

March 3, 2009

The Honorable Barack Obama
President
The White House
Washington, D.C. 20500

Dear Mr. President:

Rebuilding and renewing the nation's transportation infrastructure network has been appropriately recognized as a tool to help resuscitate the struggling U.S. economy and generate productive assets that will lead to long-term economic strength. Unfortunately, the Office of Management and Budget's recent proposal to finance the federal highway, transit, airport and highway safety programs with discretionary budget authority rather than mandatory contract authority could significantly undermine these goals.

The federal transportation programs are funded using contract authority rather than appropriated budget authority for good reasons.

First, the use of contract authority recognizes the long-term nature of transportation improvements. For a state to embark on the process of environmental review, permitting, design and construction of a transportation improvement requires an ability to forecast funding for multiple years. This would be impossible if funding for the highway program were subject to the annual appropriations process.

Second, the federal surface transportation program requires states to develop a multi-year State Transportation Improvement Plan (STIP) that is fiscally constrained. Only projects on the STIP are eligible for federal funds and projects can be included in the STIP only to the extent that funds can be identified. If investments were provided solely in annual appropriations bills, the effectiveness of the transportation planning process would be severely diluted as states would have little information about the availability of federal transportation funds beyond the appropriation year.

Third, contract authority and guaranteed funding, as provided under SAFETEA-LU and prior surface transportation acts, fulfill the expectation of taxpayers that revenues from transportation user taxes, like the federal excise tax on gasoline and diesel fuels and taxes on heavy truck, will be used solely to finance federal investments in highways and public transportation. Prior to TEA-21, when the annual limitation on obligations was determined exclusively in appropriations legislation, Congress would frequently underfund highways and transit and use the resulting Highway Trust Fund balance to reduce the federal deficit. This practice caused the unspent balance in the Highway Trust Fund to grow to \$31 billion by FY 2000. Treating contract authority as discretionary budget authority would thus be not one, but two steps backward in recognizing the obligation of the federal government to invest transportation user fees solely in transportation improvements.

While the goal of improving transparency in the federal budget is laudable, there is an alternative to OMB's proposal to show budget authority for the federal transportation programs as discretionary. The U.S. Department of Transportation, in the annual Budget in Brief, reports all departmental spending as "Budgetary Resources," which serves the same transparency goal as the OMB proposal without foregoing the long-established benefits of financing federal transportation investment through mandatory contract authority and guaranteed funding.

We support your efforts to improve the transparency of transportation budgeting, but achieving this goal must not come at the expense of upgrading the nation's transportation network. As such, we urge you to withdraw the contract authority provision in the FY 2010 budget proposal.

Sincerely,

A handwritten signature in cursive script, reading "T. Peter Ruane".

T. Peter Ruane
President & CEO