

# Transportation funding's future

*State and local leaders hope reauthorization of the Transportation Equity for the 21st Century Act will build on past success*

**BY AMY SCOTT**

**F**ederal transportation policy over the past 12 years has strived to build a functional, well-developed intermodal transportation system to ensure the efficient flow of goods across our nation's highways and rail lines while fulfilling the American public's daily transportation needs.

The Transportation Equity for the 21st Century Act (TEA-21), a cornerstone of federal transportation policy, is set to expire on September 30, 2003. Since our nation's transportation system and infrastructure are inextricably linked to our present and future economic success, state and local leaders across the country are extremely interested in the upcoming administration proposal and subsequent congressional legislation to reauthorize the act.

## **ISTEA: A revolution in transportation funding**

In 1991, President George Bush and members of the U.S. Congress revolutionized the manner in which our nation funds the construction and maintenance of our surface transportation systems and infrastructure. Enactment of the Intermodal Surface Transportation Efficiency Act, commonly known as ISTEA, represented a marked change in



the way the federal government viewed transportation.

For the first time, the various transportation systems were viewed as a whole, rather than as individual parts. Instead of focusing solely on highways or transit, legislators and members of the executive branch understood that it was important to focus on intermodalism, recognizing the need for seamless links among our nation's highways, rail, air and port systems. They not only took the first steps in chipping away the barriers that existed for so long between these

modes of transportation, they sought to provide a cohesive, economically efficient and environmentally sound source of intermodal transportation for the American public.

While there are many facets to ISTEA, federal, state and local government officials tend to focus on funding for our nation's highways, highway safety programs and mass transit systems. After all, millions of Americans depend on highways and transit for their daily commutes to and from work and social engagements. By establishing budgetary "fire-

walls” (separate budget categories with dedicated funds) for revenues garnered from fuel-tax receipts, ISTEA provided state and local governments with a steady stream of funds, thereby revolutionizing the manner in which U.S. highways and transit systems are funded. ISTEA ensured that all fuel taxes paid by motorists are deposited into the Highway Trust Fund and spent on surface transportation projects.

ISTEA also enhanced the manner in which the federal, state and local governments address the critical issue of highway safety, and it established a balanced approach to transportation construction while protecting the natural environment. As key stakeholders in the funding and subsequent construction of surface transportation projects, state and local governments were provided through ISTEA the flexibility to determine real transportation solutions to issues such as traffic congestion, traffic safety and air quality. Hence, as the first major highway act of the post-interstate-construction era, ISTEA served as a benchmark for future transportation legislation.

### **TEA-21: Building upon ISTEA’s success**

In an effort to build upon the success of ISTEA, in 1998, President Bill Clinton signed into law the Transportation Equity for the 21st Century Act, commonly known as TEA-21. TEA-21 highlights the importance of maintaining a stable stream of funding for surface transportation projects through the creation of two budgetary firewalls – one for the nation’s highway system and the other for mass transit systems. Following the success of ISTEA, TEA-21 took steps to ensure that all fuel taxes paid by motorists were deposited into the Highway Trust Fund.

By using the financial resources of the Highway Trust Fund, TEA-21 authorized \$218 billion from 1998-2003. According to the Department of Transportation, this is a 43 percent increase over the \$155 billion authorized between 1991 and 1998 under ISTEA. Over the years, this continuous source of federal funds has contributed to the remarkable investments currently under-

way in states and localities. In fact, according to the DOT, investment in surface transportation has increased by more than 50 percent since the enactment of TEA-21. This is a trend many state and local governments would like to see continue for another six years with the reauthorization of TEA-21.

Like ISTEA, the funding mechanism authorized in TEA-21 has contributed directly to nation’s economic success. During a presentation to the Transportation Research Board earlier this year, Federal Highway Administrator Mary Peters stressed this very point. “In light of today’s global economy, it is more important than ever to have a seamless transition between modes of transportation. Intermodalism is the key to economic prosperity, and highways play an important part,” she said. “Moreover, highway infrastructure is a good investment for the nation in normal times and a wise policy during periods of economic recession. A \$1 billion increase in the federal-aid construction spending supports more than 47,500 jobs at the national economy level, generates over \$1.3 billion in worker incomes, and stimulates almost \$6.1 billion in economic activity.”

From 1998-2003 the federal government spent \$36 billion on urbanized and non-urbanized transit programs and systems throughout the country. Among

the programs funded under TEA-21 were transit capital grants and loans, transit planning and research, and the Job Access and Reverse Commute grant program. These transit programs are funded through the Highway Trust Fund and the General Trust Fund. Due to the budgetary firewalls established for the transit program, funding for transit doubled during fiscal years 1999-2003 – increasing from \$15.4 billion to \$31.4 billion. According to the DOT, these funds are used for capital expenses, such as the purchase of rail cars, buses, and the planning and development of transit facilities. For urban and suburban communities that depend upon mass transit services, a steady and adequate stream of funding is essential.

Many state and local officials understand the importance of building upon the success of current transit programs and projects. To underscore this point, Mayor H. Brent Coles of Boise, Idaho testified before the Senate Environment and Public Works Committee earlier this year in a hearing entitled “Partners for America’s Transportation Future.” Mayor Coles highlighted the direct link between our nation’s economy and our transportation systems. “There is no doubt in my mind that the resources provided by ISTEA and TEA-21 have played a significant role in the economic vitality of cities and metro regions,” he said.

## **CSG’s position**

The Governing Board/Executive Committee of The Council of State Governments adopted a resolution regarding Reauthorization of the Transportation Equity for the 21st Century Act during CSG’s Annual State Trends and Leadership Forum in December 2002. The resolution states that “The Council of State Governments strongly supports a timely reauthorization of TEA-21 with sufficient funding levels and no unfunded mandates or burdensome conditions attached to funding, thereby allowing states to address the

transportation needs of their citizens and community.” The full text is available at [www.csg.org](http://www.csg.org) (keyword: resolution). CSG has identified TEA-21 reauthorization as one of its top three priorities for 2003. In the coming months, the council will be distributing Action Alerts and Legislative Updates regarding administration and congressional activities on TEA-3. All members interested in receiving these Action Alerts and Legislative Updates should contact the CSG-Washington, D.C. office at (202) 624-5460.

### TEA-3: The next step

This month Transportation Secretary Norman Mineta is expected to release the administration's proposal for TEA-3. There is no doubt that this proposal will incorporate much of the framework found in both ISTEA and TEA-21, along with the following core principles: guaranteed funding levels for TEA-3 surface transportation projects; increased intermodal connectivity between our nation's highways, rail, transit, ports and airports; and a renewed focus on highway and traffic safety through the development and deployment of Intelligent Transportation Systems.

The amount of money to be authorized under TEA-3 for our nation's surface transportation systems is still undecided. However, with the release of the administration's FY 2004 budget in February, some observers speculate that authorizing language found in TEA-3 will closely mirror the administration's FY 2004 transportation budget. The budget calls for a total of \$247 billion in federal spending for surface transportation programs over the next six years, including \$195 billion for highway funding.

During the February 3, 2003 DOT briefing for the FY 2004 budget, Deputy Secretary of Transportation Michael Jackson made it clear that the administration is "committed to maintaining the firewalls that link highway spending to Highway Trust Fund receipts." According to Jackson, the link between highway spending and highway revenues must be maintained for future economic success.

"In fact, the president's budget will propose starting reauthorization by actually obligating more for highway programs than we expect to collect in Trust Fund receipts. We will squeeze everything we prudently can from the trust fund," he said. The proposed budget is designed to keep the Highway Trust Fund balance relatively constant, with an obligation limitation of \$29.3 billion for FY 2004.

In addition to protecting the firewalls, the administration has proposed adding \$600 million garnered from gasohol-tax revenues to the Highway Trust Fund. Under the administration's proposal, revenues from a 2.5-cents-per-gallon tax on ethanol will be transferred from the General Trust Fund to the Highway Trust Fund. The administration's FY 2004 budget also proposes the creation of a \$1 billion program to fund a new highway infrastructure performance and maintenance program. "This represents obligating \$1 billion above our annual receipts into the Highway Trust Fund and will quickly provide the twin benefits of correcting highway deficiencies while creating new jobs nationwide," Jackson said.

### An uncertain future

Some knowledgeable observers wonder whether Congress, preoccupied with international tensions and the weak economy, will have time to act on the legislation this year. If Congress does not reauthorize the act before it expires on September 30, members will likely pass a stopgap measure to continue funding

transportation projects.

Moreover, legislation reauthorizing the Transportation Equity Act faces financial hurdles. The size of the Highway Trust Fund is based on actual fuel taxes received from motorists and the annual budget estimates of future receipts. The economic slow-down has seriously reduced the amount of revenue in the account for transportation projects. According to some transportation industry officials, it is important that authorized funding levels for TEA-3 be substantially more than the \$29.3 billion cited in the administration's fiscal year 2004 budget request.

In the last several months, many transportation organizations have issued reports concerning future funding for surface transportation projects. The American Association of State Highways and Transportation Officials, for instance, published a report entitled *Transportation Investment in America: The Bottom Line*. The report takes a comprehensive look at the investments needed to ensure the maintenance and construction of current and future highway and transit projects for the next six years. According to the report, maintaining the current condition of our nation's highways and bridges would require an annual investment of \$125.6 billion. Maintaining the physical condition of the country's transit systems would require an annual investment of at least \$33.8 billion, with \$9.5 billion appropriated for capital investment.

Building upon the success of TEA-21 will not be easy, but it will be necessary. Recognizing and understanding the direct link every mode of transportation has on our economy may be the catalyst for the administration, Congress, and state and local leaders to work together to reauthorize the Transportation Equity for the 21st Century Act. In the words of Vermont Sen. Jim Jeffords, "the nation's transportation program is a model of effective federalism. The program is decentralized, collaborative and flexible. It draws on resources from federal, state, local and private sources." ★

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