Department of Transportation Budget FY2012

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Introduction

The President's Department of Transportation (DOT) budget request for FY2012 totaled $123.9 billion. It was divided into two parts: a "base" request of $78.6 billion, and a one-time "up-front boost," related to the President's proposal for surface transportation reauthorization beginning in FY2012, of $50 billion.

The base request was $1.7 billion (2%) more than the FY2010 enacted DOT budget of $76.9 billion. The total request is $53 billion over the FY2010 enacted level. See **Table 2** for detailed figures on the request and Congressional action.

One might ask how this increase was possible in light of the President's stated intention to freeze overall federal discretionary spending in FY2012 (and after) at the FY2010 level. It is possible because most DOT funding is not discretionary funding; it comes from the Highway Trust Fund, and is therefore categorized as mandatory funding. Thus, virtually all of the proposed increase counted as an increase in mandatory rather than discretionary funding. Furthermore, the FY2012 DOT budget request proposed to shift funding for some accounts from the general fund to the highway trust fund (which would be renamed the "transportation trust fund"). This had the effect of reducing the total discretionary funding requested for DOT in FY2012 compared to the amount provided in FY2011, all else being equal.

The FY2012 budget request was complex because it did two different things at once: it requested funding for DOT programs for FY2012, and it restructured the major surface transportation program accounts and funding structure. The latter changes reflected elements of the Administration's proposal for reauthorizing surface transportation programs for the next six years. The changes included adding intercity rail and new transit construction programs to the programs financed from the trust fund, and increasing the flow of revenues to the fund, although the source of the additional revenues was not specified.

Congress had not passed an FY2012 DOT appropriations bill by the time the 2012 fiscal year began. DOT funding is currently being provided by a continuing resolution (P.L. 112-36, the second one passed for FY2012), which will expire on November 19, 2011.

Congressional action on FY2012 DOT appropriations was delayed due to several factors. First, the FY2011 appropriations act for DOT and other federal agencies was not finalized until April 15, 2011.[1] Second, the House-passed budget for FY2012 and subsequent 302(b) allocation of discretionary funding for the Department of Transportation, Department of Housing and Urban Development, and Related Agencies appropriations bill called for cuts to highway funding, among other accounts, that were so steep that some doubted they could pass; perhaps for this reason, action on the bill in the House was postponed. The Senate did not pass a Budget Act for FY2012. Soon after completion of FY2011 appropriations, congressional attention was taken up by protracted negotiations over raising the federal debt limit. These negotiations included discussion of the overall FY2012 appropriations level. Action on raising the debt ceiling. as well as setting an overall FY2012 appropriations level, was not concluded until August 2, 2011, with enactment of the Budget Control Act of 2011.[2]

[1] P.L. 112-10, The Department of Defense and Full-Year Continuing Appropriations Act, 2011.

[2] P.L. 112-25

The Senate Committee on Appropriations reported out an FY2012 appropriations bill for the Department of Transportation (and HUD and related agencies), S. 1596, on September 21, 2011. This bill has been combined with two other appropriations bills (Agriculture and Commerce-Justice-Science) in a "minibus" (as opposed to "omnibus") appropriations bill, H.R. 2112. That bill was approved by the Senate on November 1, 2011.

The House Committee on Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies approved a draft bill by voice vote on September 8, 2011.[3] The unnumbered draft bill has not been taken up by the full committee. Press reports indicate that the House and Senate are conferencing on the minibus bill.

Selected Budget Issues

Comparison of FY2011 and FY2012 figures

DOT funding has typically increased from year to year. The FY2011 appropriation broke that trend, with an overall new funding level of $72.6 billion, $4.3 billion (5.5%) less than the comparable FY2010 level. The FY2012 budget request proposed a restructuring of DOT surface transportation programs and a $50 billion "up-front" appropriation, on top of DOT's requested base FY2012 funding, to provide an immediate boost to transportation infrastructure improvement and job creation. This up-front funding was depicted as an alternative to the typical surface transportation reauthorization funding plan, in which funding levels gradually increase over an authorization period of several years. This appropriation would have front-loaded a large increase in funding in the first year of the Administration's proposed six-year surface transportation reauthorization plan, with funding levels for each of the subsequent five years lower than the total for FY2012.

The Administration has not yet submitted legislation to implement their reauthorization proposal; the existing authorization for surface transportation programs has been extended. Thus, while the FY2011 enacted funding and the House and Senate figures for FY2012 are comparable, comparing the surface transportation figures to those in the FY2012 budget request is complex. This requires an unwinding of the proposed new program structures in the Administration's request to be able to compare the request to the existing program structure, and decisions about how to allocate the additional $50 billion request for up-front funding between discretionary funding and mandatory funding.

The Senate Committee on Appropriations allocated about $20 billion of the up front funding request to discretionary funding, resulting in a discretionary budget request of $34.0 billion, compared to enacted new funding of $17.6 billion in FY2011. The remaining $30 billion was allocated to mandatory (trust fund) budget authority, resulting in a request for $94.4 billion, up from $54.2 billion enacted in FY2011.

[3] The text of the draft bill (http://appropriations.house.gov/UploadedFiles/FY_2012THUD.bill_xml.pdf) and of an accompanying draft report (http://appropriations.house.gov/UploadedFiles/FY_2012THUDReport.pdf) is available at the committee's website.

Essential Air Service (EAS)

The President's budget requested $123 million for the EAS program, a $27 million (12%) decrease from the $150 million Congress provided in FY2011. The Senate approved $143 million for the program for FY2012; the House Appropriations Committee THUD subcommittee draft bill recommended $100 million. These funds are added to $50 million that is reserved for the program each year, so the total funding proposed by the Senate for FY2011 is $193 million, compared to a total of $200 million in FY2011 (and the same amount in FY2010).

This program seeks to preserve air service to small communities by subsidizing the cost of that service. Supporters of the EAS program contend that preserving airline service to small communities was a commitment Congress made when it deregulated airline service in 1978, as anticipated reductions in air service due to deregulation were claimed to reduce economic development opportunities in rural areas. Critics note that the subsidy cost per passenger is relatively high, that many of the airports in the program serve few passengers, and that some of the airports receiving EAS subsidies are little more than an hour's drive from major airports

The costs of the program have more than doubled since FY2008. This is due to several factors. Route reductions by airlines have resulted in an average of six new communities joining the program each year in recent years. Also, there is a requirement that planes servicing EAS communities must have, at a minimum, capacity to carry 15 passengers. Detractors of this requirement note that smaller planes would be cheaper to operate and that the number of passengers at many EAS airports could be handled by smaller planes.

The Administration proposed to limit FY2012 funding in the program to those communities which received subsidies in FY2011 (the same proposal was made for the FY2011 budget, seeking to limit recipients to those funded in FY2010), and to eliminate the 15-passenger aircraft requirement. The Senate-passed bill supported both of these proposals. The House draft bill supported the limit on new recipients.

Highway Trust Fund

Most highway and transit funding is taken from the Highway Trust Fund, whose revenues come largely from the federal motor fuels excise tax. For several years, expenditures from the fund have exceeded revenues; for example, in FY2010, revenues were approximately $35 billion, while expenditures were approximately $50 billion. Congress transferred a total of $34.5 billion from the general fund of the Treasury to the Highway Trust Fund during the period FY2008-FY2010 to keep the trust fund solvent. The Congressional Budget Office projects that the trust fund will become insolvent around the end of FY2012.

The President's budget proposed to rename the fund the Transportation Trust Fund and to increase authorized expenditures from the Fund to $554 billion over the next six years by increasing the funding levels of existing surface transportation programs and by adding the Federal Railroad Administration and the Federal Transit Administration's New Starts transit construction program to the programs funded by the fund. This proposal reflects, in part, a recommendation of the National Commission on Fiscal Responsibility and Reform to expand the Highway Trust Fund to cover rail infrastructure – but the Commission also recommended increasing the gas tax by 15 cents per gallon by 2015, then limiting expenditures from the Fund to match its revenues.[4] The budget request does not propose an increase in the gas tax, nor does it explain how the Fund would support the proposed higher level of expenditures; it says that the President does not support an increase in the federal gasoline tax, but will work with Congress to find new revenue sources.

The House draft states that it provides funding from the Highway Trust Fund at a level that the revenues of the Fund can support in FY2012; this results in a reduction of 35% from FY2011 levels for the two largest accounts supported by the Highway Trust Fund (from $41.1 billion to $27.0 billion for the federal-aid highway program account, and from $8.3 billion to $5.2 billion for the transit formula and bus grant funding account).

The Senate bill's committee report said that it recommended the levels of funding for highway and transit that are authorized in the SAFETEA extensions; that is virtually the same level as in FY2011 ($41.1 billion for highways and $8.4 billion for transit). The report did not address the Highway Trust Fund's revenue difficulties.

National Infrastructure Bank (I-Bank)

The budget proposes $5 billion for a national infrastructure bank. The bank would provide loans or grants to finance transportation projects having national or regional significance. Such projects, such as major bridges on the interstate highways system, are often difficult to build under the current structure of transportation funding, because they benefit the residents of many states but their costs fall on the residents of the state in which the project is located. In the past, such projects have sometimes been financed through specific funding designations by Congress. The national infrastructure bank would, according to the Administration, provide a means for such projects to be evaluated and for the most productive projects to be selected and financed.

Legislation to implement this proposal was not enacted, and the proposal was not funded by the House draft or the Senate-passed bill.

National Highway Traffic Safety Administration (NHTSA)

Although the budget request represented an $18 million cut in overall funding from the $878 million provided in FY2011, the request noted that, with the funding available from completion of the $124.5 million Safety Belt Performance Grants program, the request would allow the agency "to increase funding for all ongoing primary enforcement, safety, or rulemaking activities."[5] The Senate-passed bill provided $800 million; the House draft recommended $731 million.

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[4] The National Commission on Fiscal Responsibility and Reform, "The Moment of Truth," December 2010, Recommendation 1.7, p. 24, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf.

[5] Department of Transportation, *FY2012 Budget Highlights*, p. 24; available at http://www.dot.gov/budget/2012/fy2012budgethighlights.pdf.

High Speed and Intercity Passenger Rail

The budget proposes $4 billion for high speed and intercity passenger rail development under a new account, Network Development. This is described as the first year of a proposed six-year, $53 billion program. High speed and intercity passenger rail development is seen as a way of creating new jobs, providing a new transportation option for intercity travel, and increasing the capacity, competitiveness, and environmental sustainability of the transportation system. To date, Congress has provided $10.1 billion for DOT's high speed and intercity passenger rail grant program, beginning with $8 billion in the American Recovery and Reinvestment Act of 2009.

In common usage, references to "high speed rail" are generally taken to mean systems such as those of Japan, France, Spain, and China, where trains travel on dedicated networks at speeds greater than 150 mph. Perhaps because it is convenient to abbreviate references to this program by dropping the middle phrase "and intercity passenger rail," it is often taken to be a program designed just to fund high speed lines similar to those in other countries. But much of the funding in this program has gone to develop intercity passenger rail service with top speeds of 90 or 110 mph.

In its public comments the Administration has emphasized the high speed rail portion of the program. Critics have questioned the economic efficiency of building expensive high speed rail lines, or even of improving conventional rail lines. While grants have been awarded to 23 states, after the elections of November 2010, the new governors of three states—Wisconsin, Ohio, and Florida—rejected grants for rail projects for which their states had received grants totaling $3.6 billion.[6] The governors said their states could not afford the costs of improving or building and maintaining rail lines that would likely require ongoing operating support. The Administration redistributed the grant money to the many other states pursuing passenger rail development.

In the Full Year Continuing Appropriations Act, 2011, which was enacted after the Administration submitted its FY2012 budget request, Congress eliminated funding for the high speed and intercity passenger rail grant program for the balance of FY2011, and rescinded $400 million of the unobligated portion of the $10.5 billion already appropriated. The FY2012 Senate bill provides $100 million for the grant program. The FY2012 House draft does not include any funding for the program.

Amtrak Funding

The budget proposed to place Amtrak funding into a new Federal Railroad Administration account, System Preservation. This account would fund public rail asset development and maintenance; at present, Amtrak would be the only recipient of grants, though in the future competition for the grants is envisioned. Amtrak's FY2012 grant request totaled $2.2 billion; it received $1.6 billion in FY2010.[7] It appears that the budget request envisioned $1.5 billion for the program the "base" funding (comparable to the $1.5 billion Amtrak received for FY2011), and

[6] Although Florida's governor has rejected the project, the project apparently had not been officially canceled as of February 23, 2011, and press reports indicate that efforts are being made to salvage the project.

[7] Amtrak, *FY2012 Grant and Legislative Request*, February 7, 2011, Table 1; available at http://www.amtrak.com (Inside Amtrak>Reports and Documents).

another $2.5 billion that would come from the up-front supplemental funding, for a total request of $4 billion.[8]

The Senate bill would provide $1.48 billion for Amtrak; that is almost identical to the amount provided in FY2011, but $80 million less than provided in FY2010. The House draft would provide $1.12 billion.

Federal Transit Administration

New Starts and Small Starts (Capital Investment Grants)

FTA's Capital Investment Grants program funds new fixed-guideway transit lines and extensions to existing lines. It is is commonly referred to as the New Starts and Small Starts. New Starts (major capital investment projects) include capital projects with total costs over $250 million which are seeking federal more than $75 million in federal funding. Small Starts include capital projects with total costs under $250 million which are seeking less than $75 million in federal funding.

New Starts projects must go through a multi-stage process, during which they are repeatedly evaluated by FTA. Projects must receive positive ratings to proceed to the next step. The final step is signing of a full-funding grant agreement (FFGA) with FTA. The FFGA details how much funding the project will receive from FTA and the steps of project development. One purpose of the FFGA is to encourage accurate estimates of project costs; cost overruns are the responsibility of the grantee.

The Capital Investment Grants program received $2.0 billion in FY2010; in FY2011, it received $1.6 billion.

For FY2012, the Administration requested $3.2 billion for the New Starts program (see **Table 1**). The Senate-passed bill would provide $2.0 billion, the level provided in FY2010 but $400 million more than the amount provided in FY2011. This would cover the majority of the costs for existing Full Funding Grant Agreements and pending Full Funding Grant Agreements. The House draft recommended funding at approximately the FY2011 level ($1.6 billion).

Table 1. Proposed FY2012 FTA Capital Investment Projects by Category

(in millions of dollars)

Existing Full Funding Grant Agreements	$835
Pending Full Funding Grant Agreements	1,295
Recommended New Full Funding Grant Agreements	444
Recommended Small Starts Funding Agreements	181
Other Recommended New Starts/Small Starts Funding Agreements	400
Oversight	81
Total	$3,236

Source: FTA, Annual Report on New Starts Funding Recommendations, FY2012, Table 1, p. 6 (http://www.fta.dot.gov/documents/Annual_Report_main_text_FINAL_2_11_11.pdf).

[8] Based on the crosswalk table in the Federal Railroad Administration's *FY2012 Budget Estimate*, p. 109.

Bus Rapid Transit Eligibility

Bus rapid transit (BRT) is a transportation system that enables bus routes to operate at higher capacity by adding some of the characteristics of heavy-rail transit (e.g., subways), such as operating in dedicated lanes without having to stop at traffic signals. Supporters of BRT see it as an way of getting the greater operating capacities of heavy rail at a lower cost. Critics of BRT note that comprehensive BRT systems may not be much less expensive than fixed-guideway systems, and that communities are tempted to leave out elements of a comprehensive BRT system in order to reduce costs, which also leads to poorer performance.

The Senate bill would direct DOT to fund new bus rapid transit projects ("bus new fixed guideway projects") that were recommended in the FY2012 New Starts request from the FTA's Bus and Bus Facilities discretionary grant program rather than from the New Starts grant program. The Bus and Bus Facilities grant program is under the same account as New Starts (both are part of the Transit Capital Investment Program, along with a third sub-program, the Fixed Guideway Modernization Program). The Bus program provides funding to communities to purchase buses, rehabilitate buses, and provide related facilities (e.g., maintenance facilities, transfer facilities, intermodal terminals, park and ride facilities, passenger shelters). Bus fixed guideway projects are eligible for funding under the Bus program. This would have the effect of increasing the amount of funding available for other New Starts projects, and decreasing the amount of funding available to other bus and bus facilities projects.

New Starts Funding Share

The federal share for New Starts projects can be up to 80%. Since FY2002, DOT appropriations acts have included a provision directing FTA not to sign any full funding grant agreements that provide a federal share of more than 60%. This provision was again included in the Senate bill. The draft House bill has a similar provision, except that it would lower the maximum federal share to 50%.

Critics of this provision note that the federal share for highway projects is typically 80% and in some cases is higher. They contend that, by providing a lower share of federal funding (and thus requiring a higher share of local funding), this provision tilts the playing field toward highway projects when communities are considering proposed new transportation projects. Advocates of this provision note that the demand for New Starts funding greatly exceeds the amount that is available, so requiring a higher local match allows FTA to support more projects with the available funding. They also note that requiring a higher local match likely encourages communities to scrutinize the costs and benefits of transit projects more closely.

Table 2. Department of Transportation FY2012 Detailed Budget Table

(in millions of current dollars)

Department of Transportation Selected Accounts	FY2010 Enacted	FY2011 Enacted	FY2012 Request	FY2012 House Draft	FY2012 Senate
National Infrastructure Bank	—	—	5,000		—
Office of the Secretary (OST)					
Essential Air Service[a]	200	150	123	100	143
National Infrastructure Development	600	527	2,000	—	550
Total, OST	890	808	2,289	230	830
Federal Aviation Administration (FAA)					
Operations	9,350	9,514	9,823	9,674	9,636
Facilities & Equipment	2,936	2,731	2,870	2,798	2,631
Research, Engineering, & Development	191	170	190	175	157
Grants-in-Aid for Airports (AIP) (limitation on obligations)	3,515	3,515	2,424	3,350	3,515
Total, FAA	15,992	15,929	18,656	15,997	15,938
Federal Highway Administration (FHWA)(total)	42,789	41,846	70,514	27,739	43,746
Federal Motor Carrier Safety Administration (FMCSA)					
Motor Carrier Safety Operations and Programs	240	245	276	230	250
Motor Carrier Safety Grants to States	310	310	330	300	307
Total, FMCSA	550	555	606	530	557
National Highway Traffic Safety Administration (NHTSA)					
Operations and Research[b]	249	246	250	232	250
Highway Traffic Safety Grants to States	620	620	550	495	550
Total, NHTSA	873	878[c]	860	731	800
Federal Railroad Administration (FRA)					
High-speed and intercity passenger rail grant program[d]	2,500	(400)[e]	—[f]	—	100
Network Development	—	—	4,000	—	—
Amtrak	1,565	1,484	—[g]	1,126	1,481
System Development	—	—	4,046	—	—
Total, FRA	4,360	1,306	8,229	1,342	1,787
Federal Transit Administration (FTA)					
Formula and bus grants	8,343	8,343	—	5,200	8,361
Capital investment grants (New Starts)	2,000	1,597	—	1,554	1,955
Total, FTA	10,733	10,017	22,350	7,043	10,630
Maritime Administration (MARAD)	363	359	358	335	353
Assistance to small shipyards	15	10	—		10

Department of Transportation Selected Accounts	FY2010 Enacted	FY2011 Enacted	FY2012 Request	FY2012 House Draft	FY2012 Senate
Pipeline and Hazardous Materials Safety Administration (PHMSA)	193	202	220	183	208
Research and Innovative Technology Administration (RITA)	13	13	18	12	16
Office of Inspector General	75	75	89	80	82
Saint Lawrence Seaway Development Corporation	32	32	34	32	34
Surface Transportation Board	28	29	30	28	29
DOT Totals					
Appropriation (discretionary funding)	21,877	17,612	33,951	16,747	19,807
Limitations on obligations (mandatory funding)	54,244	54,249	94,432	36,685	54,199
Exempt contract authority (mandatory funding)	739	739	739	739	739
Total non-emergency budgetary resources, DOT[h]	76,860	72,600	129,122	54,171	72,985
Emergency appropriations	—	—	—	—	1,900
Total non-emergency discretionary funding	21,877	17,612	33,950	16,747	18,046
Rescissions	-422	-3,886	-57	-54	-139
Net new discretionary budget authority	21,455	13,726	33,893	16,693	17,907

Source: FY2010 enacted figures from the CSBA tables in H.Rept. 111-564 and S.Rept. 111-230; FY2012 figures taken from the CSBA table in S.Rept. 112-83, except numbers for the House draft bill taken from the text of the text of the draft bill and draft committee report and a summary table published on the House Appropriations Committee site (http://appropriations.house.gov/).

Notes: Subtotals may not add due to omission of some accounts. Subtotals and totals may differ from those in the source documents due to treatment of rescissions, offsetting collections, etc. The figures in this table reflect new budget authority made available for the fiscal year. For budgetary calculation purposes, the source documents may subtract rescissions of prior year funding or contract authority, or offsetting collections, in calculating subtotals and totals.

a. These figures include the $50 million in mandatory funding received by the Essential Air Service each year. The FY2012 request also counts $22 million in unobligated balances from previous years, for a total of $195 million.

b. Includes National Driver Register Modernization funding.

c. Reduced to $796 million for budget purposes by a $76 million rescission of contract authority.

d. FY2012 base figure is calculated by CRS.

e. No new funding for FY2011; rescinded $400 million from previous years' appropriations.

f. The Administration requested $4 billion for a proposed new Network Development program, which would have included the High Speed and Intercity Passenger Rail Grant Program, and would have been funded largely from the $50 billion "up front" increment.

g. The Administration requested $4 billion for a proposed new System Development program, which have included grants to Amtrak, and would have been funded largely from the $50 billion "up front" increment.

h. Figures reflect budgetary resources, except DOT FY2012 request reflects budget authority; DOT FY2012 budget requests $123.9 billion in budgetary resources, $128.6 billion in budget authority.

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