for RITA in the FY2006 budget to carry out DOT's priorities for innovation and research in transportation technologies and concepts, up from a comparable level of \$4.3 million in FY2005. The House Committee on Appropriations recommended \$4.3 million for FY2006; the House concurred. The Senate Committee on Appropriations also recommended \$4.3 million.

Appendix A: List of Transportation Acronyms

AIP: Airport Improvement Program (FAA)

AIR21 (sometimes FAIR21): the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181), the previous aviation authorizing legislation

ARAA: the Amtrak Reform and Accountability Act of 1997 (P.L. 105-134), the previous Amtrak authorizing legislation

ATSA: the Aviation and Transportation Security Act (P.L. 107-71), legislation which created the Transportation Security Administration within the DOT

BRR: Bridge Replacement and Rehabilitation program (FHWA)

BTS: Bureau of Transportation Statistics

CMAQ: Congestion Mitigation and Air Quality program (FHWA)

DOT: Department of Transportation

EAS: Essential Air Service (FAA)

F&E: Facilities and Equipment program (FAA)

FAA: Federal Aviation Administration

FAHP: Federal-Aid Highway Program (FHWA)

FHWA: Federal Highway Administration

FMCSA: Federal Motor Carrier Safety Administration

FRA: Federal Railroad Administration

FTA: Federal Transit Administration

Hazmat: Hazardous materials (safety program in PHMSA)

HPP: High Priority Projects (FHWA)

HTF: Highway Trust Fund

IM: Interstate Maintenance program (FHWA)

ITS: Intelligent Transportation Systems (FHWA)

MCSAP: Motor Carrier Safety Assistance Program (FMCSA)

New Starts: part of the FTA's Capital Grants and Loans Program which funds new fixed-guideway systems or extensions to existing systems

NHS: National Highway System; also a program within FHWA

NHTSA: National Highway Traffic Safety Administration

NMCSA: National Motor Carrier Safety Administration

O&M: Operations and Maintenance program (FAA)

OIG: Office of the Inspector General

OST: Office of the Secretary of Transportation

PHMSA: Pipeline Hazardous Materials Safety Administration

RABA: Revenue-Aligned Budget Authority

RITA: Research and Innovative Technology Administration

RD&T: Research, Development and Technology program (FHWA)

RE&D: Research, Engineering and Development program (FAA)

RSPA: the former Research and Special Projects Administration

SAFETEA-LU: Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, the highway and transit authorizing legislation enacted in 2005.

SCASD: Small Community Air Service Development program (FAA)

STB: Surface Transportation Board

STP: Surface Transportation Program (FHWA)

TCSP: Transportation and Community and System Preservation Program (FHWA)

TEA-21: Transportation Equity Act for the 21st Century (P.L. 105-178), the highway and transit authorizing legislation enacted in 1998

TIFIA: Transportation Infrastructure Finance and Innovation Act program (FHWA)

TSA: Transportation Security Administration (now in the Department of Homeland Security)

Vision 100: Century of Aviation Reauthorization Act (P.L. 108-176), the aviation reauthorization act enacted in 2003

Appendix B: The Transportation Appropriations Framework

Transportation is function 400 in the annual unified congressional budget. It is also considered part of the discretionary budget. Funding for the DOT budget is derived from a number of sources. The majority of funding comes from dedicated transportation trust funds. The remainder of DOT funding is from federal Treasury general funds. The transportation trust funds include the highway trust fund, which contains two accounts, the highway trust account and the mass transit account; the airport and airway trust fund; and the inland waterways trust fund. All of these accounts derive their respective funding from specific excise and other taxes.

In FY2005 trust funds accounted for three-fourths of total federal transportation spending. Together, highway and transit funding constitute the largest component of DOT appropriations. Most highway and transit programs are funded with contract authority derived by the link to the highway trust fund. This is very significant from a budgeting standpoint. Contract authority is tantamount to, but does not actually involve, entering into a contract to pay for a project at some future date. Under this arrangement, specified in Title 23 U.S.C., authorized funds are automatically made available at the beginning of each fiscal year and may be obligated without appropriations legislation; although appropriations are required to make outlays at some future date to cover these obligations.

Where most federal programs require new budget authority as part of the annual appropriations process, transportation appropriators are faced with the opposite situation. That is, the authority to spend for the largest programs under their control already exists, and the mechanism to obligate funds for these programs also is in place.

Vision 100 — Century of Aviation Reauthorization Act

The vast majority of the Federal Aviation Administration's budget is funded by the airport and airway trust fund, also known as the aviation trust fund, which is supported by user fees and excise taxes. Funding for the FAA's two capital programs, the Airport Improvement Program and the Facilities and Equipment program, as well as the Research, Engineering, and Development funding, are supported entirely by the aviation trust fund. The Operations and Maintenance (O&M) component — the largest component of the FAA budget — is, in most years, funded partially from aviation trust fund revenues and partially from Treasury general fund revenues. Using general fund revenues for O&M is somewhat controversial and the size of the general fund share of the O&M budget does at times emerge as an issue in both the transportation authorization and appropriations process. One of the justifications of using general fund revenues to support O&M is the belief that Congress's original intent was that the aviation trust fund was mostly for the capital and research components of the FAA budget. The other rationale was that the public sector, as well as the non-flying public, benefit from the operation of the nation's aviation system and should help pay for this benefit through general tax revenues.

The recent economic difficulties of the aviation industry have had a negative effect on trust fund revenues. Historically, the trust fund has ended each year with an uncommitted balance. Since 2001 the uncommitted balance has been decreasing. According to GAO, the trust fund's uncommitted balance decreased from \$7.3 billion in 2001 to \$4.8 billion in 2002 and has continued to fall at a rate of \$1 billion a year since.¹⁷ GAO found this occurred because revenues started trending downward in 1999, while expenditures have exceeded revenues since FY2001. The increase in expenditures from the trust fund reflected increased spending under two authorization bills: the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR21; P.L. 106-181), which covered FY1999-FY2003, significantly increased FAA spending, especially capital spending; and Vision 100 — Century of Aviation Reauthorization Act (Vision 100; P.L. 108-76), covering FY2004-FY2007, which authorized continued increases in spending, although at a more modest rate. GAO has warned that revenue declines as small as 5%-10% below projected levels could eliminate the trust fund's uncommitted balances under current authorization levels.

AIR21 created a budgetary regime for aviation programs that was closely linked to the availability of funds in the trust fund. The act requires appropriators to use aviation trust funds only for aviation purposes, and to fully fund FAA's capital programs (the Airport Improvement Program and the Facilities and Equipment program) at authorized levels, using House and Senate point-of-order rules for enforcement. One provision in the act made it out of order to consider legislation that spends aviation trust fund revenues for non-aviation purposes. Another provision made it out of order to consider legislation funding FAA's Operations and Maintenance and Research, Engineering and Development budgets if the Airport Improvement Program and Facilities and Equipment program are funded at less than their authorized levels. Vision 100 continued this arrangement. This budgetary regime was created at a time when revenues to the trust fund were sharply increasing. Should revenues decline significantly, funding beyond the guaranteed AIP and F&E components could be severely constrained unless supported by the general fund.

Transportation Equity Act for the 21st Century (TEA-21)

During the 105th and 106th Congresses, major legislation changed the relationships between the largest transportation trust funds and the federal budget. The Transportation Equity Act for the 21st Century (TEA-21) (P.L. 105-178) linked annual spending for highway programs directly to revenue collections for the highway trust fund. In addition, core highway and mass transit program funding was given special status in the discretionary portion of the federal budget by virtue of the creation of two new budget categories. The act thereby created a virtual "firewall" around highway and transit spending programs. The funding guarantees were set up in a way that makes it difficult for funding levels to be altered as part of the annual budget/appropriations process. Additional highway funds can be provided annually by a mechanism called "Revenue Aligned Budget Authority" (RABA); RABA funds accrue to the trust fund as a result of increased trust fund revenues. For FY2003, however, the RABA adjustment, if it had been applied during the appropriations

¹⁷ GAO, *Airport and Airway Trust Fund: Preliminary Observations on Past, Present, and Future*. GA0-05-657T. May 4, 2005.

process, would have led to a significant and unexpected drop in the availability of highway obligational funding. Congress set the RABA adjustment for FY2003 to \$0 (in a provision in P.L. 107-206) and appropriators ultimately provided FY2003 highway funding at the same level as provided for FY2002 (which was \$4 billion higher than the FY2003 authorized level). RABA was not included in the FY2004 or FY2005 appropriations calculations.

TEA-21 changed the role of the House and Senate appropriations and budget committees in determining annual spending levels for highway and transit programs. The appropriations committees are precluded from their former role of setting an annual level of obligations. These were established by TEA-21 and were adjusted by an annual RABA computation. TEA-21 also limited the discretion of the House and Senate appropriations committees in exercising what some Members view as their once traditional option of changing spending levels for specific core programs or projects, though during the authorization period appropriators increasingly returned to their customary use of this option.

On July 29, 2005, Congress adopted new surface transportation authorization legislation, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA — LU)(H.R. 3). This legislation maintains the general program structure of TEA-21.

Appendix C: Transportation Budget Terminology

Transportation budgeting uses a confusing lexicon (for those unfamiliar with the process) of **budget authority** and **contract authority** — the latter, a form of budget authority. Contract authority provides **obligational authority** for the funding of trust fund-financed programs, such as the federal-aid highway program. Prior to TEA-21, changes in spending in the annual transportation budget component had been achieved in the appropriations process by combining changes in budget/contract authority and placing **limitations on obligations**. The principal function of the limitation on obligations is to control outlays in a manner that corresponds to congressional budget agreements.

Contract authority is tantamount to, but does not actually involve, entering into a contract to pay for a project at some future date. Under this arrangement, specified in Title 23 U.S.C., which TEA-21 amended, authorized funds are automatically made available to the states at the beginning of each fiscal year and may be obligated without appropriations legislation. Appropriations are required to make outlays at some future date to cover these obligations. TEA-21 greatly limited the role of the appropriations process in core highway and transit programs because the act enumerated the limitation on obligations level for the period FY1999 through FY2003 in the Statute (112 Stat. 107).

Highway and transit grant programs work on a **reimbursable basis**: states pay for projects up front and federal payments are made to them only when work is completed and vouchers are presented, months or even years after the project has begun. Work in progress is represented in the trust fund as obligated funds and although they are considered “used” and remain as commitments against the **trust fund balances**, they are not subtracted from balances. Trust fund balances, therefore, appear high in part because funds sufficient to cover actual and expected future commitments must remain available.

Both the highway and transit accounts have substantial short- and long-term commitments. These include payments that will be made in the current fiscal year as projects are completed and, to a much greater extent, outstanding obligations to be made at some unspecified future date. Additionally, there are unobligated amounts that are still dedicated to highway and transit projects, but have not been committed to specific projects.

Two terms are associated with the distribution of contract authority funds to the states and to particular programs. The first of these, **apportionments**, refers to funds distributed to the states for formula driven programs. For example, all national highway system (NHS) funds are apportioned to the states. **Allocated** funds, are funds distributed on an administrative basis, typically to programs under direct federal control. For example, federal lands highway program monies are allocated; the allocation can be to another federal agency, to a state, to an Indian tribe, or to some other governmental entity. These terms do not refer to the federal budget process, but often provide a frame of reference for highway program recipients, who may assume, albeit incorrectly, that a state apportionment is part of the federal budget per se.