

Where Did The Money Go?

10 Years and \$300 Billion Later

by David Burwell, STPP President

As you probably know by now, the federal transportation law is due up for reauthorization in 2003. With new Republican leaders in the U.S. Senate, many congressional members who weren't in office when the last transportation bill was up for debate in 1998, and nearly half of the Governors switching over, STPP is working hard to educate key decisionmakers at all levels of government about the benefits of ISTEA and TEA-21. Both bills were strongly bipartisan – passed by a Democratic Congress in 1991 and signed by a Republican President, and then again reaffirmed by a Republican Congress in 1998 and signed by a Democratic President. One reason the transportation bill often gets such broad bipartisan support when it comes time for a vote is, of course, the money.

It's hard to say no to any bill that contains a lot of spending for your state when it comes time for a vote. But, as it turns out, it's even harder to figure out where that money goes once the bill is passed. That's one of the reasons ISTEA and TEA-21 address that issue by providing specific funding programs that focus spending on air quality, system preservation, job access, environmental protection and community revitalization. For example, the Congestion Mitigation and Air Quality (CMAQ) improvement program provides targeted funds to advance transportation projects with air quality benefits as well as help local governments meet a critical fed-

eral mandate, in this case reducing air pollution and protecting public health.

As Congress prepares to renew the transportation bill that could contain as much as \$250 billion in new spending over the next five to six years, we felt it was once again time to dig a little deeper into the



nation's transportation finances, not just how much each state gets – but more importantly how they spend it and what the public sees as a result. Transportation represents about 11% of GDP (about \$1.3 trillion annually) and 19% of the average household budget. Our federal highway investment alone was almost \$32 billion in 2002. What do we get for it? Frankly, it's hard to tell. As a Texas legislator recently commented about a pending charter schools proposal: “it's like our highway department – give them the money and God knows what they do with it!”

This issue of Progress focuses on how we spent all those federal transportation dollars – more than \$300 billion of federal

funding over 10 years – and how we can get an even better handle on where the money's going during the next reauthorization cycle. Federal transportation investments are, of course, just the tip of the funding iceberg, but they profoundly impact how state and local transportation dollars get spent, and ultimately, how your own money gets spent.

Early in 2003, we will provide our coalition's proposals in response to this question – our “Blueprint for Reauthorization” of TEA-21. We already know that we want to preserve the program framework, and advance basic protections for our quality of life, contained in the present law. We also want to make sure that we build greater fiscal accountability, transparency and financial oversight into our transportation investments. It shouldn't be as complicated as it is to understand how we spend our transportation money and what it's ultimately buying us. This information is all too often buried under reams of paper and charts in documents more easily measured in feet than in inches.

In the meantime, STPP has once again set our team of researchers on boiling down at least the available federal spending data. We wanted to take a hard look at what we actually bought with our transportation money over the last 10 years. Here are some results of our efforts to date.

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The goal of the Surface Transportation Policy Project is to ensure that transportation policy and investments help conserve energy, protect environmental and aesthetic quality, strengthen the economy, promote social equity, and make communities more livable. We emphasize the needs of people, rather than vehicles, in assuring access to jobs, services, and recreational opportunities.

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Where Do We Go From Here?

by Kevin McCarty, Senior Policy Director

The November elections resulted in a shift in political power, portending new areas of policy emphasis, particularly in the Senate, in legislation renewing TEA-21. This is the third different political alignment in Congress and the Administration since 1991. ISTEA was enacted with a Republican President and Democratic Congress. In 1998, TEA-21 was enacted with a Democratic President and a Republican Congress. For 2003 and TEA-21 renewal, Republicans control the Congress and the Executive.



New Senate transportation leaders assumed their positions in early January, and are setting their priorities and official agendas. Incoming Senate Environment and Public Works Committee Chairman James Inhofe (R-OK) has already indicated his interest in examining environmental regulations and statutes, having previously called for legislation to reopen the Clean Air Act. In the past, he has also been concerned about his state's share of highway funding (i.e. donor/donee issues) and has generally been supportive of giving states overall more flexibility and authority to use federal funds as they see fit. He shares some of these concerns with Missouri Senator 'Kit' Bond (R-MO), who will lead the panel's Subcommittee that oversees surface transportation issues, replacing Senator Harry Reid (D-NV).

Senator Richard Shelby (R-AL), who will lead the Senate's review of transit, brings a unique perspective to his Chairmanship of the Banking, Housing, and Urban Affairs Committee, since he is also a senior appropriator and will again chair the Senate Appropriations Subcommittee on Transportation. In effect, he will help set transit policy and then subsequently lead discussions on annual funding bills in support of transit and other transportation investment programs. In the past, he has been concerned about how transit funds are allocated among the states, supporting efforts to ensure that each state receives a "minimum allocation" of transit funding. Senator Wayne Allard (R-CO), who is expected to serve as Chair of the Banking Subcommittee on Housing and Transportation, shares similar views on transit funding among the states.

Returning Senate Commerce, Science, and Transportation Committee Chairman John McCain (R-AZ), who has been a strong critic of Amtrak, has been open to continuing Congressional deliberations aimed at increasing investment in the nation's intercity passenger rail capacity. Amtrak's new President David Gunn has impressed McCain and others with his candor and his can-do attitude in reshaping the nation's passenger rail corporation.

Congressmen Don Young (R-AK) and James Oberstar (D-MN) will continue to serve as Chairman and Ranking Minority Member, respectively, of the House Transportation and Infrastructure Committee. This panel oversees a broad range of transportation policies for the House, including highways and transit, Amtrak and intercity rail as well as aviation.

The Benefits of Suballocation

by **The Honorable Kenneth L. Barr, Mayor of Fort Worth, Texas**

As Congress prepares to renew the nation's TEA-21 law, mayors and other local elected officials are stepping forward to demand that more of their communities' gas tax dollars return to their local areas where local decision-makers can address the transportation needs of the future. We want more say over the use of TEA-21 dollars because we are in a better position to deliver what taxpayers' want – expanded transportation options within our communities and regions, particularly improved public transit and other investments that combat traffic congestion more efficiently and more immediately.

This is not your typical state vs. local power struggle. This is about what level of decision-makers – state transportation bureaucracies or local elected officials – are best positioned to respond to what the public is seeking. Mayors, county executives and other local elected officials believe it is time to recognize the limitations of states to effectively engage the public on needed transportation investments, and to move on. Increasing resource commitments to local decision-makers is simply another step in the continuum of what ISTEA started in 1991. It is a step federal policy must take if we are to make progress on the many local transportation challenges before this nation.

Historically, we know that the federal government has invested most of its federal resources in state transportation departments, a level of government that, for the most part, owns and operates the smaller share of our nation's transportation assets, largely state highway facilities and mostly larger highways at that. This approach has limitations because too often it simply encourages state DOTs to operate out of self-interest – invest in what you already own. In effect, states generally chose to hold closely the many billions of federal transportation dollars that have been allocated to them, more than \$200 billion over the last ten years, and thus too often choke off opportunities for the funds to be used by local decision-makers who can visualize more readily and execute more effectively transportation solutions for an area.

Contrast this with my reality as a mayor of Fort Worth and chair of The United States Conference of Mayors Transportation and Communications Committee. Fort Worth, as most local governments, directly or through specialized regional providers, own and operate virtually all other trans-

portation assets – highways as well as local roads and streets, rail transit and bus systems, sidewalks, trails, bikeways, and even train stations, port and airport facilities. In addition, local officials are the best equipped to make sense out of development patterns and the land uses that make the best use of



taxpayers' dollars. So it is local officials who are responsible for most of the transportation systems and who must integrate these systems with future development.

As local officials, we have come to realize that federal law heaps billions upon billions of dollars on state transportation departments who are not in touch with local transportation issues. Continuing with this approach will not move us to the transportation solutions that the public expects and needs. Mayors and others local officials from around the country want to change this in the next legislation.

We start the debate with a federal program structure that today delivers only a modest amount of resources to local areas. Currently, TEA-21 provides funding certainty only to metropolitan areas with a population of 200,000 or more. The process is known as “suballocation” of funding to these areas. This allocation directly to local areas represents about 6 cents of every federal highway dollar, a woefully modest allocation of resources to areas that represent more than one-half of the nation's population and an even bigger share of the nation's jobs, personal income and overall economic output. To put it in its simplest terms, U.S. metropolitan areas get to make decisions only on about ten cents on every transportation dollar they generate.

In my own local area, the suballocated funds to the Fort Worth/Dallas metropolitan area are about two and one-half cents on a dollar. This level of commitment is to a region of Texas that in recent years has accounted for about 40 percent of all of the state's new jobs. If we look at the core programs and subprograms of TEA-21, there is not one area where the nation's metropolitan areas

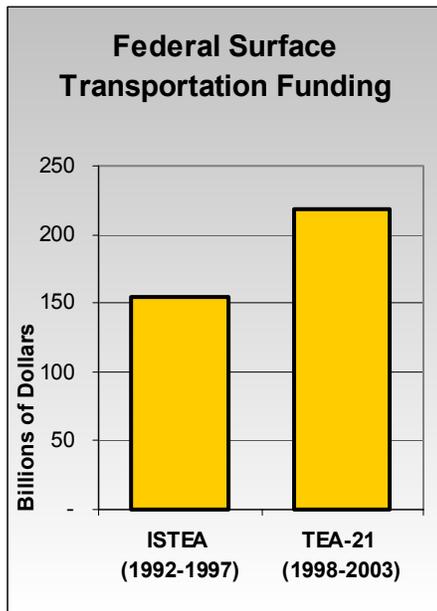
Has \$300 Billion Created a Better Transportation System?

Measuring the Performance of Transportation Investments Since ISTEA

by Linda Bailey

In 1991, Congress passed ISTEA, a bill that fundamentally changed the federal highway program, declaring the Interstate system two segments away from completion and significantly broadening its scope – moving toward an intermodal system.

States and metropolitan areas, the chief implementers of the federal policy, are broadening the scope of their work to include more than interstates. However, the pace of change, while quick in a few states, has been glacial nationwide. Reporting on progress has also been minimal, and sometimes inaccurate: the 2000 “Status of Funds” report to Congress, also known as the “104(j)” report after the law that requires it, showed internal inconsistencies including one \$5 billion difference between tables.¹



The following analysis assesses, as accurately as possible with the available data, state and metropolitan performance under the new transportation laws (see the enclosed charts for detailed state-by-state spending rates by program and project type). The period of time covered includes all of ISTEA

and the first four years of TEA-21, as well as some comparisons between spending so far under the two bills.

Ten Years of Needs, Ten Years of Spending

Fixing it First? Repair vs. Extension

A central policy of ISTEA was to complete the few segments left on the 46,000 mile Interstate system, then shift the focus to rehabilitating aging transportation infrastruc-

ture. States and localities were already responsible for more than 8 million lane-miles of roads and bridges before ISTEA was enacted. During fiscal years 1992 through 2001, over \$78 billion was spent on road and bridge repair due to targeted funding programs that required minimum levels of spending on rehabilitation.

Seventy-eight billion dollars isn't insignificant, and indeed, road and bridge conditions have improved slightly over the past decade. However, the spending priorities were nowhere near enough to make a truly significant dent in the backlog of repair needs. As of October 2001, almost half – 49.6 percent – of all roadway was in less than “good” condition (Highway Statistics 2001, FHWA). That is an approximately 11 percentage-point improvement over 1991, when 58 percent of all roadways measured were in less than “good” condition. One in seven bridges across the country, or 14.2 percent, were structurally deficient in 2001, meaning that they are unsafe for vehicles above a certain weight, or may even be closed (National Bridge Inventory, FHWA). At the same time, many states failed to spend even their available bridge repair dollars under the Bridge program. Of the five core programs, Bridge has been by far the most neglected: states collectively had a 73% obligation rate for the Bridge program. This means that states left \$7.9 billion in Bridge money on the table, over ten years, in favor of funding other programs.

In the same time frame, spending on new road capacity soared, from \$4.7 billion in 1992 to \$7.5 billion in 2001. After the authorization of TEA-21, which increased the federal government's surface transportation spending by 40 percent, spending on new road capacity grew at a faster rate than road and bridge repair. Spending on repair decreased as a share of all spending in 25 states. In another 5 states, the absolute dollars spent on road and bridge repair actually *decreased* during the first four years of TEA-21, relative to ISTEA spending – despite the influx of new money.

In the final analysis, lane miles in built up areas increased by over 13 percent from 1990 to 2000, while existing road and bridge repair needs too often remained underfunded.

Bottom line: Top five states spending the smallest portion of their federal funds on road and bridge repair: Virginia (21%), Georgia (24%), Tennessee (24%), California (31%), and North Carolina (32%).

Safety For Whom? Ignoring the Needs of Bicyclists and Pedestrians

Although safety for vehicle occupants made gains over the past ten years, for those outside of cars, simply crossing the street remains a dangerous proposition. Public safety programs have focused on installing roadside barriers, promoting seat belt use, and requiring air bags. During the first four years of TEA-21, annual spending on all safety projects was \$7.96 per capita. Safety for those outside cars has seen little support, however: spending on all improvements for those on foot or bicycle – not just safety – was \$0.88 per capita. At the same time, pedestrians and bicyclists made up 14 percent of all traffic fatalities in 2000-2001.

Children are especially endangered by an unsafe walking environment. The leading cause of death for children below the age of 15 is a traffic accident in which the child was riding in a car; the second most common cause of death is a traffic accident in which the child was on foot. See STPP's latest report, "Mean Streets 2002," for more information on the implications of the unsafe walking environment.

In 12 states, total annual safety spending – for all traffic participants – actually declined during TEA-21, while funding for other projects soared. Safety spending declined across the board as a share of total spending after the enactment of TEA-21.

Bottom Line: States that spent the least on pedestrian safety: West Virginia (0.2%), South Carolina (0.3%), Texas (0.3%), Virginia (0.4%), and Pennsylvania (0.4%).

Clearing the Air: Prioritizing Public Health

The Congestion Mitigation and Air Quality Improvement Program (CMAQ) addresses one of the central impacts of vehicle usage: air pollution. The impact of air quality on health has been established even more strongly since the

enactment of the Clean Air Act Amendments of 1990 by then President George H.W. Bush. Recent studies have shown that asthma can be caused by ozone pollution – which in many areas comes mostly from vehicle emissions. Other studies have long shown that ozone exacerbates asthma "events," asthma attacks so strong that the person suffering them cannot work, study, or play until they have passed, and sometimes require hospitalization. One study showed that during the Atlanta Olympics in 1996, vehicle miles traveled declined by 23 percent, and the rate of asthma events declined by 42 percent, while other hospitalizations remained the same.² Today 98 million Americans, over a third of the population, live in areas where air quality fails to meet national health standards.

Spending within the CMAQ program, however, has more often than not been driven by the same interest groups that influence the spending of all transportation funds. Almost half – roughly \$3 billion – of all CMAQ funds from the last ten years were spent on short-term air quality improvements, such as traffic signal timing projects, that skirt long-term air quality or travel demand problems.

On another front, the spiraling trend in obesity in the U.S. has caused public health officials to take a look at a transportation system that discourages physical activity and promotes sedentary lifestyles. As one in five adults has already passed the "obese" mark, and children are increasingly overweight, public health officials are calling on transportation planners to make walking and bicycling safe options.

Bottom Line: States that spent the least of their available CMAQ funds: Alaska (46%), Nevada (58%), Virginia (66%), South Carolina (67%), and Wisconsin (67%).

Footnotes

1) Table 1 of the 104(j) report shows a total obligation amount of \$26.2 billion for 2000; Table 4e shows total obligations of \$31.2 billion for the same year.

2) Friedman et al., Journal of American Medical Association (285:7), February 21, 2001, p. 897.

ISTEA & TEA-21 in Practice

How Three Innovative Projects Were Funded

GetDowntown Program

Ann Arbor Transportation Authority; Ann Arbor, Michigan

The Project: A 5-year grant from the Congestion Mitigation and Air Quality Improvement program (CMAQ) made a transit pass program in Ann Arbor, Michigan both possible and successful. The universal pass program currently distributes transit passes to 5,000 downtown employees. In 2001, the program reduced parking demand among downtown employees by 3.5%, or the equivalent of building another parking structure downtown, according to a recent study of program results.

Funding Details: The \$390,000 CMAQ grant paid for administration of the pass program as well as the transit passes distributed to all downtown employees for the first two years. After this period, downtown employers and the Downtown Development Authority (DDA), which administers downtown parking, stepped up to pay for the transit passes.

All federal funds must be matched by at least 20% of the total project cost from other sources. Although the state Department of Transportation declined to match the federal funds, the \$184,000 match was paid by several local funders, including the DDA, the Ann Arbor Chamber of Commerce, the City of Ann Arbor, and the Ann Arbor Transportation Authority.

Alameda-Contra Costa County, Route 376

North Richmond and Oakland, California

The Project: Bus route 376 was created to provide access to the Bay Area Rapid Transit system (BART) and a local mall from North Richmond, a low-income area near San Francisco. The line provides a vital link for workers in Richmond trying to reach employers in the area, especially those with entry-level positions. Because of the high cost of owning a car, many people leaving the welfare rolls, or simply trying to stay off them, are caught in a catch-22 when it comes to reaching potential employers: they need a car to get to a job, but they need a job to pay for the car. This program, and others like it, provide a bridge that can be used to build household equity long-term as well.

Funding Details:

The project was partially funded with \$437,900 from the Job Access and Reverse Commute (JARC) program, a transit program created as part of TEA-21 in 1998. This was matched by the same amount – \$437,900 – locally, demonstrating the much higher match (50 percent) required for the JARC program. Most projects funded under the surface transportation program require a 20 percent local match.

Paris Pike

Kentucky Transportation Cabinet; Lexington to Paris, Kentucky

The Project: With traffic on the Paris Pike (between Lexington and Paris, Kentucky) expected to triple by 2020, the Kentucky Transportation Cabinet (KTC) and the community recognized the need for increasing capacity and improving safety along the roadway. However, the historic nature of the Paris Pike required a new approach, one that would be sensitive to community concerns about quality of life. A unique challenge was the relocation and rebuilding of the rock fences along the Pike way, a requirement for which little expertise or specifications was available.

Funding Details: The 12.1-mile, \$108 million project received 77 percent federal funding. The project included \$60,000 from the federal Transportation Enhancement (TE) program. TE funding helped train stonemasons in rock fence construction techniques to facilitate the fence relocation part of the Paris Pike project. Thanks to this program, there are now certified stone wall masons and specifications available to transportation departments through the United States.

In addition to TE funds, the Paris Pike project received \$83 million from other federal sources, primarily the National Highway System (NHS) program. These funds were matched with proceeds from Kentucky's dedicated road fund.



Photo courtesy of Jones & Jones Architects and Landscape Architects.

DRCOG Rx:

Denver Region Wants Fair Share of Funding Within State

States have long argued for their “fair share” of federal funding under a variety of programs –transportation being one of the most notable. Tax revenues generated within the state should be returned to the state, so the argument goes, under the principles of funding equity and geographic fairness. In an interesting local twist on this “fair share” concept, the Denver Regional Council of Governments (DRCOG) is pursuing an “equity funding” platform for transportation dollars within the state of Colorado that could have implications for local control in TEA-21 reauthorization. The MPO is requesting the Colorado legislature set a funding floor where 90.5 cents for every transportation dollar contributed by the region returns to the region, similar to the threshold for funding equity among the states that was established in TEA 21.^{1[1]}

This “fair share” campaign is targeted at all transportation dollars – both federal and state resources — collected in the region. The Denver region — home to roughly two-thirds of the state’s population — contributes 53 percent of the state transportation funding but receives only 36 percent of these funds in return, well below the federal standard of transportation funding “equity”. If the campaign is successful, the City and County of Denver and its surrounding suburbs would receive an additional \$2.7 billion in capital, operating, and maintenance dollars over the next 30 years.

DRCOG’s governing body has identified the issue as their top legislative priority if on-going negotiations with the Colorado Department of Transportation (CDOT) remain ineffective. The MPO’s “donor” status within the state was aggravated in 1999 when the Colorado Transportation Commission unexpectedly shifted resources from the fast-growing metro area to other parts of the state. The decision forced a \$1.4 billion drop in transportation funding for the region, downsizing from 85 cents back for every dollar paid in to its current 68 cent return.

The region has identified \$51 billion in highway and transit needs, including the Regional Transit District’s (RTD) plan to build six more rail and bus corridors in the metro area over the next ten years. At the same time, however, half of the state’s 28 big highway projects are stalled due to declining state sales tax and state bond revenues that fell short of needs. Voters who approved \$1.7 billion in GARVEE bonds in 1999 are now learning that proceeds will only cover 20 percent of costs instead of the promised 37 percent. The state’s funding shortfall is also linked to the economy, which hinders funding for legislation adopted

this year that directs \$11 billion for highways and \$680 million for transit over the next twenty years.

“In 1999, Colorado DOT changed the resource allocation without collaboration and input from local elected officials or the five MPOs in the state,” explained Bill Vidal, Executive Director of DRCOG. “The 51 local governments that govern DRCOG are asking how much of the financial burden the Denver region is carrying for transportation and what are they getting in return. They’ve never been more united.”

For more information on the national “fair share” campaign and best practices in cooperative revenue forecasting, see www.ampo.org. For details on DRCOG’s equity funding position, contact Richard Mauro at DRCOG at 303.455.1000.

^[1] The Minimum Guarantee Program guarantees states a 90.5 percent return on federal gas tax revenues contributed to the Highway Trust Fund.

Benefits of Suballocation *continued from page 3*

receive funding commitments from the states that exceed the population shares of these areas, including the Congestion Mitigation and Air Quality (CMAQ) areas. In most areas, the share they receive is less than what they generate.

For these reasons and others, the mayors and other local elected officials believe that TEA-21 must dramatically improve the flow of gas tax dollars their citizens send to Washington directly and return these resources to local decision-makers who with the public are in the best position to combat effectively the many transportation challenges before us – traffic congestion, improved transit services, expanded rail transit, air quality problems or improvements to intercity passenger and freight needs. We can, and will, make more progress on these concerns when we pursue an agenda in Congress that further empowers local officials.

Let’s begin by including strong suballocation provisions in TEA-21 that give back the gas tax dollars to local entities who know best the local transportation problems and solutions.

Kenneth Barr is the 42nd Mayor of Fort Worth, Texas, and currently serves as Chair of Transportation and Communications Committee for The US Conference of Mayors.

Turning to the Voters: Big Bucks on the Ballot

by Michelle Ernst

With reauthorization looming, attention has focused on the federal surface transportation financing bill TEA-21. But below the radar screen of most transportation analysts is a new and important trend in how transportation is paid for. Some 44 transportation financing ballot measures in 22 states this year are evidence of a shift towards an increasing prevalence of voter-approved local tax and bond measures and a declining reliance on gasoline taxes and other so-called user fees.

A new report from STPP, *Measuring Up: The Trend Toward Voter Approved Transportation Funding*, finds two principle reasons for this trend: (1) The growing reluctance to increase traditional transportation user fees such as state motor fuel taxes; and (2) the growing popularity of public transit.

Reluctance to Increase Traditional Transportation User Fees

Over time, state gasoline taxes have failed to keep pace with inflation. In 1957 the nationwide average state gasoline tax was 5.7 cents per gallon. Had that rate kept up with inflation, it would be 31 cents per gallon today. In reality, the nationwide average is just 20.3 cents, almost 11 cents off the mark. The 18.4 cents per gallon federal gasoline tax, in contrast, has more than kept pace with inflation. Had it simply been adjusted for inflation from the 1957 rate of 3 cents, it would be 16.8 cents per gallon today.

Public Transit's Growing Popularity

More people are riding public transit now than at any time since World War II. And those people aren't just commuters on their way to work – they're shoppers, sports fans, museum-goers, and school kids. The surge in public transit ridership, especially by non-commuters, has naturally been followed by a demand for extended hours, more convenient, more comfortable, and higher frequency service.

Unfortunately, most non-federal transportation user fees are restricted to roadways by state constitutional or statutory provisions (as of 2002, 30 states had such provisions). While significant amounts of federal funding are available for public transit, those funds typically require at least 20 percent in state and/or local funds

(in practice the match required is often 50 percent). Further, most federal funding for transit is restricted to capital projects, so that state and local funds are needed to pay for the ongoing operation and maintenance of transit service. As a result, local transportation funding measures – typically in the form of sales taxes – have increasingly provided a critical and somewhat stable source of funding for public transit systems.

What's It All Mean?

The 2002 elections serve as a powerful illustration of the trend toward voter-approved transportation financing and also provide evidence supporting STPP's theory on the reasons for this trend. More than half of the 44 measures (26 all together) were in the form of local sales and property taxes. Interestingly, only 2 of the ballot measures sought to address the real source of the problem by proposing an increase in the state gasoline tax. Of the 44 total measures, 33 were specifically intended to fund public transportation services with all or some of the expected revenues.

Voters across the country approved a slim majority, 55 percent, of the tax and bond measures for transportation funding. Among the critical factors in winning voter approval appears to be the development of broad support for the spending plans. Successful measures are increasingly involving many diverse public interest groups early on in their development. In the cases of Alameda County, California, and Miami-Dade County, Florida, which are discussed in the STPP report, ballot measures that were initially defeated were approved the second time they were put before voters, after intensive community outreach campaigns.

Measuring Up: The Trend Toward Voter Approved Transportation Funding is available online at www.transact.org.

Type of Measure	Statewide Measures		Local/Regional Measures		Total Measures	
	Number	Percent Approved	Number	Percent Approved	Number	Percent Approved
Gasoline Tax	-	-	1	0%	1	0%
Sales Tax	-	-	21	48%	21	48%
Property Taxes	-	-	5	40%	5	40%
Multiple Taxes	2	0%	1	100%	3	33%
Bonds	2	100%	2	100%	4	100%
Other	6	67%	4	75%	10	70%
All Finance-Related Measures	10	60%	34	53%	44	55%

Ten Years of Spending: *A Primer on Programs & Policies*

by Michelle Ernst & Linda Bailey

Federal transportation funding is currently governed by the Transportation Equity Act for the 21st Century (TEA-21), passed in 1998. The major hallmark of TEA-21 was a sharp increase in federal surface transportation funding over the previous bill: highway funding was set to increase by 42 percent, while transit funding increased by 30 percent, for a total authorization of \$218 billion over six years. TEA-21 also made the federal surface transportation funds more secure through budgetary “firewalls,” guaranteeing that these funds would be reserved for transportation uses and limiting the common practice prior to 1998 of accruing transportation trust fund balances that helped mask the size of the federal budget deficit.

The bulk (94 percent) of federal surface transportation funding comes from the Highway Trust Fund, made up of revenues from car, truck and fuel taxes. The remainder is funded directly from the general fund, which is largely for transit. Overall, federal transportation funding from TEA-21 is the source of approximately 22 percent of all road and transit spending in the U.S – the remainder is generated from a variety of state and local sources including state gasoline taxes and local sales and property taxes. (Census of Governments, 1999). It’s also important to note that aviation has its own trust fund, and for purposes of federal transportation policy is treated in a separate bill, and that Amtrak is denied access to assured federal transportation funding and so must fight year to year for general fund appropriations in the annual federal budget process.

The vast majority of federal highway funds are spent according to improvement plans developed by state departments of transportation (DOTs), but approximately 6 percent of total funds are under the direct control of metropolitan areas (“suballocated” funds). While most transportation funds increased in TEA-21, suballocated funds to local governments actually declined as a share of total federal highway funding.

Under ISTEA and now TEA-21, federal highway funds are apportioned to the states through different programs, established to address particular needs. Five core programs – Interstate Maintenance (IM), National Highway System (NHS), Surface Transportation Program (STP), Congestion Mitigation and Air Quality Improvement (CMAQ), and Bridge – plus the Minimum Guarantee program, make up the bulk of the federal surface transportation funds. Smaller discretionary programs, such as the Transportation and Community and Systems Preservation program and High Priority Projects (earmarks) make up the balance the federal surface transportation program. This article examines

how those specific highway funding programs (public transit is funded through a separate program structure and isn’t examined in detail here) have fared in the last ten years, and why some have done better than others.

Bridge

The Highway Bridge Replacement and Rehabilitation Program (HBRRP or the Bridge program) was established by Congress in 1978 to provide federal aid to repair or replace aging bridge infrastructure. Each state receives Bridge program apportionments based on its relative share of bridge repair costs. Over the last ten years, states have been apportioned \$29.4 billion (about 15 percent of total highway program apportionments) for the Bridge program. However, despite alarming statistics which show that more than 1 in 8 bridges are structurally deficient, states have obligated just \$21.5 billion, or 73.2 percent of the available funding, leaving nearly \$8 billion in funding on the table.

Interstate Maintenance

Originally established under TEA-21’s predecessor, ISTEA, the Interstate Maintenance program (IM) provides federal funds to maintain and improve the now completed 46,000-mile Interstate system. Over the life of ISTEA and the first four years of TEA-21, Congress has provided states with \$33.4 billion (or about 17 percent of total highway program apportionments) under the IM program. During that ten-year period states have obligated \$27.6 billion, or 82.5 percent of the available funding. Despite this, nearly 35 percent of Interstate capacity is still in less than good condition.

National Highway System

The National Highway System program (NHS) provides federal funding for construction and maintenance of the roughly 160,000 miles of roads on the National Highway System (which includes the Interstate system, and designated rural and urban roads, mostly larger principal arterials). States receive funds based on the number of lane-miles of principal arterials (excluding Interstate) in that state, the miles traveled on these highways, the diesel fuel used on the state’s highways, and the state’s per capita principal arterial lane-miles. The NHS program, one of the key road-building programs of TEA-21, is highly favored by the states. Of the \$40.4 billion (more than 20 percent of total highway program apportionments) in NHS funds apportioned to the states by Congress during the last ten years, \$37.8 billion, or 93.6 percent has been obligated.

Congestion Mitigation and Air Quality Improvement

The Congestion Mitigation and Air Quality Improvement program (CMAQ) was created under ISTEA and continued under TEA-21. CMAQ provides a flexible funding source to State and local governments for transportation projects and programs to help meet the requirements of the federal Clean Air Act. Eligible activities include transit improvements, travel demand management strategies, traffic flow improvements, and public vehicle fleet conversions to cleaner fuels, among others. Over the last ten years, 35.6 percent of CMAQ funds have been transferred to the Federal Transit Administration for public transit projects. While the CMAQ program enjoys broad support from a range of interests, it has still not been widely embraced by the states. Over the last ten years, Congress apportioned \$11.7 billion (or 6 percent of total highway program apportionments) in CMAQ funds to the states. Only \$9.5 billion, or 81.3 percent of those funds were obligated by the states during that period. Setting aside California and New York (the biggest recipients and relatively good performers), the remaining states obligated just 77.7 percent of the available funds.

Surface Transportation Program

The Surface Transportation Program (STP) is the law's most flexible program. STP provides funding for the construction and maintenance of highways and bridges on the Interstate system and other National Highway System roads, as well as for many other highways and transit projects. In addition to the eligibility of capital costs for transit projects, carpool projects, highway and transit safety projects, planning, transportation enhancements projects, and transportation control measures are also eligible for assistance. STP is composed of several sub-programs such as State STP, Suballocation to urban and other areas, Safety, and Transportation Enhancements.¹

State STP

Thirty percent of a state's STP apportionment is suballocated to the state to be spent in any geographical area of the state. During ISTEA and the first four years of TEA-

21, states received \$16.6 billion (about 9 percent of total highway program apportionments) from the State STP program. Because of the broad range of projects eligible under the State STP program, many states transferred funds from other programs into State STP. As a result, obligations under this program were actually \$9.3 billion higher than apportionments. Nationwide, 156 percent of apportioned funds were obligated.

STP Suballocation to Urban and Other Areas

Fifty percent of each state's STP apportionment is set aside for local areas within the state, based on population. Large urbanized areas (over 200,000 population) receive about 54 percent of the funds available under this sub-program. The use of these funds is determined by the Metropolitan Planning Organizations (MPOs). In urbanized areas under 200,000 population and other areas, the state administers the funds, but is required to demonstrate that it spent the funds in these smaller areas. For the purposes of this examination, STPP analyzed just Suballocation to Urban Areas over 200,000 (Suballocation – Urban). From 1992 to 2001, MPOs received \$12.4 billion (just over 6 percent of total highway program apportionments) under this program, and did a relatively good job of using those available funds, spending \$11.1 billion, or 89.7 percent of the funds apportioned, a result largely determined by the law's directive that these funds be obligated proportionately.

STP Safety

Ten percent of a state's STP apportionment is reserved for safety programs such as the elimination of hazardous railway-highway crossings and the identification and removal of other hazards, including those to bicyclists and pedestrians. Traffic calming is an eligible activity, and California's innovative Safe Routes to School program is also funded through this program. With approximately 40,000 motorists, bicyclists and pedestrians dying in traffic crashes each year, safety should be a top priority for every state. Yet states, which received nearly \$4.8 billion (2.5 percent of total highway program apportionments) in special safety funds over the last ten years obligated only 82.4

	Bridge	Interstate Maintenance	National Highway System	Congestion Mitigation & Air Quality Improvement
<i>Apportionment (\$B)</i>	\$29.4	\$33.4	\$40.4	\$11.7
<i>Obligation (\$B)</i>	\$21.5	\$27.6	\$37.8	\$9.5
<i>Percent Obligated</i>	73.2%	82.5%	93.6%	81.3%
	State STP	STP – Urban Suballocated	STP – Safety	STP – Transportation Enhancements
<i>Apportionment (\$B)</i>	\$16.6	\$12.4	\$4.8	\$5.0
<i>Obligation (\$B)</i>	\$25.9	\$11.1	\$3.9	\$3.5
<i>Percent Obligated</i>	156%	89.7%	82.4%	69.1%

percent of those available funds, leaving almost \$1 billion unused.

STP Transportation Enhancements

Ten percent of each state's STP apportionment is set aside for the Transportation Enhancement program (TE). That program funds 12 different types of projects including bicycle and pedestrian facilities, scenic or historic highways, historic preservation activities, preservation of abandoned railway corridors, and control or removal of outdoor advertising, among others. Of the major funding programs examined here, none fares worse than Transportation Enhancements. During ISTEA and the first four years of TEA-21 Congress apportioned more than \$5 billion (2.6 percent of total highway program apportionments) to the states for this innovative program. Of those funds, only \$3.5 billion, or 69.1 percent was obligated by the states.

Minimum Guarantee

The Minimum Guarantee program (MG) is the TEA-21 successor to programs created under ISTEA to ensure that states receive a fair share (at least 90.5 percent under TEA-21) of their contribution to the Highway Trust Fund. The biggest share of the funds available under MG are distributed among the five core programs, however, more than \$20 billion (about 10 percent of total highway program apportionments) has been apportioned to the states directly through the MG program, and its predecessors, over the last ten years. Those funds are subject to the same eligibility rules as STP funds. Nationwide, states have obligated 90.4 percent, or \$18.1 billion of available funds from this program.

What's It All Mean?

What happens to the money left "unobligated" and why did some programs (such as NHS) fare better than others (such as TE or CMAQ)? The answers lie in a quirk in federal transportation funding. Contract authority, or apportionments, are linked to specific programs by Congress. But the actual amount that states are allowed to spend, the obligation limitation, is not differentiated by program and is less than the apportioned amounts, a relatively new development during the ISTEA/TEA-21 period.

Originally, obligation limitation and contract authority were roughly the same, with periodic fluctuations because of budget reasons. More recently, the difference has grown to about 12 percent, meaning that states may only obligate about 91 percent of total apportionments. Because obligation limitation is not differentiated by program, states can distribute the shortfall between contract authority and obligation limitation however they choose. The obligation rate in each program reflects this – a program that has an obligation rate of less than 91 percent has been underfunded, while a program with an obligation rate of more than 91 percent has received the funding that might have gone to those other programs. In this way, states have chosen to spend 93.6 percent of the NHS pro-

gram, and only 72.6 percent of the popular TE program. For more information on this practice, see STPP's decoder, "The Transportation Funding Loophole: how states underfund federal programs," available at <http://www.transact.org>.

The bottom line is that the five core programs established under ISTEA and TEA-21 – NHS, STP, CMAQ, IM, and Bridge – have successfully targeted funding towards specific problems like air quality, community disinvestment, and deteriorating roads and bridges – and have helped reorient the nation's transportation priorities in the post-Interstate era. The reality is that states have also enjoyed overwhelming flexibility in how they spend the money through these core programs – so much so that many bridge and road repair needs and air quality problems continue to persist in every community throughout the country. Tightening up existing loopholes that allow this underfunding of key priorities, along with stricter performance measures, funding guarantees, and accountability provisions, will be crucial for Congress to consider when it takes up debate on the renewal of TEA-21 in 2003.

¹ Under an FHWA pilot program, Minnesota and Washington were allowed to transfer all STP funds to a special program, not tracked in FHWA's Fiscal Management Information System database. As a result, for the purposes of this article, Minnesota and Washington are excluded from STPP's analysis of the STP sub-programs State STP, Safety, and Transportation Enhancements.

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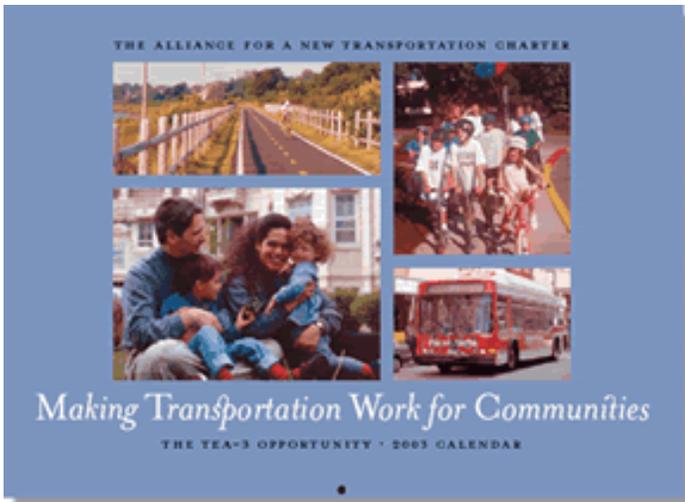
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