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Appropriations for FY2003: Transportation and Related Agencies

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Appropriations are one part of a complex federal budget process that includes budget resolutions, appropriations (regular, supplemental, and continuing) bills, rescissions, and budget reconciliation bills. The process begins with the President's budget request and is bound by the rules of the House and Senate, the Congressional Budget and Impoundment Control Act of 1974 (as amended), the Budget Enforcement Act of 1990, and current program authorizations.

This report is a guide to one of the 13 regular appropriations bills that Congress considers each year. It is designed to supplement the information provided by the Subcommittees on Transportation of the House and Senate Committees on Appropriations. It summarizes the current legislative status of the bill, its scope, major issues, funding levels, and related legislative activity. The report lists the key CRS staff relevant to the issues covered and related CRS products.

This report is updated as soon as possible after major legislative developments, especially following legislative action in the committees and on the floor of the House and Senate.

NOTE: A Web version of this document with active links is available to congressional staff at: [http://www.crs.gov/products/appropriations/apppage.shtml].

Appropriations for FY2003: Transportation and Related Agencies

Summary

The Department of Transportation (DOT) entered FY2003 without an FY2003 appropriations act to fund its activities; while the House and Senate Appropriations Committees have reported out bills, neither the House nor the Senate have passed a DOT appropriations bill. It is being funded through Continuing Resolutions (CRs) that provide funding at FY2002 levels, prorated.

For the FY2003 DOT and Related Agencies budget, the President requested $56.1 billion. This represents a decrease of 6% from the $59.6 billion FY2002 enacted total. The House Appropriations Committee recommended $60.1 billion, the primary difference being an increase of $4.6 billion for highway spending. The Senate Appropriations Committee recommended $64.7 billion, the primary difference being an increase of $8.8 billion in highway spending.

The events of September 11, 2001, had a significant impact on DOT's budget in FY2002. The DOT received an extra $7.3 billion in FY2002 in emergency supplemental appropriations, much of it for security-related activities, including the creation of an entirely new agency, the Transportation Security Administration (TSA). During FY2003 the Coast Guard and TSA are scheduled to be transferred to the newly-created Department of Homeland Security.

The abrupt decrease in federal-aid highway funding from FY2002 to FY2003–from $32 billion to $24 billion–caused a stir. It was mandated by the Revenue-Aligned Budget Authority (RABA) provision in the Transportation Equity Act for the 21st Century (TEA21) that ties annual highway funding levels to trust fund revenues. The second FY2002 emergency supplemental act (P.L. 107-206) included a provision setting the RABA adjustment for FY2003 to zero, effectively restoring the federal-aid highway program to $27.7 billion, the level authorized in TEA-21. The House Appropriations Committee recommended this level; the Senate Appropriations Committee recommended maintaining the FY2002 level for FY2003, $31.8 billion.

Other significant budget issues facing Congress are the increasing costs of TSA and Amtrak. As the scale of the TSA's responsibilities becomes clearer, its costs are rising: from $1.3 billion in the FY2002 Appropriation Act to another $3.4 billion in FY2002 supplemental funding to $5.3 billion requested for FY2003. It has become clear that TSA will not be self-supporting, even with the revenues from two fees Congress authorized. After saying for several years that it would be operationally self-sufficient by FY2003, Amtrak now says it needs at least $1.2 billion in FY2003, up from $521 million in FY2002. The Administration has declared its opposition to more than $521 million for Amtrak in FY2003 unless accompanied by significant reforms. The House Appropriations Committee recommended $762 million for Amtrak; the Senate Appropriations Committee recommended $1.2 billion.

Key Policy Staff

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Highway, Railroad, & Truck Safety	Paul Rothberg	RSI	7-7012
Surface Transportation Board	John Frittelli	RSI	7-7033
Transportation Infrastructure Policy	John Fischer	RSI	7-7766
Transportation Security	John Frittelli	RSI	7-7033
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Division abbreviations: RSI = Resources, Science, and Industry Division.

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Most Recent Developments

On February 4, 2002, President Bush submitted his budget proposal for FY2003. The proposed FY2003 budget for the Department of Transportation (DOT) is roughly $56.1 billion, a decrease of $3.5 billion (6%) from the FY2002 enacted total. This decrease was primarily due to a decline in Highway Trust Fund revenues during 2002, which triggered an automatic reduction in highway spending for FY2003 of $4.4 billion.

On March 21, 2002, President Bush submitted an emergency supplemental budget request to Congress for $27.1 billion; $6.7 billion of which was for the DOT. The largest items were $4.4 billion for the Transportation Security Administration (TSA) for explosives detection equipment and screeners and $1.8 billion for the Federal Transit Administration's Capital Grants Program for rebuilding sections of the Manhattan transit system damaged by the September 11 attack. Other items included $255 million for the Coast Guard, $167 million for the Federal Highway Administration, $100 million for the Federal Aviation Administration, $19 million for the Federal Motor Carrier Safety Administration's Border Enforcement Program, and $3.5 million for the Research and Special Project Administration.

On June 7, 2002, President Bush submitted a proposal for a new Department of Homeland Security. It would involve transferring the Coast Guard and TSA from the DOT to the proposed new agency, along with elements of other existing federal agencies. These two agencies represent 19% of the DOT's total budget, and 40% of its discretionary budget (generally, those activities funded out of the general fund rather than trust funds), for FY2003.

On July 26, 2002, the Senate Appropriations Committee reported its version of the DOT Appropriations bill, S. 2808/S.Rept. 107-224. The Committee recommended $64.7 billion, $8.6 billion more than the Administration request. The major differences were an increase in FHWA spending to FY2002 levels, $8.6 billion above the FY2003 request, and an increase of $679 million for Amtrak, to $1.2 billion.

On August 2, 2002, the President signed the second FY2002 emergency supplemental bill (P.L. 107-206). This bill included an additional $6.6 billion for the DOT for FY2002. This included $3.9 billion for the Transportation Security Administration, $1.8 billion for the Federal Transit Administration (for grants to rebuild New York City's subway system in Manhattan), $728 million for the Coast Guard, and $205 million for Amtrak.

On August 9, 2002, the President announced that he would not ask for the $5.1 billion in contingency emergency funding that was included in the supplemental bill (P.L. 107-206). The act provides that if the President requests any of the contingency emergency funding, all of it is released. This decision reduced the supplemental funding to DOT by $1.1 billion, from $6.6 billion to $5.5 billion. The biggest reductions were to TSA ($480 million), the Coast Guard ($262 million), and the FAA's Grants-in-Aid to Airports ($150 million).

On September 3, 2002, the Administration submitted a budget amendment increasing the FY2003 request for TSA by $546 million.

On October 7, 2002, the House Appropriations Committee reported its version of the DOT Appropriations bill, H.R. 5559/H.Rept 107-722. The Committee recommended $60.1 billion, $4.0 billion more than the Administration request. The major difference was a $4.6 billion increase in FHWA spending.

On November 19, the Congress passed the fifth in a series of Continuing Resolutions (CR) to fund the Department of Transportation (and other government agencies) in FY2003 in the absence of an FY2003 DOT appropriations act. This CR, P.L. 107-294, provides funding through January 11, 2003, at the levels enacted in FY2002, prorated on a daily basis.

On November 19, the Congress passed legislation creating the Department of Homeland Security (H.R. 5005;P.L. 107-296). This legislation provides for the transfer of the Coast Guard and the Transportation Security Administration from the DOT to the new Department of Homeland Security during FY2003.

Table 1. Status of Department of Transportation Appropriations for FY2003

Subcommittee Markup		House Report	House Passage	Senate Report	Senate Passage	Conf. Report	Conference Report Approval		Public Law
House	Senate						House	Senate	
H.R. 5559 10-7-02	S. 2808 7-25-02	H.Rept. 107-722	–	S.Rept. 107-224 7-26-02	–	–	–	–	–

Key Policy Issues

Issue Overview

The Impact of Continuing Resolutions. Congress has not yet passed an FY2003 DOT appropriations act; neither the House nor the Senate have passed a version of the FY2003 appropriations bill. The DOT's programs are currently being funded by a series of continuing appropriations acts, known as continuing resolutions (CRs), which provide agencies the same level of funding they received in FY2002 (minus extraordinary one-time appropriations) prorated on a daily basis for the life of the CR. The current CR, the fifth in the series, provides funding through January 11, 2003. Among the options cited for dealing with the appropriations situation–only 2 of the 13 regular FY2003 appropriations bills have passed–are that Congress would pass another CR in January that would last through either a few weeks or months, at which time Congress would pass an omnibus appropriations act, or that Congress would pass a CR in January that would last through the end of FY2003.

Funding through CRs creates complications for several types of programs: (1) those that may receive less funding in FY2003 than in FY2002; (2) those whose expenses are clustered early in the year rather than evenly distributed throughout the year; and (3) those that are earmarked.

1. The federal-aid highway program in FHWA received $31.8 billion in FY2002, but the House Appropriations Committee approved only $27.7 billion for FY2003; the program is receiving $31.8 billion prorated through the CRs, but with an overall cap of $27.7 billion, as agreed to by Congressional leadership. Amtrak received a total of $1.1 billion in federal assistance in FY2002, but the House Appropriations Committee approved only $762 million for FY2003; it is receiving $1.0 billion prorated through the CRs. For these programs, the further into the fiscal year funding is provided by CRs, the greater the potential problem posed by the proposed lower funding level in the FY2003 bill. For example, by January 11, 2003, Amtrak will have received almost $280 million; if its final FY2003 appropriation is $762 million, Amtrak's monthly funding would drop from around $83 million in the first three months of FY2003 to around $55 million for the rest of the fiscal year.
2. The Transportation Security Administration's deadline to screen all baggage by December 31, 2002, requires them to expend more than 1/4 of their FY2003 budget during the first quarter of the year for explosive detection equipment purchases (though the October 28, 2002 *Washington Letter on Transportation* suggests that inter-agency transfers may provide them the needed cash in time).
3. Several Federal Highway Administration and Federal Transportation Administration discretionary programs have been extensively earmarked in recent years, and earmarks for those programs are provided in bills marked up by the House and Senate Appropriations Committees. Until Congressional direction for expending those programs' funds during FY2003 is provided, program administrators probably will not provide any funding to recipients.

FY2003 Budget Overview. With release of the Bush Administration's FY2003 budget proposal on February 4, 2002, the budget debate began in earnest. In proposing a Department of Transportation (DOT) budget of roughly $56.1 billion the Administration proposed a level of spending about 6% below FY2002's enacted level of $59.6 billion.[1] The FY2003 budget includes a $4.4 billion reduction in

[1] This report relies on figures from tables provided by the House Committee on Appropriations, though the FY2003 Senate recommendation figures come from the table at the back of the Senate Appropriations Committee report (S.Rept. 107-224). Because of differing treatment of offsets, rescissions, and the structure of DOT appropriations bills, the (continued...)

highway funding required by the provisions of the Revenue-Aligned Budget Authority mechanism created in the Transportation Equity Act for the 21st Century (TEA21; P.L. 105-178). The budget request is in conformance with the basic outline of both TEA21, which authorizes spending on highways and transit, and the aviation funding authorized in the Wendell Ford Aviation Investment and Reform Act of the 21st Century (FAIR21 or AIR21; P.L. 106-181).

The FY2003 budget proposal continues trends of the past couple of years, with proposed increases for the Coast Guard (18%) and Federal Transit Administration (FTA, 5%), and decreases for the Federal Railroad Administration (FRA, down 11%). The big changes in the FY2003 DOT budget are the reduction in highway funding and the presence of the TSA.

The events of September 11, 2001, had a significant impact on the DOT's budget in FY2002 and will in the FY2003 budget. The DOT received an additional $1.8 billion for FY2002 through an emergency supplemental bill passed on September 14,[2] and another $5.5 billion through another emergency supplemental bill passed on July 24, 2002, for a total of $7.3 billion in supplemental funding in FY2002.[3] In addition, an entirely new agency was created within the DOT, the TSA, due to concerns about security. In FY2003, both the Coast Guard and TSA are scheduled to be transferred out of the DOT to the newly-created Department of Homeland Security.

RABA and Highway Funding. TEA21 created a mechanism called Revenue-Aligned Budget Authority (RABA), which was intended to prevent revenues from accumulating in the Highway Trust Account. While TEA21 set guaranteed spending levels for the highway program through FY2003, based on forecast of future Highway Trust Account revenues, RABA allowed the highway spending level to increase automatically if Highway Trust Account revenues exceeded the forecasts. It also provided that the highway spending levels would be reduced if revenues fell below the forecasts.

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[1] (...continued)
totals will at times vary from those provided by the Administration. The DOT appropriations bills do not fund the Maritime Administration, which is part of the DOT, but do fund some smaller entities that are not included in the DOT budget, i.e, the Architectural and Transportation Barriers Compliance Board and the National Transportation Safety Board.

[2] H.R. 2888, became P.L. 107-38 on September 18th. This bill appropriated $40 billion, available in three parts; $10 billion was available for allocation by the President immediately (i.e. during FY2001); $10 billion was available for allocation by the President 15 days after he notified the Congress how he would use the funds; and the remaining $20 billion was allocated in a separate title of the FY2002 Defense Department Appropriations bill (P.L. 107-117).

[3] H.R. 4775, became P.L. 107-206 on August 2, 2002. The bill provides $6.6 billion for DOT, but $1.1 billion is contingency emergency funding, which the President has said (August 9, 2002) he would not utilize. Except where otherwise noted, the figures in this report do not include the $7.3 billion in supplemental appropriations received by the DOT in FY2002.

For several years, the RABA adjustment mechanism provided windfall gains for highway funding: increases of $1.5 billion in FY2000, $3 billion in FY2001, and $4.5 billion in FY2002 over the guaranteed funding levels. However, the recession of 2001 slowed receipts into the Highway Trust Account, and in January 2002 it became clear that revenues had dropped below the forecast levels. The result was an automatic cut in the FY2003 highway program funding level of $4.4 billion. The impact of this cut was magnified by the RABA boost to FY2002 highway funding of $4.5 billion over the guaranteed level. This meant that RABA, by giving a $4.5 billion "bonus" in FY2002 and a $4.4 billion cut in FY2003, created an $8.4 billion difference between FY2002 highway funding and FY2003 funding (for more information, see CRS Report RS21164, *Highway Finance: RABA's Double-edged Sword*, March 5, 2002).

On July 26, 2002, the Senate Appropriations Committee reported its version of the DOT appropriations bill for FY2003. It recommended funding the federal aid highways program at $31.8 billion, the same level as FY2002 and an $8.6 billion increase over the Administration's request.

On August 2, 2002, the President signed the second FY2002 emergency supplemental legislation (P.L. 107-206), which included a provision setting the RABA adjustment for FY2003 to zero (Section 1402). This has the effect of restoring FY2003 highway funding to the level guaranteed in TEA21, $27.7 billion.

On October 7, the House Appropriations Committee reported its version of the FY 2003 DOT Appropriations bill (H.R. 5559). It recommended funding the federal aid highways program at $27.7 billion, $4.4 billion over the Administration request.

Under the CRs, the federal-aid highways program is being funded at FY2002 levels ($31.8 billion), with a $27.7 billion cap on obligations (per agreement with Congressional leadership).

The Transportation Security Administration's (TSA) budget. TSA was created by the Aviation and Transportation Security Act (ATSA)(P.L. 107-71) in November 2002 in response to concerns about the security of aviation and other transportation systems. Congress required TSA to assume responsibility for screening passengers and checked baggage at airports, and to hire screeners and purchase equipment to carry out this task, by the end of calendar year 2002. Initial estimates were that TSA would need to hire around 25,000-30,000 screeners to do this, giving it a total workforce of 35,000-40,000 people. However, this estimate was based on the existing number of screeners, and overlooked the impact of other ATSA requirements, such as the screening of checked baggage; this activity was virtually non-existent before September 11, so there were no precise estimates of the total workforce this task would require. As the scale of that task has become clearer, estimates are that TSA will need another 25,000 or so screeners to screen checked baggage, increasing estimates of TSA's total workforce to as many as 70,000 people. Some members of Congress have expressed concern about TSA growing to such a size.

TSA was appropriated $1.3 billion in FY2002; its FY2003 request is $5.3 billion–though that request is based on 41,300 full-time employees. TSA also received an additional $3.9 billion in the second FY2002 emergency supplemental bill[4]. Some members of Congress have questioned the amounts being requested, and criticized the lack of detail about how the money will be used. At the same time, TSA is under pressure to hire and train as many as 50,000-60,000 screeners, and to purchase and install thousands of baggage-screening devices at 429 airports, by December 31, 2002. TSA announced November 18, 2002, that it had met its deadline for providing passenger screening personnel at all 429 commercial airports.

When it created the TSA, Congress gave it the power to levy two fees, a fee on passengers and one on airlines. The expectation, at least on the part of some in Congress, was that these fees would provide enough revenue to cover the TSA's annual budget requirements. However, while the DOT estimates that these two fees will bring in around $2.7 billion each year, the TSA's budget request for FY2003 is $5.3 billion. Revenue from fees will not come close to covering the TSA's annual budget.

On November 19, 2002, President Bush signed legislation creating the Department of Homeland Security. TSA is scheduled to be transferred from DOT to this new department in March of 2002. The budget implications of this proposal are not clear; the TSA's FY2003 budget request represents 9% of the DOT's total budget request, and the portion of the TSA's budget request that exceeds their offsetting collections, $2.5 billion, is 12% of the discretionary portion ($20.7 billion) of the DOT's budget.

The Senate Appropriations Committee recommended $4.95 billion for the TSA, $150 million more than the original Administration request (after the Senate Appropriations Committee markup, but before the House Appropriations Committee markup, the Administration requested an additional $546 million for TSA for FY2003), though it directed that $200 million be used to help pay for installation of explosive detection equipment in airports. The Administration had not requested any funds for this purpose. The House Appropriations Committee recommended $5.146 billion for TSA, $200 million less than the revised Administration request.

Amtrak Funding. Amtrak received a total of $1.1 billion in FY2002; as a result, under the Continuing Resolutions, Amtrak is being funded at an annual level of $1.0 billion, prorated daily.[5] Amtrak has told Congress that it needs at least $1.2 billion in FY2003 to maintain operations. The Administration requested $521 million for Amtrak for FY2003, noting that this figure was a "placeholder" while the Administration worked to finalize a plan to restructure passenger rail service. In the

[4] President Bush announced on August 9, 2002 that he would not request the contingent emergency funding included in the second FY2002 supplemental bill (P.L. 197-206); that would cut $480 million from the TSA's FY2002 supplemental appropriation. The President subsequently increased the FY2003 request for TSA by $546 million (Budget Estimate #23, September 3, 2002).

[5] Continuing Resolutions typically exclude previous year appropriations that were for extraordinary one-time purposes; Amtrak received a $105 million supplemental appropriation for increased security expenses in FY2002 in the wake of the September 11 attacks.

midst of Amtrak's quest for funds to make it through FY2002, the Administration presented a set of principles for restructuring passenger rail service, including the end of federal operating support and greater financial support from states, and announced opposition to providing Amtrak more than $521 million in FY2003 unless significant changes were made to Amtrak.

The House Appropriations Committee recommended $762 million for Amtrak, while requiring enhanced financial reporting from Amtrak; the Senate Appropriations Committee recommended $1.2 billion, while criticizing some of the Administration's recommended reforms.

One proposal for dealing with the current appropriations situation is for Congress to pass a CR through March 2003. If that should occur, by the time the CR expired, halfway through FY2003, Amtrak would have received about what the Administration requested for it for all of FY2003, and about two-thirds of what the House Appropriations Committee recommended for it for all of FY2003.

Amtrak's authorization expired at the end of FY2002; its last authorizing act (the Amtrak Reform and Accountability Act of 1997, P.L. 105-134) provided that if Amtrak were not able to cover its operating expenses (not capital expenses) without federal assistance by December 2002, Congress would consider reorganizing Amtrak. It also provided that Amtrak should not receive any federal assistance for its operating expenses after FY2002. Although over the last few years Amtrak repeatedly said it was on a glide-path to meet that requirement, during FY2002 it became clear that Amtrak would not meet that requirement.

The Amtrak Reform Council declared in November 2001 that Amtrak would not meet that requirement; in February 2002 they submitted to Congress their proposal for restructuring the passenger rail system. Amtrak's former president, George Warrington, told Congress in February 2002 that Amtrak would require at least $1.2 billion in FY2003 (compared to $521 million in FY2002) just to maintain its status quo; otherwise it would have to cancel all its long-distance routes. The Inspector General of the Department of Transportation told Congress in February 2002 that Amtrak would not make it to the end of FY2002 without additional funding; in June 2002 Amtrak's new president, David Gunn, said that Amtrak needed $205 million to make it to FY2003. The second FY2002 emergency supplemental bill (P.L. 107-206), passed by Congress on July 24, 2002, included a $205 million appropriation to Amtrak.

In 2002 Amtrak laid off about 1,000 employees to save money; its president, George Warrington, resigned to take another job; several Amtrak trains were involved in accidents which damaged railroad cars, exacerbating Amtrak's equipment shortages; the Federal Railroad Administration put Amtrak on a safety watch because of a number of safety violations (unrelated to the accidents); and equipment problems disrupted the operation of Amtrak's flagship service, the Acela. Three Amtrak reauthorization bills were introduced: S. 1958, which would restructure Amtrak along the lines suggested by the Amtrak Reform Council; S. 1991, which would authorize $4.6 billion a year for Amtrak in its existing configuration; and H.R. 4545, which would reauthorize Amtrak for one year at $1.8 billion.

Major Funding Trends

Table 2 shows DOT actual or enacted funding levels for FY1988 through FY2002. Total annual DOT funding more than doubled from FY1988 through FY2002.

Table 2. Department of Transportation Appropriations: FY1988 to FY2002

(in millions of dollars)

Fiscal Year [a]	Appropriation [b]
FY1988 Actual	25,779
FY1989 Actual	27,362
FY1990 Actual	29,722
FY1991 Actual	32,776
FY1992 Actual	36,184
FY1993 Actual	36,681
FY1994 Actual	40,359
FY1995 Actual	38,878
FY1996 Actual	37,378
FY1997 Actual	40,349
FY1998 Actual	42,381
FY1999 Actual	48,310
FY2000 Actual	50,851
FY2001 Actual	64,463
FY2002 Enacted	59,588[c]

[a] "Actual" amounts from FY1988 to FY2001 include funding levels initially enacted by Congress in the Department of Transportation and Related Agencies Appropriations bill as well as any supplemental appropriations and rescissions enacted at a later date for that fiscal year. Source: DOT Budget in Brief, Budgetary Resources Table, "Actual" year column, adjusted by subtraction of Maritime Administration funding and addition of Related Agencies funding from DOT appropriations acts.

[b] Amounts include limitations on obligations, DOD transfers, and exempt obligations.

[c] FY2002 enacted figure does not include $7.3 billion in supplemental appropriations. FY2002 enacted figure and FY2003 proposed figure are drawn from tables provided by the House Committee on Appropriations.

Transportation Security Administration (TSA)

[http://www.tsa.dot.gov/]

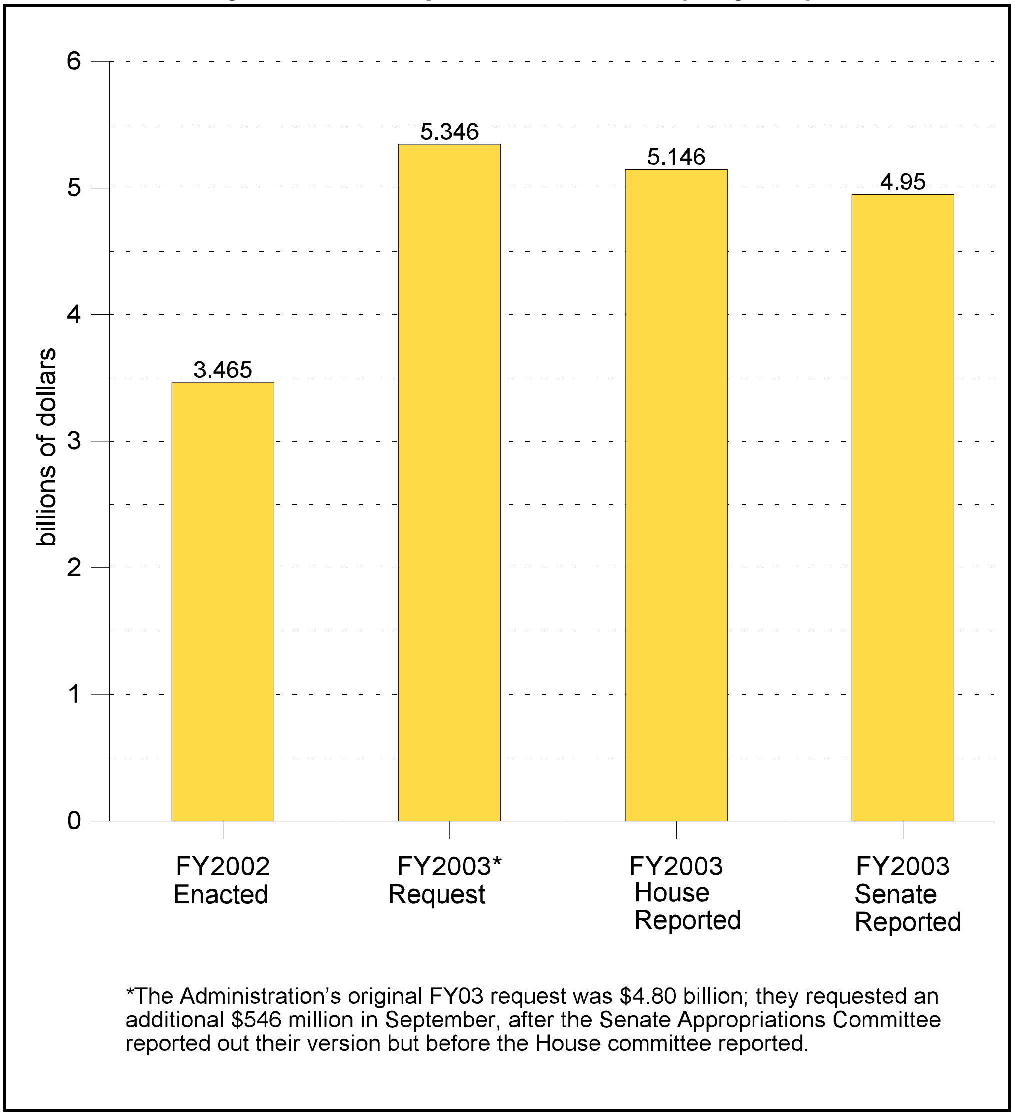
The Aviation and Transportation Security Act (P.L. 107-71), passed in the aftermath of the attack on September 11, 2001, created a new agency in the DOT—the Transportation Security Administration (TSA). This new agency is headed by an Under Secretary for Security who is appointed by the President and confirmed by the Senate for a fixed five-year term. With respect to air transportation, the Under Secretary assumes the civil aviation security functions of the FAA as promulgated under 49 U.S.C. 449. TSA is responsible for screening passengers and checked baggage at airports, and for hiring screeners and purchasing equipment to meet these responsibilities. TSA also deploys Federal Security Managers at each airport to oversee screening and deploys Federal Air Marshals for every flight considered a "high security risk." TSA is assigned the task of improving airport perimeter-access security and acquires and deploys explosive-detection machines and other equipment designed to detect chemical or biological weapons. The Act imposes various deadlines in the coming year that the agency must meet in providing aviation security services; by the end of December 2002, TSA must be screening all passengers and checked baggage at U.S. commercial airports.

TSA is responsible for the security of all modes of transportation, passenger and cargo. During a national emergency, TSA is to coordinate and oversee domestic transportation for air, rail, maritime (including seaports), and other surface transport modes and to coordinate threat assessments among appropriate federal, state, and local agencies. The agency is to develop policies, strategies, and plans for dealing with security threats, and to undertake R&D activities to enhance transportation security.

In FY2002, TSA was appropriated $5.8 billion. For FY2003, the first full year of funding for TSA, the Administration initially requested $4.8 billion. The Administration submitted a budget amendment on September 3, 2002 raising TSA's budget request by $546 million to an overall total of $5.3 billion. Approximately $2.65 billion of this amount will be offset with collections from the fees authorized under the Aviation and Transportation Security Act (ATSA). ATSA imposes a fee of up to $2.50 per passenger (limited to $5 per one-way trip) to pay for civil aviation security services. If this fee proves to be insufficient to pay for the cost of security services, TSA may impose a fee on air carriers–as it has done. The revenue collected from this air carrier fee is limited to the amount air carriers paid in calender year 2000 for screening services.

On November 19, 2002, President Bush signed legislation creating a new federal agency, the Department of Homeland Security. Among the organizations which are scheduled to be transferred to this new agency is TSA. The budget implications of this proposal are not clear; the TSA's FY2003 budget request represents 9% of the DOT's total budget request; the portion of TSA's budget request that exceeds their offsetting collections, $2.6 billion, is 12% of the discretionary portion ($21.2 billion) of the DOT's budget.

Figure 1. Transportation Security Agency



The Senate Appropriations Committee recommended $4.95 billion for the TSA. At the time of mark-up (July 2002), TSA had not submitted their Programs, Projects, and Activities (PPA's) for their budget; nor had the Administration requested the additional $546 million. The Committee, therefore, made minimum recommendations for spending activities. It recommended a minimum of $200 million for retrofitting airports in order to install checked baggage explosive detection systems (not included in the Administration request), and $124 million for the purchase of these systems. In non-aviation security funding, the committee recommended $100 million in grants be provided to seaports for security enhancements and $14 million for improving intercity bus security.

The House Appropriations Committee, acting after submission of the request for additional funds, recommended $5.1 billion for TSA and directed funds differently than the Administration requested. The House Committee recommended maintaining a cap on TSA personnel at 45,000 in FY2003 rather than increasing it to 67,185 as TSA requested. The House Committee made several recommendations for maintaining staff levels at 45,000: although federal law requires screeners to be federal employees, it does not require exit lane monitors, shoe and bin runners, queue coordinators, ticket checkers, and customer service representatives to be federal employees; TSA could pay state and local governments to provide law enforcement officers at airports instead of hiring its own; by extending the baggage screening deadline beyond December 31, 2002, airports would have time to deploy more EDS machines which require less personnel to man than the ETD systems; TSA's plans for part-time or seasonal employees would not be subject to the cap on personnel. The House Committee separated TSA funding into four areas. It recommended $4.4 billion for aviation security, $207 million for maritime and land security, $130 million for research and development, and $454 million for support services.

Both the House and Senate Appropriation Committees commented on the initial performance of the new agency in their reports. The Senate committee criticized the agency for lack of specificity and clarity in its budget proposals and for arrogance and disregard of the public's view. The House committee noted its frustration with the agency's inability to make crisp decisions or provide firm budget estimates in a timely fashion.

Coast Guard

[http://www.uscg.mil/]

The Coast Guard is challenged by increased responsibilities for Homeland Security, search and rescue, enforcement, drug and illegal immigrant interdiction on the high seas as well as by its aging water craft and aircraft. The Administration requests budget authority of $5.9 billion for Coast Guard funding in FY2003. Compared to the $5.2 billion appropriated in FY2002[6], the FY2003 request is $862 million, or 17%, more.[7] Planned increases of $771 million for Coast Guard operating expenses account for most of the proposed increase. The Senate Appropriations Committee recommended $5.8 billion; the House Appropriations Committee recommended $6.1 billion. Coast Guard programs are usually authorized every 2 years; authorization for FY2003 was included in the Maritime Transportation Security Act of 2002 (P.L. 107-295). See CRS Report RS20924, *Coast Guard Legislation in the 107th Congress*, for discussion of authorization bills. CRS Report RS211125, *Homeland Security: Coast Guard Operations–Background and Issues for Congress*, and CRS Report RS21079, *Maritime Security: Overview of Issues* also discuss related issues. CRS Report RS21303, *Homeland Security: the Coast Guard's FY2003 Budget*, also addresses Coast Guard funding.

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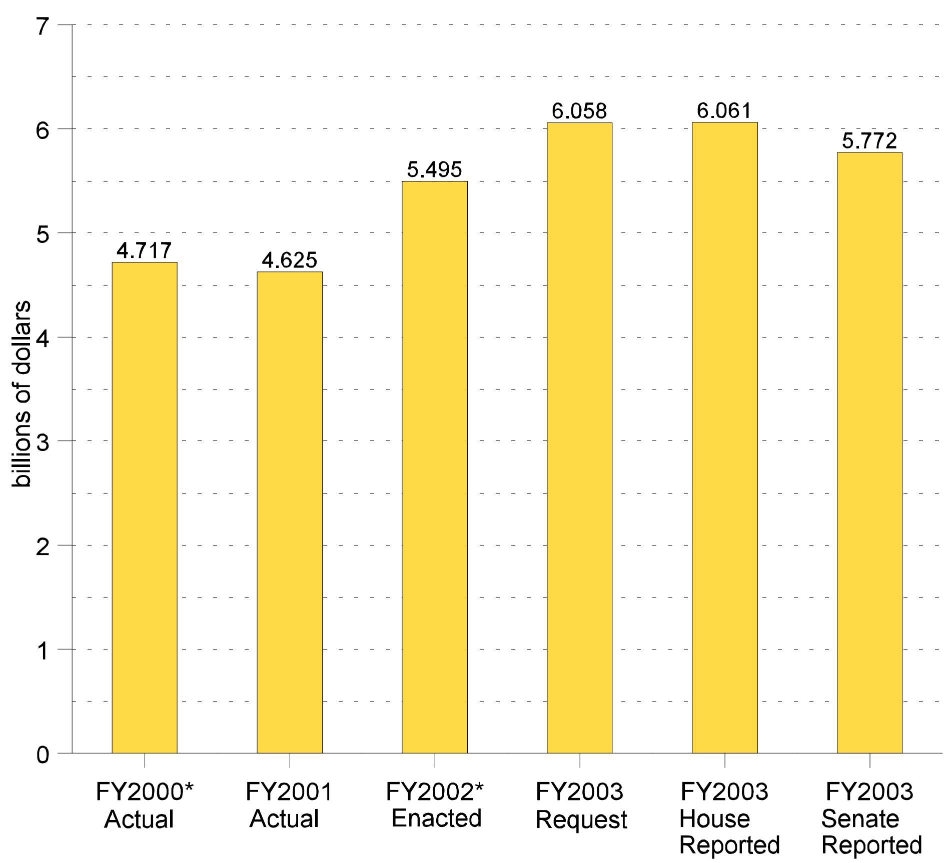
[6] The Coast Guard received FY2002 supplemental funds of $209.2 million in P.L. 107-117 and $255 million in P.L. 107-206 (the Coast Guard received $528 million in P.L. 107-206, but over half was contingent emergency funding, which the President has said he will not request, reducing the total to $255 million). These supplemental funds totaling $464.2 million are not included in the FY2002 figure. They bring the total Coast Guard FY2002 appropriation to $5.7 billion.

[7] This figure does not include $165 million in offsetting collections from a navigational fee requested by the Administration. The Senate Appropriations Committee denied this new fee proposal.

Figure 2. U.S. Coast Guard Appropriations



*Includes supplemental appropriations.

The FY2003 budget request is intended to allow the Coast Guard to continue its activities against drug smuggling and to recapitalize aircraft and vessel fleets while it conducts accelerated Homeland Security activities. A requested $4.2 billion ($771 million, or 23%, more than FY2002) is for operation and maintenance of a wide range of ships, boats, aircraft, shore units, and aids to navigation. The Senate and House committees have each recommended $4.3 billion.[8] Another major component of the request is allocated to acquisition, construction, and improvement. The Administration seeks $725 million, $89 million, or 14%, more than current year funding. The Senate and House committees approved this amount. For complying with environmental regulations and cleaning up contaminated Coast Guard sites, the budget seeks, and both committees approved, $17 million. No funds were requested for altering bridges, but the Senate committee recommended $14 million and the House committee $17 million. The $22 million requested for research and development, approved by the Senate Committee, would be 9% ($1.8 million) more than current year funding. The House committee recommended $21 million. Other Coast Guard requested funding includes $62.1 million for spill clean-up and initial damage assessment, available without further appropriation from the Oil Spill

[8] This figure includes $300 million for the Coast Guard in the FY2003 Department of Defense appropriations bill, and $340 million in defense-related funding in the DOT appropriations bill.

Liability Trust Fund. The Senate and House actions recommended $889.0 million for retired pay, a mandatory expense.

The chief issue for the Coast Guard is how it is handling its heightened security responsibilities along with its many other responsibilities, such as search and rescue, and enforcement of laws and treaties. The planned $771 million increase for operating activities is to be allocated among Homeland Security and these traditional activities. Another prominent issue has been the Coast Guard's management of a major planned replacement of aging and outmoded high seas vessels and aircraft, with a special emphasis on improving the Coast Guard's capabilities on the high seas or in deep waters. Only planning and analysis funds were included for FY1998 through FY2001. For FY2003, $500 million is requested, a $179 million (56%) increase over FY2002 funding. The Senate Committee approved $480 million. Actual purchases of nearly $10 billion are anticipated over a 20-year period beginning in FY2002. CRS Report 98-830, *Coast Guard Integrated Deepwater System: Background and Issues for Congress*, discusses the issues associated with the program.

On November 19, 2002, President Bush signed legislation creating a new federal agency, the Department of Homeland Security. Among the organizations which are scheduled to be transferred to this proposed new agency is the Coast Guard. The budget implications of this proposal are not clear; the Coast Guard's FY2003 budget request represents 11% of the DOT's total budget request and 28% of the discretionary portion ($21.2 billion) of the DOT's budget.

Federal Aviation Administration (FAA)

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

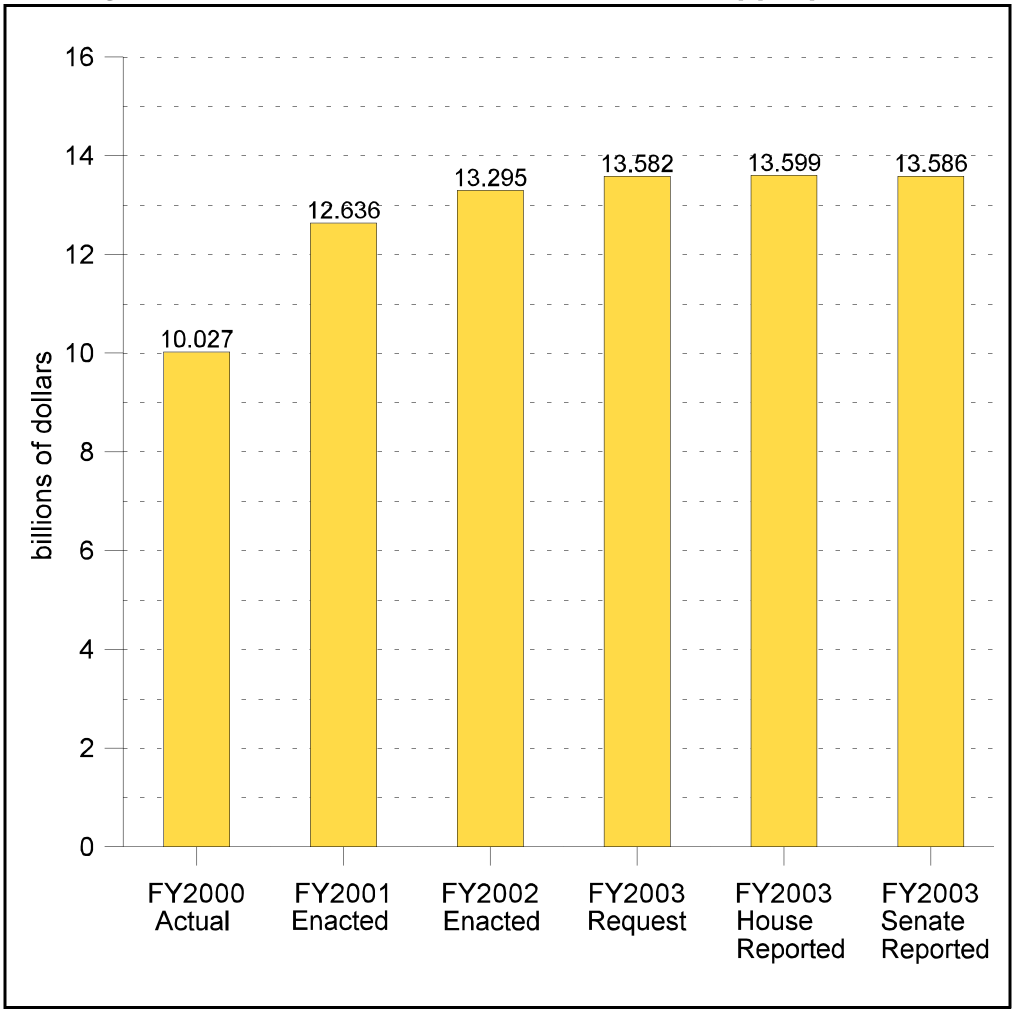
The Bush Administration is seeking $13.6 billion in budget authority for FY2003. This compares with total budgetary resources of $13.3 billion provided in the FY2002 Appropriations Act. The vast majority of FAA funding is provided from the Airport and Airway Trust Fund. In FY2002 a Treasury general-fund contribution of $1.113 billion is provided for in the Act. The Administration is proposing a general fund contribution of almost $3.3 billion for FY2003. Whereas the general fund contribution for FY2002 was on the low side historically, the Administration is now trying to return to a higher contribution level. Historically, a significant portion of the agency's budget has come from general-fund revenues, the rationale being that the public at large realizes some benefit from aviation whether it uses the system or not.[9]

FY2003 appropriations passed by the Senate Committee on Appropriations calls for a slight increase in spending over FY2002 levels to $13.6 billion. This is basically in line with the Bush Administration's FY2003 request. The Senate

[9] 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.

Committee also accepts the Administration recommendation for a general fund contribution of $3.3 billion. There are a number of programmatic recommendations in the Senate bill that differ from the Administration's request, but these would not represent major changes to FAA programs or operations. The bill also includes a significant number of earmarks in various program categories.

Figure 3. Federal Aviation Administration Appropriations



The House Committee on Appropriations version of FY2003 appropriations also supports a total spending level of nearly $13.6 billion for the FAA. Like its Senate counterpart, the details of the bill differ in some ways from the Administration's request. The bill provides for a larger general fund contribution for operations spending, $3.5 billion. The report accompanying the House bill enumerates a growing concern about the long term health of the aviation trust fund. The events of September 11 have reduced air travel with a concomitant reduction in trust fund revenue collections. As a result, the bill instructs the FAA to reexamine its spending priorities in light of what could become a significantly tighter budget environment.

Operations and Maintenance (O&M). The Administration is proposing an FY2003 funding level of $7.1 billion for this activity, compared to $6.9 billion in

FY2002.[10] The Senate Committee proposed funding level is $4 million more than the Administration request, whereas the House provides for a reduction of $17 million from the request. Both the House and Senate Committees contend that their recommendations are actually significant increases over FY2002 spending because certain security functions found in the FY2002 FAA budget have since been transferred to TSA. The majority of funding in this category is for the salaries of FAA personnel engaged in air traffic control, certification, and safety related activities.

Facilities and Equipment (F&E). F&E received $2.9 billion in the FY2002 Act. The Administration would raise this amount to $3 billion in FY2003, a level also adopted by the Senate Committee. The House bill provides for a similar level of spending. F&E funding is used primarily for capital investment in air traffic control, and safety. There are no significant new F&E spending initiatives in the Administration proposal.

Research, Engineering, and Development (RE&D). The Administration is proposing to allot $124 million to this program in FY2003. This is well below the FY2002 funding level and significantly below the $249 million authorized for this activity by FAIR21. Some of the difference is accounted for by a proposed transfer of $50 million in appropriations to TSA budget and the fact that this activity got a $50 million supplemental appropriation in FY2002. The Senate Committee proposal is the same as the Administration's, although the Committee is recommending a different distribution of funding to various projects. The House bill provides an additional $14 million over the Senate level, almost all of which is dedicated to increased funding for research into reducing the environmental impacts of aviation.

Essential Air Service (EAS). The EAS program is operated through the Office of the Secretary of Transportation (OST), and receives its funding from designated user fees collected from overflights of United States territory by foreign aircraft. EAS has an annual authorized funding level of $50 million. The EAS program received $63 million in the FY2002 appropriations bill plus $50 million in emergency supplemental appropriations, available through FY2003.

For FY2003, the Bush Administration predicts that overflight user fees will generate only $30 million. It therefore asked that $83 million in Airport Improvement Program (AIP) funding be provided from the airport and airway trust fund to bring EAS up to $113 million. The Senate Committee bill recommends slightly more funding for EAS, $115 million, but rejects the Administration's funding sources. The Senate believes that all existing points receiving EAS can continue to be funded without tapping into the AIP program. The House sets the total funding level at $100 million. It to rejects the use of AIP funds for EAS. The House, however, suggests that F&E funds could be used to make up any shortfall in program funding, and also suggests that the EAS program has unused funds that will allow the FY2003 program to operate at essentially the same level as it did in FY2002.

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[10] Including supplemental appropriations, total FY2002 O&M spending was $7.119 billion.

The FY2002 DOT Appropriations Act also provided $20 million for the somewhat related Small Community Air Service Development Pilot Program (SCASD). The President's budget proposal requests no funds for SCASD. The Senate Committee bill appears to be silent on this program, whereas the House bill provides $20 million for this activity.

Grants-in-Aid for Airports. The Airport Improvement Program provides grants for airport development and planning. The Bush Administration FY2003 budget requests $3.4 billion for AIP. This is a 3% increase over the FY2002 enacted level (not counting $175 million in emergency appropriations). The request includes $81 million for administration and, as mentioned above, $83 million for EAS. The Administration's request includes a rescission of $302 million of previous year AIP contract authority. The request is in conformance with the FAIR21 funding guarantees for AIP.

The Senate Committee on Appropriations recommended $3.4 billion for AIP (S. 2808; S.Rept. 107-224). The recommendation agreed with the budget request of $81 million for administration and airport technology research but rejected the proposal to transfer $83 million from AIP to EAS. The Committee also rejected the request for rescission of AIP contract authority. The report language "place named" 229 airports and directs that priority for discretionary grants be given to applications for projects at these airports. On October 7, 2002, the House Committee on Appropriations also recommended $3.4 billion for AIP (H.R. 5559; H.Rept. 107-722). The Committee recommended $62.8 million for administration but no funding for airport technology research under the obligation limitation. Instead, the Committee recommended that $7.5 million for this purpose be provided under the F&E budget. The House Committee on Appropriations also rejected the use of AIP funds for EAS. H.Rept. 107-722 report language place named 210 airports and directed the FAA to give priority to grant applications for projects at these airports.

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 all the highway programs of the agency. For FY2003 the President requests $24.1 billion for FHWA. This represents a decrease of $9 billion, or 27%, from the FY2002 appropriation of $33.1 billion. The obligation limitation, which supports most of the FAHP, is set at $23.2 billion and is significantly less than the $31.8 billion provided in FY2002. Funding for exempt programs (emergency relief and a portion of minimum guarantee funding) is set at $893 million, down slightly from FY2002's $965 million. These levels of spending are in conformance with the Transportation Equity Act for the 21st Century (TEA21) (P.L. 105-178). As detailed below, the steep decline in spending is a result of TEA21 provisions that link federal highway program spending with the revenues that flow into the highway account of the Highway Trust Fund–the revenue aligned budget authority (RABA). The impact of a negative RABA adjustment dominated the early stages of the highway budget debate.

The Senate Committee on Appropriations took a different approach and recommended a total FY2003 program level of $32.9 billion, roughly the same as the FY2002 level. The FY2003 limitation on obligations was set at $31.8 billion, virtually the same as FY2002 and $8.6 billion above the President's budget request. In effect, the Committee recommendation would not only eliminate the $4.369 billion negative FY2003 RABA, but would also provide amounts roughly equal to the FY2002 RABA bonus of $4.543 billion to raise the FY2003 obligation limitation to the FY2002 level. The Report language of the bill (S.Rept. 107-224) heavily earmarked many of the allocated programs (defined below, also commonly referred to as the discretionary programs).

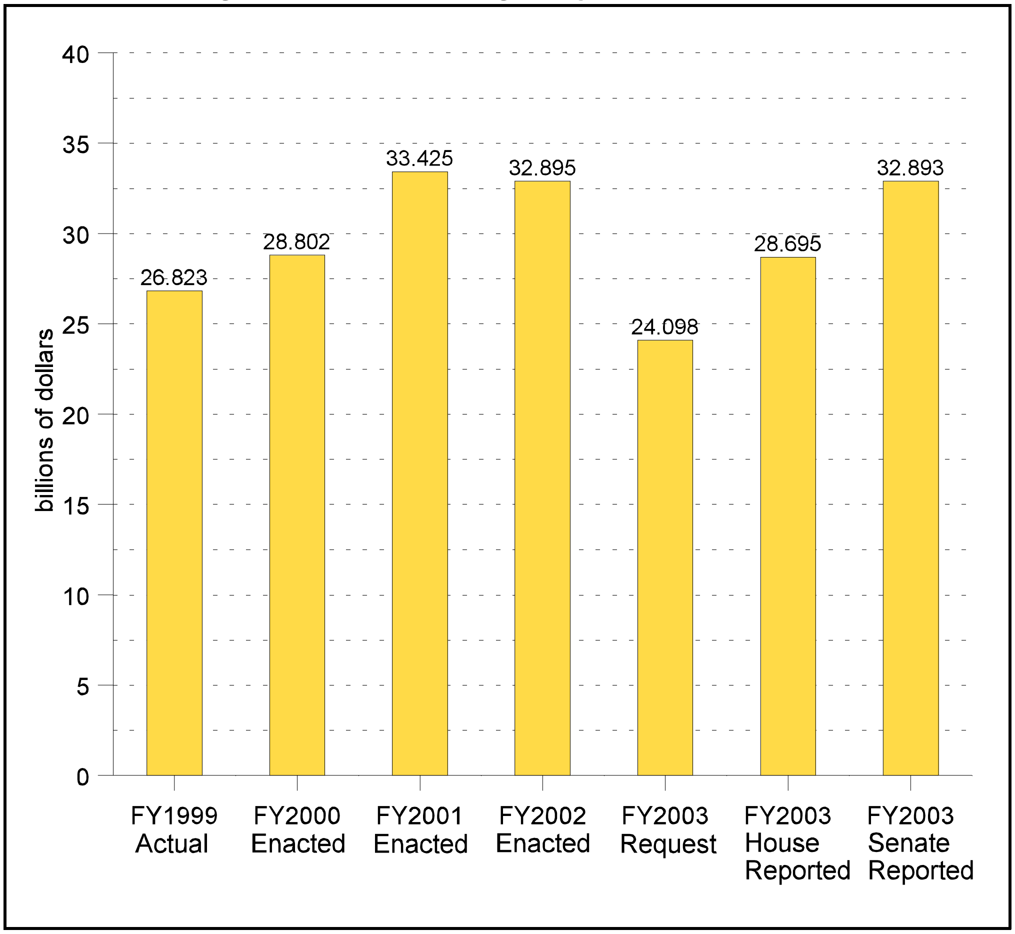
The House Committee on Appropriations recommended a total program level of $28.7 billion for FY2003. This is $4.2 billion less than the FY2002 enacted level but $4.6 billion more than the President's budget request. In effect, the House Committee recommended elimination of the $4.369 negative FY2003 RABA but, unlike the Senate Committee recommendation, did not compensate for the FY2002 RABA bonus and raise the total program funding to the FY2002 level. The report language of the bill (H.Rept. 107-722) heavily earmarked the FHWA discretionary programs.

Revenue Aligned Budget Authority (RABA) Reduction. According to estimates by the Department of Transportation (DOT) revenues (fuel taxes and other fees) accruing to the Highway Trust Fund decreased in FY2001 as a result of the ongoing recession and the effects of September 11. Most of this decrease in activity seems to be related to problems in the trucking industry. The RABA process created by TEA21 requires that federal highway obligational authority be adjusted accordingly. In simple terms this means that the RABA adjustment for FY2003 is a negative $4.37 billion. Core highway program obligational authority for FY2003 would, therefore, be cut from the TEA21 guaranteed level of $27.7 billion to approximately $23.2 billion. This $4.4 billion reduction in guaranteed spending, combined with the FY2002 RABA $4.5 billion addition to the TEA21 guaranteed spending, results in an $8.6 billion reduction from the FY2002 level.

This was an unexpected and unwelcome development for state and local governments whose long-term transportation improvement plans (TIPs) are largely predicated on continued growth in the federal contribution to highway program funding. The RABA situation was equally unwelcome among those interests that build roads or associated transportation infrastructure and those who support continued highway improvements.

Hearings on this issue have already been held in both the House and the Senate. Legislation that would restore the highway program to its TEA21 authorized level of $27.7 billion by raising the existing limitation on obligations has been introduced, H.R. 3694 and S. 1917. A majority of both the House and Senate have signed on as cosponsors of this legislation. An amended version of H.R. 3694 was reported out of the House Committee on Transportation and Infrastructure on May 1st. An amended version of S. 1917 was reported out of the Senate Committee on Environment and Public Works on June 17th. The Senate bill, however, added an additional $1.3 billion to the amount that would be available in FY2003.

Figure 4. Federal Highway Administration



Subsequent to the above, the recently passed FY2002 supplemental appropriations act (H.R. 4775; P.L. 107-206) also provides for a restoration of RABA funding for FY2003 to $28.9 billion. As pointed out earlier, the Senate Committee on Appropriations in its version of the FY2003 appropriations bill has gone even further and increased funding to a level comparable with that obtained in FY2002, $31.8 billion (obligation limitation). The House Committee passed appropriations bill, however, sets spending at the $27.7 billion level, but some Members of the House have made it clear that they will seek to amend this level when the bill is considered by the full House. All of the above actions make it clear that the RABA reduction calculated at the beginning of the year will not stand. Still to be decided, however, is what the funding level for FY2003 actually will be.

The TEA21 Funding Framework. TEA21 created the largest surface transportation program in U.S. history. For the most part, however, it did not create new programs. Rather, it continued most of the highway and transit programs that originated in its immediate predecessor legislation, the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA, P.L. 102-240). Programmatically, TEA21 can be viewed as a refinement and update of the ISTEA process. There are a few new funding initiatives in TEA21, such as a Border Infrastructure Program, but the vast majority of funding is reserved for continuing programs.

There are several groupings of highway programs within the highway firewall. Most of the funding is reserved for the major federal aid highway programs, which can be thought of as the 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 within the firewalls. This so called "exempt" category consists 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.

A further set of programs, which are also within the firewall, are known as the "allocated" 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 (formerly ineligible for trust fund contract authority), the National Corridor Planning and Border Infrastructure Program, and several other small programs.

FHWA Research, Development, and Technology (RD&T) Programs. The Administration proposes decreased funding for various RD&T activities, from $417.5 million in FY2002 to $351.2 million in FY2003. The amount requested includes the impact of the RABA reduction (previously discussed) as well as the impact of the estimated obligation limitation. The Senate Appropriations Committee recommends an FY2003 obligation limitation of $462.5 million consistent with the contract authority specified in TEA21. The House Appropriations Committee recommendation for FHWA RD&T in FY2003 is also $462.5 million.

RD&T funds are used primarily to advance and deploy technologies intended to improve highway pavements, structures, roadway safety, highway policies, and intelligent transportation systems (ITS). The ITS deployment program provides funds for states and local governments to use advanced communication and information systems to improve the management and safety of their surface transportation systems, primarily highway and transit systems.

An issue associated with the ITS deployment program is the earmarking of funds. During the last few years, the appropriators have earmarked a substantial portion of the incentive funds intended to accelerate ITS deployment. This practice was continued in the FY2002 DOT Appropriations Act, and in both the House and Senate Appropriations Committee actions for the FY2003 bill. Some Members and proponents of ITS would prefer to have the deployment funds competitively awarded. TEA21, however, also specifies several projects which are to receive some of the ITS deployment funds.

Federal Motor Carrier Safety Administration (FMCSA)

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

The FMCSA was created by the Motor Carrier Safety Improvement Act of 1999 (MCSIA), P.L. 106-159.[11] This agency became operational on January 1, 2000, and assumed the responsibilities and personnel of DOT's Office of Motor Carrier Safety.[12] FMCSA issues and enforces the Federal Motor Carrier Safety Regulations, which govern the operation and maintenance of interstate commercial truck and bus operations and specify requirements for commercial drivers. FMCSA also administers several grants and programs to help states conduct truck and bus safety activities. Most of the funds used to conduct FMCSA activities are derived from the federal highway trust fund.

The FY2003 Administration request for the FMCSA is $367.5 million; this figure was recommended by both the House and Senate[13] Appropriations Committees. The appropriation for FY2002 was $354.3 million, including funds contained in the supplemental appropriations measure. The FMCSA appropriation consists of three primary components: FMCSA operations and administrative expenses, assistance to states for the conduct of truck and bus safety programs, and the border enforcement program.

Administrative and Research Expenses. The DOT FY2003 budget request for FMCSA administrative and operations expenses is $117.5 million, including funds for research and technology (R&T). The House and Senate Committees both recommended this level. The FY2003 DOT request provides that from FHWA's limitation on administrative expenses, $7 million shall be available for motor carrier safety research and $10 million shall be available for commercial drivers licensing improvement. The R&T program seeks to improve truck and bus safety regulations and associated safety and compliance activities conducted by both federal and state enforcement officers.

Grants to States and Other Activities. The Administration's FY2003 request for these activities is $190 million. The House and Senate Appropriations Committees both recommended this level. A limitation on obligations of $205.9 million for the National Motor Carrier Safety Program (NMCSP) was provided in FY2002. These funds, are used primarily to pay for the Motor Carrier Safety

[11] During various hearings held in the first session of the 106th Congress, a number of organizations, including DOT's Inspector General, the General Accounting Office, and many industry associations raised a variety of concerns regarding the effectiveness of the federal truck and bus safety program. In response to these concerns, Congress created the FMCSA.

[12] DOT's Office of Motor Carrier Safety, which operated from October 9 through December 31, 1999, replaced the Office of Motor Carriers of the Federal Highway Administration of the DOT.

[13] This amount includes $3 million that is obtained from FHWA's limitation on administrative expenses and made available for FMCSA's administrative expenses.

Assistance Program (MCSAP), a grant program that helps the states enforce truck and bus safety regulations. MCSAP grants cover, typically, up to 80% of the costs of a state's truck and bus safety program. Some 10,000 state and local public-utility and law-enforcement officers conduct more than 2.1 million roadside inspections of trucks and buses annually under the program. Some funds provided in this sub-account of FMCSA are also used to pay for information systems and analysis as well as other state compliance activities.

Border Enforcement. The Administration's FMCSA request also includes $60 million for border enforcement intended to enhance the ability of U.S. DOT and the states to promote the safety of Mexican trucks and buses entering the United States. The House and Senate Appropriations Committees both recommended this level.

National Highway Traffic Safety Administration (NHTSA)

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

In its report on S.2808, the Senate Committee on Appropriations recommended virtually across-the-board increases beyond the amounts requested by the Administration for NHTSA programs. For FY2003, the Committee recommended budget authority for NHTSA of $440 million, approximately $15 million (3.5%) above the $425 million requested by the Administration and about four percent above the FY2002 enacted level of $423 million. The House Committee on Appropriations issued its report (H.Rept No. 107-722) on H.R.5559 on October 7, 2002. In its report, the Committee recommended total NHTSA funding of $433 million (comprised of approximately $205.5 million for Operations & Research and $228 million for Highway Traffic Safety Grants), about $7 million less than the Senate recommendation, and approximately $8 million above the Administration's request.

Table 3. National Highway Traffic Safety Administration FY2003 Budget

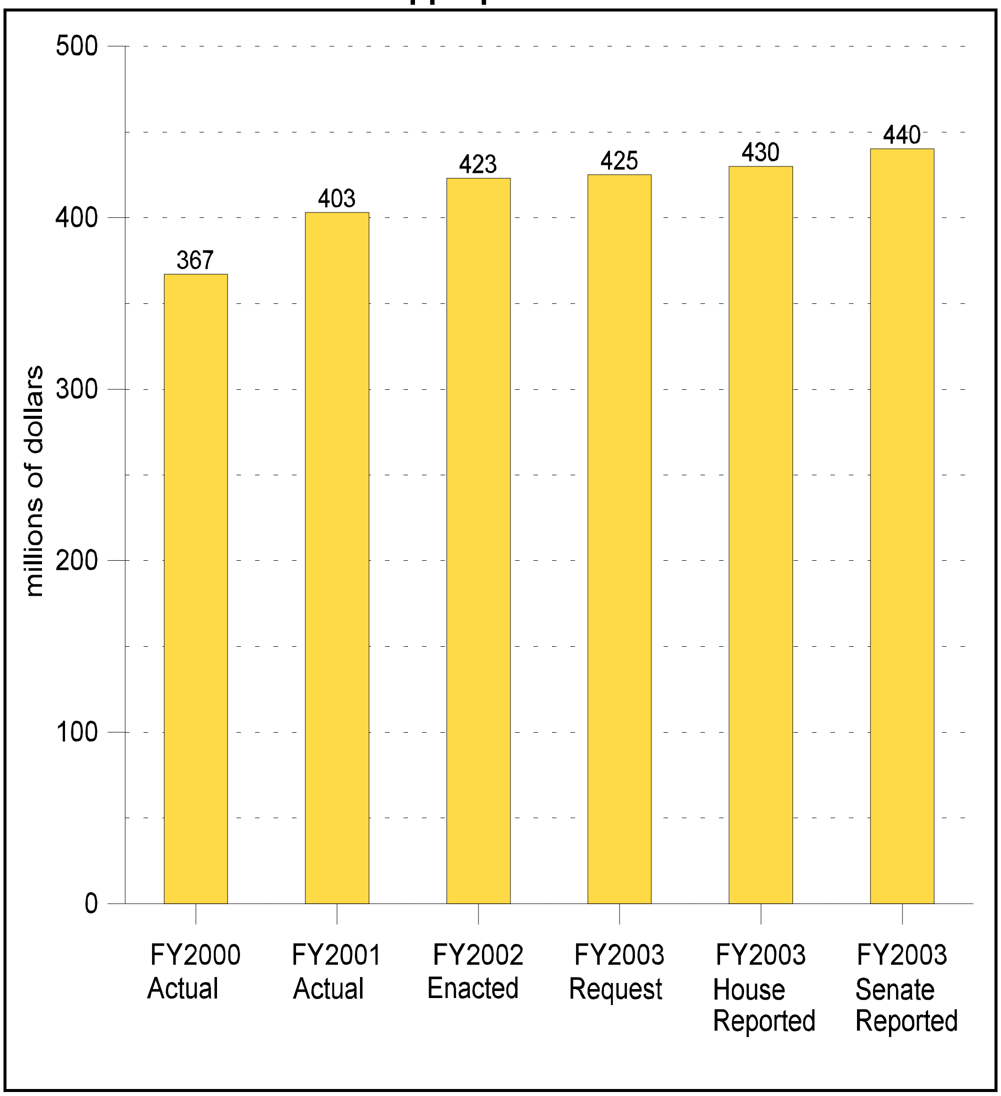
($ millions)

Program	FY2002 Level	Administration Request	House Recommendation	Senate Recommendation
Operations & Research (O&R)	$200	$200	$205	$215
Highway Traffic Safety Grants	$223	$225	$225	$225
Total	$423	$425	$430	$440

NHTSA Program Responsibilities. The National Highway Traffic Safety Administration's responsibilities include establishing minimum safety standards for automotive equipment, serving as a clearing house and information source for drivers, identifying and studying emerging safety problems, and encouraging state governments to enact laws and implement programs (through safety grants) to reduce drunk driving and to encourage the use of occupant protection devices. The Bush Administration has continued a long-standing DOT priority that, "Improving transportation safety is the number one Federal Government transportation objective." NHTSA plays a key role in implementing this objective.

In its policy statements, the Department of Transportation, through NHTSA, has targeted specific program activities that have potential for reducing highway deaths and injuries. Included among these are programs to: reduce drunk and drugged

Figure 5. National Highway Traffic Safety Administration Appropriations



driving; reduce the incidence of aggressive driving and "road rage"; aid in the development of "smart air bags" that will continue to provide protection to occupants, while reducing risk associated with the bags themselves; enhance infant and child safety in vehicle crashes; and explore transportation options and safety programs for an aging population.

In addition, NHTSA, in its program highlights, has emphasized its intent to comply with the legislative requirement of the Transportation Recall Enhancement, Accountability, and Documentation (TREAD) Act (P.L. 106-414). The TREAD Act requires NHTSA to undertake more than a dozen rulemaking actions within the next two years in the areas of tire safety standards, rollover propensity, and improving child safety.

In its report, the Senate Committee on Appropriations expressed its disappointment that NHTSA had not met its mandated deadline (under Section 13(h) of the TREAD Act,) to produce a study on the use and effectiveness of automobile booster seats for children. That report was due November 1, 2001. The Committee urged NHTSA to issue the results of the booster seat study without delay. Moreover, the Committee expressed concern that a previously established safety goal had not been achieved and that the agency adjusted that goal downward. NHTSA had lowered its target of an 87 percent national seat belt usage rate in 2002 to a target of 78 percent in 2003.

In its report, the House Committee on Appropriations expressed its awareness of "extensive dissatisfaction and a significant drop in morale following the reorganization" of NHTSA during fiscal year 2002. It indicated that temporary dissatisfaction can be expected when programs and responsibilities are altered, but that if a resulting decline in program effectiveness continues into fiscal year 2003, the Administrator should be prepared to address the negative results of this reorganization during the fiscal year 2004 hearing cycle.

Federal Railroad Administration (FRA)

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

For FY2003, the Administration requests $711 million in funding for the FRA, including $59 million in offsetting fees. This is $23 million less than the $734 million provided in FY2002. The request provides $521 million for Amtrak, the same amount provided in FY2002, but this is called a placeholder while the Administration works on a proposal for a new structure for intercity passenger rail, involving a partnership between the Federal Government, the States, and the private sector. Core safety and operations receive $118 million, a $7 million increase over the FY2002 level.

The Administration's request provides no funding for the Alaska Railroad rehabilitation which was provided $20 million in FY2002. Funding for the ongoing Pennsylvania Station relocation project in New York City is maintained at the $20 million level for FY2003, which is the last year of funding authorized. Spending for next generation high-speed rail development is reduced to $23 million, $9 million less than was provided in FY2002.

The Senate Appropriations Committee recommended $1.4 billion in funding for the FRA, which is $711 million more than the President's budget request. Most of the $711 million difference is for Amtrak. The Senate Committee recommended $1.2 billion for Amtrak versus the President's request of $521 million. The Senate Committee also recommended more funding than the President's request for Next Generation High-Speed Rail ($30 million versus the President's request of $23 million) and for the Alaska Railroad rehabilitation ($25 million versus the President's request for zero funding).

The Senate Committee recommended $118 million in FY2003 for core safety and operations, which is the same as the President's request. It recommended $20 million for the Pennsylvania Station relocation project in New York City which is also the same as the President's request.

The House Appropriations Committee recommended $937.6 million for the FRA. The House Committee recommended $763 million for Amtrak which is $438 million less than the Senate and $242 million more than the President's request. In addition to Amtrak, the other categories of funding with major differences between the House and Senate versions are for the Alaska Railroad rehabilitation and the Pennsylvania Station relocation project in New York City. The House Committee recommended zero funding for both of these programs while the Senate Committee recommended $25 million and $20 million respectively. The House Committee's funding recommendations for next generation high speed rail and for safety and operations are similar to the Senate Committee's recommendations.

Although most of the debate involving the FRA budget centers on Amtrak, agency safety activities (which receive more detailed treatment following this section) and Next Generation High-Speed Rail, as well as how states might obtain additional funds for high-speed rail initiatives, are also likely to be discussed.

Railroad Safety and Research and Development. The FRA is the primary federal agency that promotes and regulates railroad safety. The Bush Administration proposes $118.2 million in FY2003 for FRA's safety program and related administrative and operating activities. Most of the funds are used to pay for salaries as well as associated travel and training expenses for field and headquarters staff and to pay for information systems monitoring the safety performance of the rail industry.[14] Increased railroad traffic volume and density (train and passenger miles are up 7.5% and 18.7%, respectively), make equipment, employees, and operations more vulnerable to adverse safety impacts. The Administration's request for FY2003 represents a nearly 6% increase above the $111 million provided in the FY2002 DOT Appropriations Act (P.L. 107-87) for rail safety and operations. The

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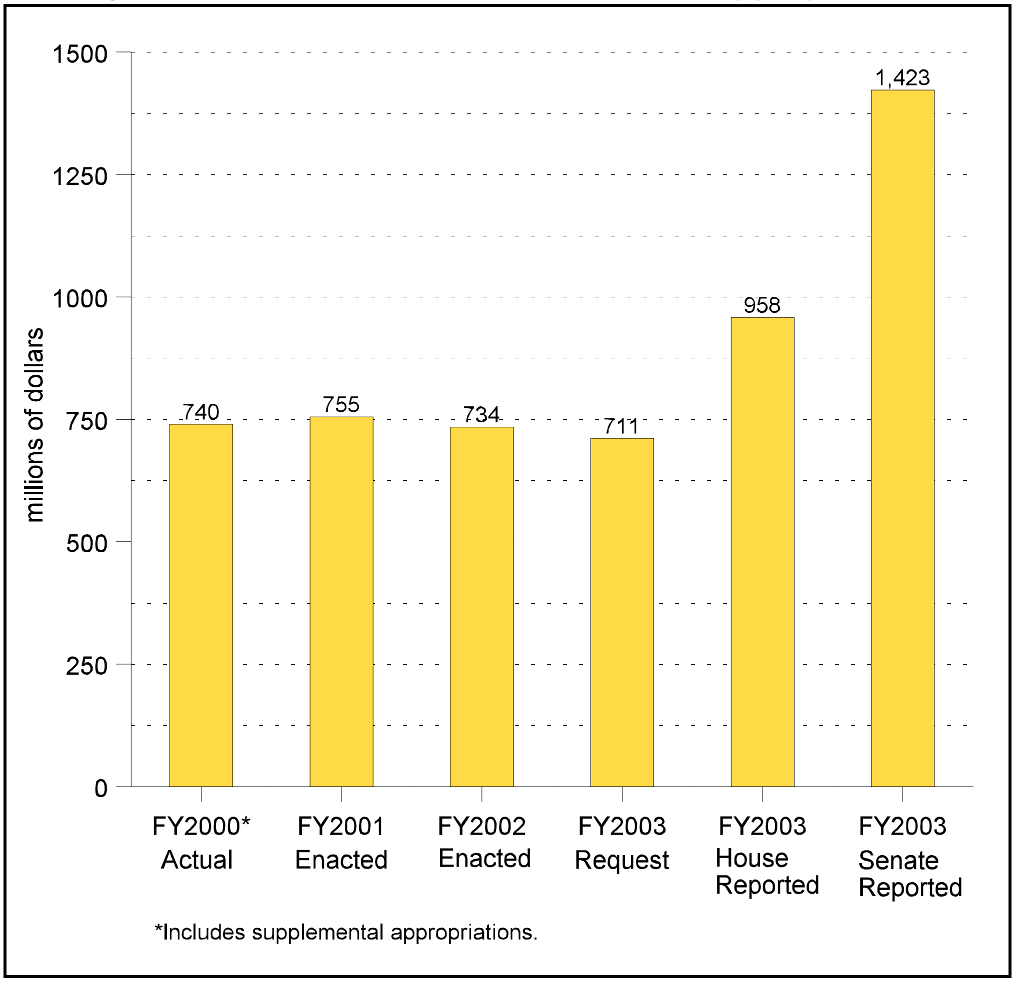
[14] Those funds also are used to conduct a variety of initiatives, including the Safety Assurance and Compliance Program (SACP), the Railroad Safety Advisory Committee (RSAC), and field inspections. SACP involves numerous partnerships forged by railroad management, FRA personnel, and labor to improve safety and compliance with federal railroad safety regulations. RSAC uses a consensus-based process involving hundreds of experts who work together to formulate recommendations on new or revised safety regulations for FRA's consideration.

FY2003 Senate Appropriations Committee recommendation is $118.3 million; while the House committee recommends $117.4 million.

Figure 6. Federal Railroad Administration Appropriations



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. Although hearings have been held since 1994, the deliberations have not resulted in a consensus to enact a law to authorize continued funding for FRA's regulatory and safety compliance activities or change any of the existing authorities used by FRA to promote railroad safety. A reauthorization statute changing the scope and nature of FRA's safety activities would most likely affect budgets after FY2003.

The adequacy and effectiveness of FRA's grade-crossing safety activities continue to be of particular interest. Relevant safety issues include: How effectively is FRA helping the states deal with the grade-crossing safety challenge? Is FRA's FY2003 budget adequate to deal with that challenge? Congressional reaction to these questions had a bearing on the railroad safety budget for FY2002. In its FY2003 budget, FRA requests funding to strengthen its grade-crossing safety program and associated public education activities.

To improve its safety regulations and industry practices, the FRA conducts research and development (R&D) on an array of topics, including fatigue of railroad employees, technologies to control train movements, and track dynamics. In reports accompanying House and Senate transportation appropriation bills and in annual conference reports, the appropriations committees historically have allocated FRA's R&D funds among various research categories pertaining to safety. The FY2002 DOT appropriations act (P.L. 107-87) provided $29 million for the R&D program. For FY2003, FRA requests $28.3 million for these activities. An appropriation of $29.3 million is recommended for FY 2003 by the Senate Appropriations Committee. The House Appropriations Committee recommends $27.3 million.

The request for FRA's safety and research and development programs includes a proposal to impose a user fee on the industry. The collected funds would offset costs of safety-related activities, raising an estimated $59 million that would be credited to the general fund in the U.S. Treasury; general funds appropriated for the programs would be reduced by similar amounts. Industry, in the past, has objected to such proposals, maintaining the industry already pays its share of taxes and invests heavily in safety. The Senate and House Appropriations Committees deny the Administration's proposal to collect this user fee.

Next Generation High-Speed Rail R&D. In FY2002, $32.3 million was made available for the Next Generation High-Speed Rail Program. The FRA requested $23.2 million to continue this program in FY2003. The Senate Appropriations Committee recommended $30 million, $6.8 million more than the Administration request. The House Appropriations Committee recommended $30.45 billion, $7.25 billion over the Administration request.

Amtrak

[http://www.amtrak.com]

The President's FY2003 budget request for Amtrak is $521.5 million, the same as in FY2002. The President's budget notes that this is just a placeholder figure until a new paradigm for passenger rail service is developed. In June 2002 the Administration presented its principles for Amtrak reform, and announced it would not support additional funding for Amtrak (over the $521.5 million) unless accompanied by significant reform to Amtrak. Amtrak had said as early as February 2002 that it would need at least $1.2 billion in FY2003. The Senate Appropriations Committee recommended $1.2 billion, $679 million above the Administration request, while criticizing some of the Administration's recommended reforms. The House Appropriations Committee recommended $762 million for Amtrak, while requiring better financial reporting from Amtrak and limiting the amount of operating support for long-distance trains to $150 million, $50 million less than Amtrak says is required to maintain the current level of long-distance service.

The Amtrak Reform Council has estimated Amtrak's annual operating subsidy requirement at around $600 million (not counting another $125 million in operating subsidies from various states); it estimated Amtrak's capital need, just to maintain its existing system, at around $1 billion.[15] The Inspector General of the Department of Transportation estimated Amtrak's cash loss in FY2003 at $511 million, and its capital needs at between $1 and $1.5 billion a year.

The Amtrak Reform and Accountability Act of 1997 (P.L. 105-134) prohibits the appropriation of federal operating grant funds for Amtrak after FY2002 (Section 201). The Act also required that if the Amtrak Reform Council determined that Amtrak will not be able to operate without federal operating grant funds after FY2002, it should submit to the Congress an action plan for a restructured national intercity passenger system (P.L 105-134, Section 204). At the same time, Amtrak should submit a liquidation plan to the Congress. The Council submitted its plan for restructuring national passenger rail service to Congress on February 7, 2002.[16] The FY2002 Department of Defense Appropriations Act (P.L. 107-117), however, prohibited Amtrak from using appropriated funds or revenues to develop a plan for liquidation.

Amtrak's authorization expired at the end of FY2002. Three reauthorization bills were introduced during 2002: S. 1958, which would restructure Amtrak along the lines suggested by the Amtrak Reform Council; S. 1991, which would authorize $4.6 billion a year for Amtrak in its existing configuration (and which has passed out of the Senate Commerce Committee); and H.R. 4545, which would reauthorize Amtrak for one year at $1.8 billion.

Federal Transit Administration (FTA)

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

President Bush's FY2003 budget request for FTA is $7.226 billion, essentially the TEA21 guaranteed level. This is a 7% increase above FTA's FY2002 appropriation of $6.747 billion.[17] The House Appropriations Committee recommended $7.226 billion, the amount requested. The Senate Appropriations Committee recommended $7.326 billion, $100 million over the Administration request. The Committee agreed to all the levels requested by the Administration; the increase went to the New Starts program under the Capital Investment Grants and Loan Program.

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[15] Amtrak Reform Council. *An Action Plan for the Restructuring and Rationalization of the National Intercity Rail Passenger System.* February 7, 2002. P. 17-19. Available at [http://www.amtrakreformcouncil.gov].

[16] *An Action Plan for the Restructuring and Rationalization of the National Intercity Rail Passenger System*, February 7, 2002. Available at [http://www.amtrakreformcouncil.gov/finalreport.html].

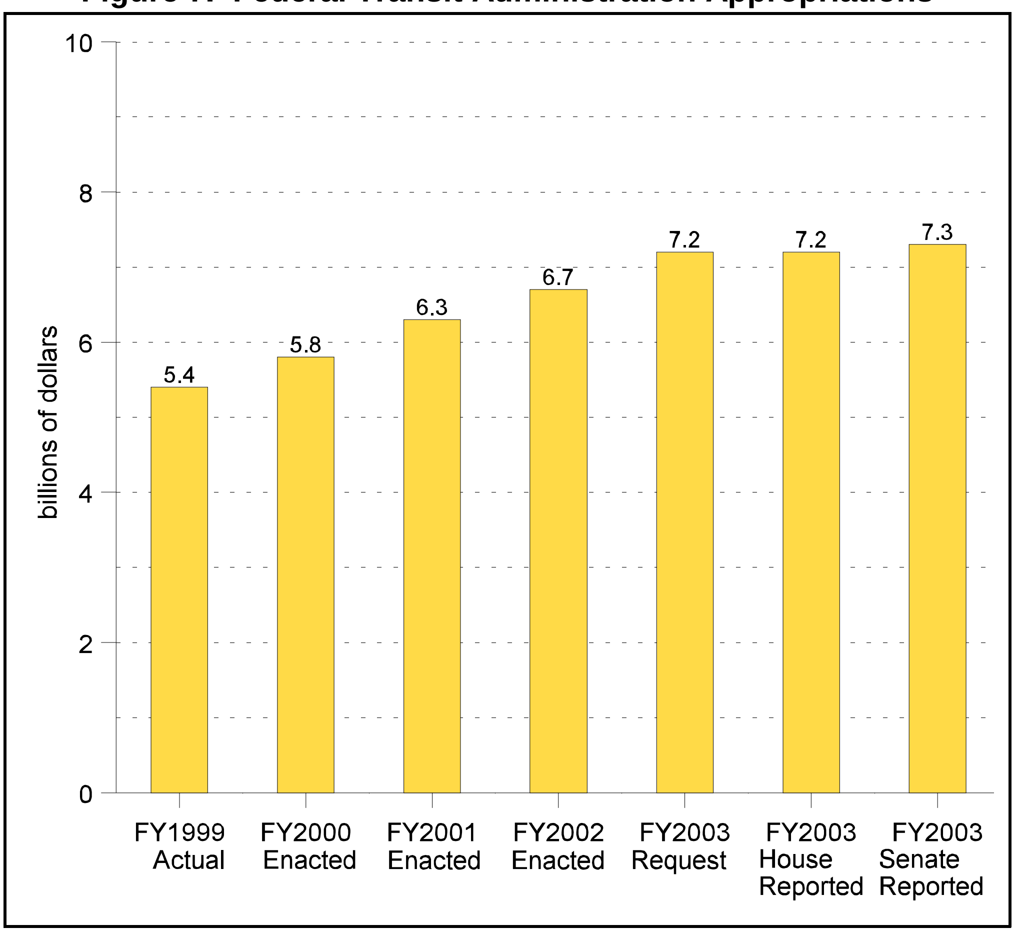
[17] These figures for FTA do not include any projections to account for possible flexible funding transfers from FHWA to FTA. In FY2001 such transfers amounted to $1.23 billion. The Bush Administration budget assumes that flex-funding transfers between FHWA and FTA will continue.

The transit appropriations shown in **Figure 4** illustrate the significant increase in FTA funding from FY1999 to FY2002 that occurred following the enactment of TEA21 in 1998.

FTA Program Structure and Funding. There are two major transit programs: the Capital Investment Grants and Loans Program and the Urbanized Area Formula Grants Program. There are also several smaller formula and planning and research programs. In FTA's Formula Grants Program, 86% of the FY2003 funding is for the Urbanized Area Formula Program, and 6% is for the Non-Urbanized Area Formula Program (less than 50,000 population). The remaining 8% is split between the other programs.

Capital Investment Grants and Loans Program (Section 5309). This program (formerly known as Section 3) has three components: new transit starts, fixed guideway modernization, and bus & bus facilities. The Administration requests $3.036 billion for FY2003, up from $2.841 billion in FY2002, a 7% increase. The funds are allocated among these three components on a 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 House Appropriations Committee recommended $3.036 billion; The Senate Appropriations Committee recommended $3.136 billion for FY2003, with the $100 million increase going to the new transit starts program.

Figure 7. Federal Transit Administration Appropriations



Urbanized Area Formula Program (Section 5307). The program (formerly known as Section 9) provides for capital and, in some cases, operating needs for urbanized areas (population 50,000 or more). These activities include bus and bus-related purchases and maintenance facilities, fixed guide way modernization, new systems, planning, and operating assistance. For FY2003, the Administration proposes $3.3 billion (the TEA21 guaranteed amount), a 1% increase over the $3.26 billion provided in FY2001. These funds are apportioned on 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 transit service data. The House and the Senate Appropriations Committees recommended the amount proposed by the Administration.

With the enactment of TEA21, 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.

Other Transit Programs.

- Non-Urbanized Areas Formula Program (Section 5311), which provides capital and operating needs for non-urbanized areas (areas with populations under 50,000)–$235 million requested for FY2003 ($223 in FY2002);
- Grants for Elderly and Individuals with Disabilities (Section 5310)–$90 million requested for FY2003 ($85 million in FY2002);
- Clean Fuels (Section 5308)–$50 million requested for FY2003; and
- Rural Transportation Accessibility Incentive Program (Section 3038), also known as the over-the-road bus accessibility program–$7 million requested for FY2003.

The President's budget request proposes to create a new formula program, the New Freedom Initiative, which seeks to use alternative methods to promote access to transportation for persons with disabilities. The President's budget requests $145 million for this program in FY2003. All of these proposed amounts were agreed to by the House and Senate Appropriations Committees.

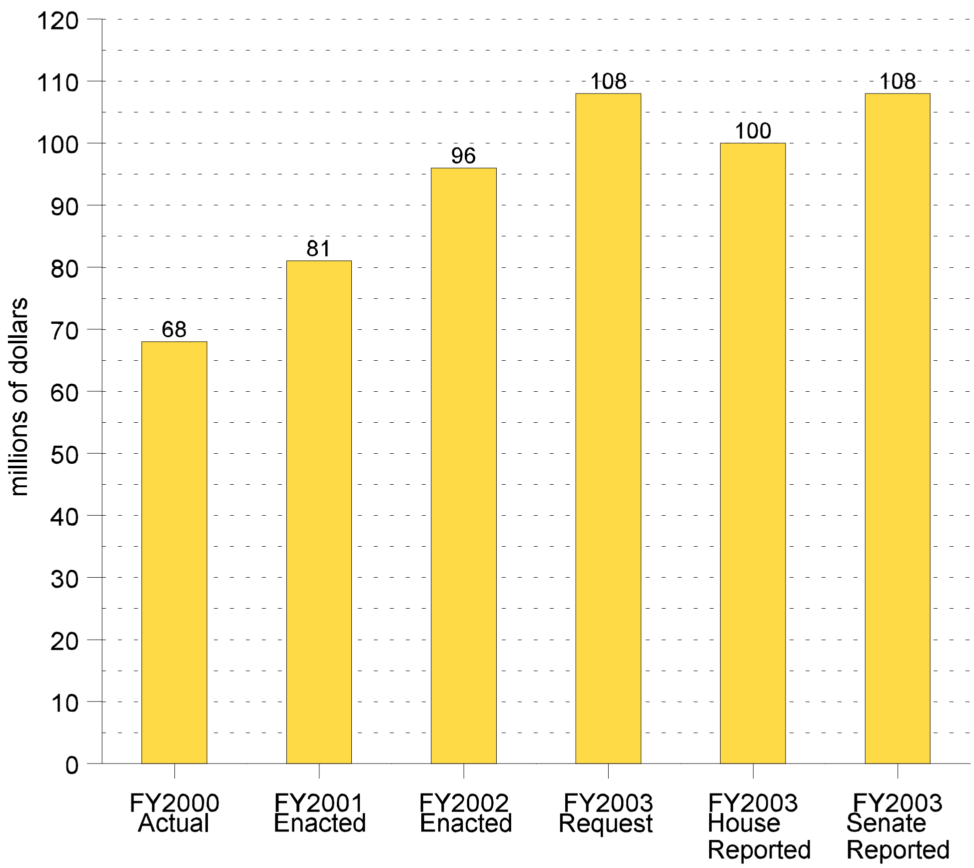
Job Access and Reverse Commute Program. TEA21 authorized a new discretionary Job Access and Reverse Commute grant program. This program provides funding for transportation projects that assist welfare recipients and low-income persons to find and get to work in suburban areas. The Administration proposes $150 million in FY2003, up from $125 million in FY2002. The House and Senate Appropriations Committees agreed to this request.

Research and Special Programs Administration (RSPA)

[http://www.rspa.dot.gov]

For FY2003, RSPA requests a budget of $102.5 million[18] (of which about 70% is offset by user fees) compared to an appropriation of $96 million in FY2002. Most of RSPA's budget is allocated to activities that promote transportation safety. For its pipeline transportation safety program, RSPA proposes $63.8 million in FY2003,

Figure 8. Research and Special Programs Administration



Totals do not include emergency preparedness grant permanent appropriations.

an increase of $5.6 million over FY2002. For its hazardous materials transportation safety program, the agency requests $23.8 million in FY2003, an increase of $2.6 million over FY2002. For FY2003, the Senate Appropriations Committee recommends $107.8 million for RSPA, including $63.9 million for pipeline safety and $23.1 million for hazardous materials safety. The House committee

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[18] The Administration's FY2003 request totals $124.5 million, but includes $14.3 million in permanent appropriations, $6 million in proposed fees, and approximately $2 million in retirement contributions that are not included in the FY2003 request amount used by the House Appropriations Committee, which is the amount used in Figure 6.

recommendation is $99.6 million and provides $58.7 million for pipeline safety and $23.0 million for hazardous materials safety.

Currently, much of the cost of RSPA's pipeline safety program is paid for by a fee that is imposed on the regulated industry. For RSPA's hazardous materials safety program, conversely, only the cost of the emergency grant program is offset by a registration fee paid by specified regulated companies. The Bush Administration proposes to offset additional costs of both the pipeline and hazardous materials safety programs by increasing the user fees on industry. In the past, the pipeline industry has been willing to pay only what it considers to be a reasonable increase in the fees imposed to support RSPA's pipeline safety program. Likewise, the hazardous materials (hazmat) industry has objected to user fees to pay the basic costs of RSPA's hazmat regulatory and enforcement program. Neither the House nor the Senate Committee on Appropriations have agreed with previous requests to fund the hazmat safety program from user fees.

Table 4. Budgetary Resources of Selected Agencies and Selected Programs

(in millions of dollars—totals may not add)

Agency	Final FY2002 Enacted [a]	FY2003 Request	House Committee	Senate Committee	Conf. Report	FY2003 Enacted
OST	105	141	181	172		
Essential Air Service[b] (trust fund)	63	113	100	115		
TSA[c]	1,250	5,346	5,146	4,950		
USCG[d]	5,031	6,058	6,061	5,772		
Operating Expenses	3,382	4,153	4,305	4,018		
Acquisition, Construction, & Improvements	636	725	725	725		
FAA[e]	13,295	13,582	13,599	13,586		
Operations (trust fund & general fund)	6,886	7,077	7,060	7,081		
Facilities & Equipment (F&E) (trust fund)	2,899	2,981	2,981	2,981		
Grant-in-aid Airports (AIP) (trust fund) (limit. on oblig.)	3,300	3,400	3,400	3,400		
Research, Engineering & Development (trust fund)	195	124	138	124		
FHWA[f]	33,306	24,098	28,695	32,893		
(Limitation on Obligations)	31,799	23,205	27,653	31,800		
(Exempt Obligations)	955	893	893	893		
Additional funds (trust fund)	–	–	55			
Addnl. funds[g] (general fund)	200	–	100	200		
FMCSA	335	367	367	304		
NHTSA	425	425	430	440		
FRA[h]	734	711	958	1,423		
Amtrak	521	521	762	1,200		
FTA	6,747	7,226	7,226	7,326		
Formula Grants (general fund)	718	768	768	768		
Formula Grants (trust fund)	2,874	3,071	3,071	3,071		
Capital Invest. (general fund)	568	607	607	707		
Capital Invest. (trust fund)	2,273	2,428	2,428	2,428		

Agency	Final FY2002 Enacted [a]	FY2003 Request	House Com-mittee	Senate Com-mittee	Conf. Report	FY2003 Enacted
St. Lawrence Seaway Development Corp.	13	14	15	13		
RSPA[i]	96	108	100	108		
OIG	51	57	57	57		
STB	18	18	18	18		
NTSB	68	70	71	72		
Budgetary Resources Grand Total (estimated)[j]	59,588	56,010	60,054	64,726		

Note: Figures in Table 3 were taken from tables in the House Committee on Appropriations report, except for the Senate Committee numbers which were taken from tables in the Senate Committee on Appropriations report. Because of differing treatment of offsets, the inclusion of the NTSB and Architectural and Transportation Barriers Compliance Board, and the exclusion of the Maritime Administration, 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] The figures for FY2002 do not reflect supplemental appropriations authorized under P.L. 107-38 and P.L. 107-206.

[b] The total FY2002 funding, including supplementals, was $113 million.

[c] The FY2003 figure includes estimated offsetting collections of $2.65 billion. TSA's FY2003 request was increased by $546 million and its estimate of offsetting collections was reduced by $124 million after the Senate Committee markup but before the House Committee markup.

[d] FY2002 figures are budget authority. The figures do not include the annual $64 million in mandatory funding for boat safety grants.

[e] The FY2002 DOT Appropriations Act (P.L. 107-87) provides for a rescission of $317 million of FY2000 AIP contract authority. This rescission has no impact on the budgetary resources available for FAA programs for FY2002 but is subtracted from the grand total because it is significant in relation to the overall budget cap for the transportation function.

[f] FY2002 total reflects rescission of $59 million. FY2003 figure reflects a negative RABA adjustment of $4.4 billion.

[g] For Appalachian Development Highway System ($200 million).

[h] FY2003 figure reflects rescission of $59 million.

[i] The figures do not reflect $14 million in permanent appropriations. Therefore, the requested total resources for RSPA for FY2003 may be seen as $123 million.

[j] The DOT and related agencies appropriation does not fund the Maritime Administration (MARAD) or the Federal Maritime Commission (FMC), and their budgets are therefore not included in this report. They receive funding from the Commerce, Justice, State appropriations bills. The Administration budgets do not include the NTSB or the Architectural and Transportation Barriers Compliance Board budgets; they are included in this total because their budgets are included in the DOT Appropriations bills. The rescission of unobligated previous years' contract authority have been subtracted from this total. Because the rescissions have no impact on the budgetary resources available for FY2002, the total resources available could be seen as $61.3 billion for FY2002 enacted, and $56.3 billion for FY2003 requested.

List of Acronyms

ARC: Amtrak Reform Council

AIP: Airport Improvement Program (FAA)

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

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

CG: Coast Guard

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)

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

FHWA: Federal Highway Administration

FRA: Federal Railroad Administration

FTA: Federal Transit Administration

Hazmat: Hazardous materials (safety program in RSPA)

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 of the DOT

OST: Office of the Secretary of Transportation

RABA: Revenue-Aligned Budget Authority

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

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

RSPA: Research and Special Projects Administration

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)

TEA21: Transportation Equity Act for the 21st Century (P.L. 105-178), the current highway and transit authorizing legislation

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

TSA: Transportation Security Administration

For Additional Reading

CRS Products

CRS Report RS20177. *Airport and Airway Trust Fund Issues in the 106th Congress,* by John W. Fischer.

CRS Issue Brief IB10026. *Airport Improvement Program,* by Robert S. Kirk.

CRS Report RL30659. *Amtrak: Overview and Options*, by David Randall Peterman.

CRS Issue Brief IB90122. *Automobile and Light Truck Fuel Economy: Is CAFÉ Up to Standards?*, by Rob Bamberger.

CRS Report RS20469. *Bicycle and Pedestrian Transportation Policies,* by William Lipford and Glennon J. Harrison.

CRS Report RS20790. *The Coordinated Border Infrastructure Program: Issues for Congress*, by Robert S. Kirk.

CRS Report RS20841. *Environmental Streamlining Provisions in the Transportation Equity Act for the 21st Century: Status of Implementation*, by David Michael Bearden.

CRS Report RL30915. *Federal Motor Carrier Safety Administration: Status and Challenges,* by Paul F. Rothberg and Hussein Hassan.

CRS Issue Brief IB10030. *Federal Railroad Safety Program and Reauthorization Issues*, by Paul F. Rothberg and John Williamson.

CRS Report RL31027. *High-Speed Rail: Development and Investment Issues in the 107th Congress,* by David Randall Peterman and Steven Maguire.

CRS Report RS21164. *Highway Finance: RABA's Double-edged Sword,* by John W. Fischer.

CRS Report RL31028. *North American Free Trade Agreement: Truck Safety Considerations*, by Paul Rothberg.

CRS Report RL31150. *Selected Aviation Security Legislation in the Aftermath of the September 11 Attack,* by Robert S. Kirk.

CRS Report 98-646 ENR. *Transportation Equity Act for the 21st Century (P.L. 105-178): An Overview of Environmental Protection Provisions,* by David M. Bearden.

CRS Issue Brief IB10032. *Transportation Issues in the 107th Congress,* coordinated by Glennon J. Harrison.

Selected World Wide Web Sites

Department of Transportation Budget in Brief FY2003
[http://www.dot.gov/bib/bibindex.html]

Department of Transportation, Chief Financial Officer
[http://ostpxweb.dot.gov/budget/]

House Appropriations Committee
[http://www.house.gov/appropriations]

Interactive Budget Web Site
[http://ibert.org/civix.html]

Maritime Administration
[http://www.marad.dot.gov/]

National Highway Traffic Safety Administration (budget & planning)
[http://www.nhtsa.dot.gov/nhtsa/whatis/planning/perf-plans/gpra-96.pln.html]

Office of Management and Budget
[http://www.gpo.gov/usbudget/fy1998/fy1998_srch.html]

Senate Appropriations Committee
[http://www.senate.gov/committees/committee_detail.cfm?COMMITTEE_ID=405]

Appendix 1: 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 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 FY2002 trust funds accounted for well over two-thirds 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.

Transportation Equity Act for the 21st Century (TEA21)

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 (TEA21) (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, it now appears that the RABA adjustment, if it had been left intact during the appropriations process, would have led to a significant and unexpected drop in the availability of highway obligational funding.

TEA21 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 TEA21 and are adjusted by an annual RABA computation. In addition, it appears that TEA21 precludes, at least in part, the House and Senate appropriations committees from exercising what some Members view as their once traditional option of changing spending levels for specific core programs or projects. In the FY2000 appropriations act, the appropriators took some tentative steps to regain some of their discretion over highway spending. The FY2000 Act called for the redistribution of some funds among programs and added two significant spending projects. In the FY2001 appropriations act, the appropriators continued in this vein by adding funds for large numbers of earmarked projects. Further, the FY2001 Act called for redirection of a limited amount of funding between programs and includes significant additional funding for some TEA21 programs. This trend continued, and even accelerated, in the FY2002 Act as appropriators made major redistributions of RABA funds and, in some instances, transferred RABA funds to agencies that are not eligible for RABA funding under TEA21.

Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (FAIR21 or AIR21)

The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (FAIR21 or AIR21)(P.L. 106-181) provides a so-called “guarantee” for Federal Aviation Administration (FAA) program spending. The guarantee for aviation spending, however, is significantly different from that provided by TEA21. Instead of creating new budget categories, the FAIR21 guarantee rests on adoption of two point-of-order rules for the House and the Senate. Supporters of FAIR21 believe the new law requires significant new spending on aviation programs; and, for at least the FY2001 and FY2002 appropriations cycles, spending grew significantly. Most observers view the FAIR21 guarantees, however, as being somewhat weaker than those provided by TEA21. Congress can, and sometimes does, waive points-of-order during consideration of legislation.

Enactment of TEA21 and FAIR21 means that transportation appropriators have total control over spending only for the TSA, the Coast Guard, the Federal Railroad Administration (including Amtrak), and a number of smaller DOT agencies. All of these agencies are concerned about their funding prospects in any year where it is believed that there is a constrained budgetary environment.

Appendix 2: 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 TEA21, 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 TEA21 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. TEA21 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.

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.