



Analysis of the Obama Administration's FY 2011 Budget Proposal

Executive Summary

The Obama Administration FY 2011 budget proposal is largely a stay the course plan—at least in the short-term—for the federal transportation programs. The February 1 document includes basically status quo levels of investment for the federal highway, transit and aviation infrastructure programs. This approach appears to be more a function of the fact that multi-year authorizations of each of these programs is overdue and major policy decisions in each of these areas is closely linked to generating new revenues.

The budget proposal indicates President Obama is preparing to work with Congress to develop a “Jobs Bill,” that among other things will “upgrade and build infrastructure.” The plan, however, includes no specifics on what policies that measure will include or the levels of infrastructure investment it may provide. While the House has passed a jobs measure, Senate Democrats are still hammering out the details of their plan. It is worth noting that the three-year discretionary spending freeze proposed in the Administration’s budget would go into effect in FY 2011. As such, it appears any jobs legislation enacted in 2010 would not be subject to these new constraints.

The budget requests an FY 2011 total of 78.8 billion for the U.S. Department of Transportation, which would be a 2.3 percent total increase over the amount enacted in FY 2010. The proposal includes \$41.3 billion for the core highway program (a \$200 million increase), \$10.8 billion for public transportation (a \$67 million increase), \$1 billion for high speed rail (a decrease of \$1.5 billion), and \$3.5 billion for airport construction (the same amount as in FY 2009). The budget also requests \$4 billion for a new National Infrastructure Innovation & Finance Fund, which appears to be the latest version of the National Infrastructure Bank concept President Obama and many congressional leaders have embraced.

The budget also sends a sobering message about the ability of the Highway Trust Fund to maintain current levels of highway, bridge, and public transportation investments in the future. While the document acknowledges the situation, it includes no recommendations for either raising new revenues or shifting to an alternative method of funding these programs.

It is important to recognize the Administration’s budget proposal is not binding, but rather represents the first step in the annual budget process. Federal spending decisions for each fiscal year are not finalized until the enactment of the 12 individual appropriations bills.

A more detailed analysis of the budget’s transportation funding recommendations is provided on the following pages. Please contact ARTBA’s Dave Bauer or Hank Webster at 202-289-4434, with any questions about the content of this analysis.

Highway Program

The Obama Administration's FY 2011 budget requests \$41.36 billion for the core highway program, which is roughly \$200 million above the FY 2010 level. The budget would essentially keep the major elements of this program intact. The Administration's budget acknowledges the federal surface transportation programs are in limbo due to the stalled multi-year reauthorization bill. The Administration's budget calls for an extension of these programs through March of 2011 to "craft thoughtful legislation." This is an unchanged goal from when the Administration launched the extension debate in June of 2009.

The most interesting policy modification proposed in the highway area is the reallocation of \$200 million from elsewhere within the Federal Highway Administration to the agency's "Livable Communities Program." The program is described as a "competitive capacity building program" to help urban and rural transportation agencies promote transportation projects that are consistent with sustainable land use, coordinated with Housing investment, and help conserve natural resources. The program will be coordinated with the U.S. Environmental Protection Agency and the Department of Housing and Urban Development. The \$200 million for this new initiative would come from the Secretary of Transportation deducting funds from the Surface Transportation, Congestion Mitigation and Air Quality, National Highway System, Interstate Maintenance, and Highway Bridge Programs.

It should also be noted that one of the 126 federal program terminations proposed by the Administration to save \$23 billion throughout the federal government is in the highway area. The budget proposes eliminating the "Surface Transportation Priorities" that Congress included in FY 2010 to direct \$293 million to a variety of projects. While the assumed savings from this action are real, it should be clear the Administration is not attempting to eliminate an existing program, but rather a pot of money outside the Highway Trust Fund that has been used for individual projects for at least the last two fiscal years.

Public Transportation Program

Like the highway program, the federal public transportation program continues to operate without a multi-year authorization in place. The Obama Administration's budget, however, includes a fairly substantial restructuring of federal public transportation funds. Total public transportation investment proposed in the budget is \$10.8 billion (\$67 million above the FY 2010 level), but several traditional programs are scaled back to make room for new initiatives.

The New Starts Program, or capital investment grants, would be reduced from \$2.0 billion to \$1.8 billion and requested formula and bus grants are down \$72 million to \$8.27 billion. At the same time, \$307 million is proposed for a new Federal Transit Administration (FTA) "Livable Communities Program" and \$24 million for a new "Rail Transit Oversight Program." The measure also restructures the FTA energy efficiency/greenhouse gas reduction program as a trust fund supported activity.

Highway Trust Fund Outlook

The Obama Administration's budget also reinforces the challenges facing the reauthorization of the federal surface transportation program and future highway and transit investments by providing new information on the outlook of the Highway Trust Fund's Highway and Mass Transit Accounts.

Specifically, the budget projects the Highway Account will end the current fiscal year with a negative \$1.38 billion balance and will be \$11.6 billion in the red at the end of FY 2011. The Mass Transit Account fairs slightly better in the short-term, with a projected year-end balance of \$1.27 billion. Unfortunately, the transit account also goes into the negative at the end of FY 2011 with a \$2.46 billion deficit.

To further clarify this situation and the stark choices facing federal policy makers, the Administration's budget projects the impact of leaving this situation unresolved beyond FY 2011 (Administration chart included below). According to this information, the Highway Account could only support a \$6 billion program in FY 2012 and would require \$37 billion in federal General Fund's to maintain current levels of investment. The situation improves somewhat in FY 2013 to FY 2015, but would still require significant General Fund support. By comparison, the Transit Account is projected to only be able to support a \$1 billion program in FY 2012 and would require \$8 billion in General Funds to prevent funding cuts. The public transportation programs would require between \$6 and \$4 billion annually from FY 2013 to FY 2015 to maintain current levels of investment.

Highway Trust Fund Estimates (in billions \$)

	2009	2010	2011	2012	2013	2014	2015
Highways							
Obligation Limitation	42	42	43	6	41	36	36
General Fund Budget Authority				37	3	9	9
Total Resources, Highways	42	42	43	43	44	45	46
Transit							
Obligation Limitation	8	8	9	1	3	5	5
General Fund Budget Authority				8	6	4	4
Total Resources, Transit	8	8	9	9	9	9	9

Assumes the Highway Trust Fund will be provided additional appropriations from the General Fund during 2010 and 2011. Starting in 2012, both highway and transit obligation limitations are set at levels that ensure trust fund outlays are supported by current law revenue to the trust fund.

The Administration's budget proposal goes to great lengths to explain this information is included for illustrative purposes only and is not intended as a policy recommendation to shift these programs to General Fund activities in the future. In fact, unlike the Administration's FY 2010 budget proposal, there is no mention of eliminating the contract authority designation for either program or diluting the trust fund protections that currently exist. The budget, however, makes very clear that absent serious steps to address the Highway Trust Fund's revenue challenges, the current system of user fee financing cannot continue.

National Infrastructure Bank

The Administration proposes \$4 billion for a new National Infrastructure Innovation and Finance Fund (NIFFF) that will provide grants, loans, or a blend of both for multi-modal transportation projects of national or regional significance, but can include environmental sustainability. Projects would “generally not be less than \$25,000,000” and the fund would report to the Secretary. The NIFFF would sponsor planning, feasibility, and analytical capacity work necessary to identify high-value projects around the country. The Administration characterizes the \$4 billion request in FY 2011 as a “down payment on a \$25 billion commitment to the fund.”

Aviation Programs

With a multi-year reauthorization of the federal aviation programs delayed by more than two years, the Administration’s budget calls for increasing total federal aviation investment by nearly \$500 million over FY 2010 to a total of \$16.5 billion. Specifically, the budget recommends funding the Airport Improvement Program (AIP) at \$3.515 billion, a level which has been constant for years.

The Administration also requests \$1.1 billion for the Federal Aviation Administration’s NextGen program—\$275 million more than provided for in the FY 2010 appropriations process. NextGen is an initiative to replace the nation’s current ground-based radar air traffic control system with a modern satellite-based system and is clearly the Administration’s priority within the aviation programs.

The House and Senate transportation committees have developed aviation reauthorization proposals that propose \$4.1 billion for AIP in FY 2011. The aviation programs and the taxes that support them are operating under a temporary extension that expires at the end of March.

Rail Programs

The Obama Administration’s FY 2011 budget proposes \$2.9 billion for the federal rail programs. Of this amount, \$1.6 billion would support Amtrak, including \$281 million to fully fund Amtrak’s Americans with Disabilities Act capital plan. Apart from Amtrak, \$1 billion is requested to fulfill President Obama’s pledge last year to invest \$5 billion over 5 years to help develop a U.S. high speed passenger rail network. By comparison, Congress provided \$1.56 billion for Amtrak in FY 2010 and \$2.5 billion for high-speed passenger rail (which also received \$8 billion in FY 2009 from the American Recovery & Reinvestment Act).

Also included in the \$2.9 billion request is \$244 million for the Federal Railroad Administration’s safety and operating programs. The President’s budget also proposes a new railroad safety user fee to offset the costs of a railroad safety inspector program and the Administration expects to collect \$50 million in FY 2011 from this fee. The budget proposes to

terminate the \$34 million Rail Line Relocation Program as part of the government-wide effort to cut programs the Administration considers unnecessary.

Highway Safety Programs

The Administration's budget requests \$570 million for the Federal Motor Carrier Safety Administration (FMCSA). This represents a \$20 million increase over the \$550 million appropriated for FY 2010. FMCSA funds are used to improve commercial motor vehicle safety, largely by enforcing truck and bus safety regulations, conducting compliance reviews and roadside inspections, and improving state oversight of Commercial Driver's Licenses.

For the National Highway Traffic Safety Administration (NHTSA), the Administration requests a total of \$878 million for FY 2011. This would be a \$5 million increase over the \$873 million included in the FY 2010 appropriations act. The NHTSA budget focuses on improving highway safety through research and dissemination of information, as well as through grants supporting state efforts to enforce highway safety laws. The President's budget also requests a new \$50 million distracted driving prevention program to encourage states to enact laws to prevent distracted driving with a focus on cell phone usage.