



Obama Budget Proposed Increased Transportation Funding – Does Not identify Revenue Sources – Reauthorization Principles Included

President Obama submitted his fiscal year 2012 budget request to Congress which asked for a significant boost in transportation funding and outlined the Administration's principles for a six year \$556 billion surface transportation reauthorization proposal. The budget requested \$50 billion above current funding for highway, transit and aviation programs to "jump start" the reauthorization effort and to create jobs. The \$50 billion in FY 2012 would increase transportation investment for the various modes as follows: highways \$27.65 billion, transit \$11.5 billion, airport runways \$3.4 billion, high speed rail development \$3 billion, Amtrak \$2.5 billion and multi-modal discretionary grants \$2 billion. The President's budget request did not specify where the additional revenue would come from to pay for this increased investment but instead expressed a willingness to work with Congress to identify additional revenue sources to pay for this increase and to pay for its overall surface transportation reauthorization proposal. Comments made by DOT officials at official budget briefings indicated that additional details on the Administration's proposal would be forthcoming later in the week.

To put this funding request into perspective, the highway program is currently operating under the terms of a continuing resolution which funds the program at the FY 2010 level of \$42 billion and the transit program at \$10.3 billion. The Obama budget request calls for highway funding of \$69.7 billion and transit funding of \$22 billion. Highway Trust Fund revenue for FY 2012 is projected at about \$37 billion which funds both the highway and transit accounts. Faced with a Congress that is focused on reducing Federal spending, reducing the annual federal budget deficit and opposed to tax increases, approval of transportation funding at these levels will be a significant undertaking.

Reauthorization Principles

Sprinkled throughout the Department of Transportation budget request are included the Administration's reauthorization ideas for reshaping the transportation programs. The following are some of the specifics:

Funding: \$556 billion from 2012 through 2017 compared to \$286 billion in SAFETEA-LU.

Revenue Source: No proposal for how to fund the increased funding levels.

Transportation Trust Fund: Eliminate the Highway Trust Fund (HTF) in lieu of a Transportation Trust Fund that would include accounts for funding highways, transit and high speed rail. The Administration states that as a matter of policy it believes that proceeds from the existing HTF should be dedicated solely to highway and transit accounts. A rail account would be established with a dedicated funding source and a new Infrastructure Bank would be funded out of the Transportation Trust Fund. No existing HTF excise taxes would be used for rail and I-Bank activities.

The Administration proposes changes in how transportation funds are treated from a budgeting perspective to ensure that annual obligation limits are set to closely match annual funding levels contain in the authorization legislation (aka PAYGO).

National Infrastructure Bank: The President is proposing the creation of a National Infrastructure Bank to provide grants, loans, loan guarantees and other financial assistance for multi-modal projects for highway, transit, rail, aviation, ports and maritime initiatives. For FY 2012 \$5 billion is requested.

Federal Highway Administration

Program Consolidation: Proposes to consolidate 55 current programs into five core programs as follows with the FY 2012 budget request amounts:

Highway Safety Improvement Program- \$2.5 billion for a revamped highway safety program, which includes a performance based where states will demonstrate how their funds will increase safety.

National Highway Program- \$32.4 billion for this new program which would eliminate a variety of current funding categories (Interstate Maintenance, National Highway System, Bridge and Surface transportation) and gives states more flexibility in how to use these funds. The Administration proposes expanding the National Highway System to 220,000 miles from its current 163,000 miles. The enhanced NHS would now cover 55 percent of all traffic on our highways and 97 percent of all truck freight movement. This program funding would be split with \$16.8 b going specifically for NHS routes and \$15.6 billion for state flexibility in selecting eligible roads for funding.

Livable Communities Program- \$4.1 billion for planning, policies and investments to help communities increase transportation choices.

Federal Allocation Program- \$1.4 billion for transportation on Federal and Tribal Lands (currently the federal lands highway Program).

Research, Technology, and Education Program- \$661 million for a consolidated research program.

In addition, a new **Transportation Leadership Awards Program** would be funded at \$1.3 billion for competitive grants to support State DOT reform initiatives leading to innovations in transportation policy.

Federal Transit Administration

The proposal calls for a consolidation FTA's program structure into five budget accounts. The construction accounts are as follows:

Transit Formula Grants Program: \$7.7 billion to support rural and urban areas with transit capital investments.

Transit Expansion and Livable Communities Program: \$3.2 billion for Capital Investment grants and \$300 million for transit accessibility initiatives.

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Federal Railroad Administration

High Speed Rail- The Administration requests \$53 billion for a new six year high speed rail initiative. For FY 2012 a total of \$8.3 billion is requested with \$4 billion for network development initiatives through a competitive grant program and \$4 billion for system preservation to fund Amtrak's national network development and to address the backlog of capital needs on the Northeast Corridor.

Federal Aviation Administration

The Administration requested \$2.424 billion for the Airport Improvement Program (compared to the current funding of \$3.5 billion with an additional \$3.35 in funding from the "Up-Front" funding for a total of \$5.5 billion.