Federal Funds Watch

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SPOTLIGHT: TEXAS BENEFITS FROM FEDERAL TRANSPORTATION AND ENERGY REAUTHORIZATIONS

SAFE, ACCOUNTABLE, FLEXIBLE, EFFICIENT TRANSPORTATION EQUITY ACT: A LEGACY FOR USERS (SAFETEA-LU)

On August 10, 2005, the President signed the SAFETEA-LU, which authorizes $286.4 billion in transportation funding, nationally, for the next five years (fiscal year 2005 through fiscal year 2009). SAFETEA-LU will provide increased funding and additional program options to Texas. Table 1 shows the estimated amounts to Texas for selected federal highway programs from fiscal year 2005 through fiscal year 2009.

New Equity Bonus. Texas and other "donor states" that contribute more motor fuel and other related tax revenue to the federal Highway Trust Fund than they receive will see increases in federal transportation funds over the next five years. Under current law each state is ensured a 90.5 percent rate of return on its share of payments into the Highway Account of the Trust Fund (known as the "Minimum Guarantee"). Under SAFETEA-LU, the Minimum Guarantee will be replaced with the "Equity Bonus Program," which adjusts apportionments for each state to ensure that no state's percentage of return drops below a given amount. Texas' rate of return will increase to 91.5 percent in fiscal year 2007, and again to 92.0 percent in fiscal year 2008 and fiscal year 2009. The Federal Highway Administration projects that the average annual increase to Texas will equal approximately $788.1 million, a 37.4 percent increase over the previous annual funding rate.

TABLE 1. SAFETEA-LU ESTIMATED APPORTIONMENTS TO TEXAS FEDERAL FISCAL YEARS 2005 THROUGH 2009[1] (IN MILLIONS)

PROGRAM	2005	2006	2007	2008	2009	Totals
Interstate Maintenance	$372.8	$378.8	$384.9	$391.1	$397.4	$1,925.0
National Highway System	474.9	482.5	490.3	498.2	506.2	2,452.1
Surface Transportation Program	570.9	519.1	524.9	532.6	541.2	2,688.7
Bridge Replacement & Rehabilitation	143.3	145.7	148.0	150.4	152.8	740.2
Congestion Mitigation & Air Quality	94.4	95.9	97.5	99.0	100.6	487.4
Recreational Trails	2.6	3.0	3.3	3.5	3.7	16.1
Metropolitan Planning	21.6	21.3	21.6	22.0	22.3	108.8
Safety[2]	0.0	85.9	87.5	89.3	91.0	353.7
Rail-Highway Crossings[3]	0.0	16.7	16.6	16.6	16.6	66.5
Border Infrastructure Program	31.3	36.9	42.0	48.3	53.4	211.9
Safe Routes to School	1.0	7.7	10.2	12.7	15.8	47.4
High Priority Projects	135.7	135.7	135.7	135.7	135.7	678.5
Equity Bonus	917.3	827.9	939.1	1,009.0	1,001.4	4,694.7
Grand Total	**$2,765.8**	**$2,757.1**	**$2,901.6**	**$3,008.4**	**$3,038.1**	**$14,471.0**

Notes: 1. Amounts do not reflect changes due to recissions or other fiscal adjustments imposed by the fiscal year 2005 Federal Appropriations Act.

2. Fiscal year 2005 funds for Safety were allocated by the Consolidated Appropriations Act of 2005, which was passed in December 2004.

3. Rail-Highway Crossings merge the fomer Rail Crossings and Rail Hazards programs to form a stand-alone program beginning in 2006.

Source: U.S. Department of Transportation.

Coordinated Border Infrastructure Program. SAFETEA-LU changes the Coordinated Border Infrastructure Program from a discretionary program with funds earmarked or distributed competitively, to a formula basis. Funds will be limited to areas within 100 miles of the borders with Mexico and Canada, and the allocations will be based on the number of incoming passenger vehicles, the number of incoming commercial trucks, the weight of incoming cargo from commercial vehicles, and the number of land border ports. The U.S. Department of Transportation (USDOT) reports that Texas will receive from $31.3 million in fiscal year 2005 to $53.4 million in fiscal year 2009, compared to $4.2 million in fiscal year 2004.

Safety Programs. One major focus of SAFETEA-LU is to increase funding for highway safety. As indicated in Table 1, Texas has been apportioned funding of $85.9 million in fiscal year 2006, increasing to $91.0 million in fiscal year 2009. Program funds will be used for a variety of new highway safety studies and programs, including such well-known programs as "Click It or Ticket" and "You Drink, You Drive, You Lose."

Safe Routes to School. In a separate funding measure, SAFETEA-LU creates a new program called "Safe Routes to

School," which provides formula funding to states to encourage communities to adopt strategies and fund projects designed to allow children to walk and bike to school safely. Funds will be distributed based on primary and middle-school enrollment. Texas will receive a five-year total apportionment of $47.4 million for the Safe Routes to School program, with $1.0 million available for the remainder of fiscal year 2005, increasing to $15.8 million by fiscal year 2009.

Highway Construction Provisions. SAFETEA-LU authorizes several provisions to ease the financing and construction of highways. One provision authorizes a pilot program for five states, including Texas. The pilot program allows the states to assume the role of the U.S. Secretary of Transportation in conducting project reviews with environmental implications under the National Environmental Protection Act.

SAFETEA-LU authorizes up to $15.0 billion nationally in tax-exempt financing through the issuance of bonds for construction and maintenance of qualified highways and surface freight transfer facilities. New tolling authority is also authorized in SAFETEA-LU. For instance, up to three entities may impose tolls for the purpose of constructing interstate highways; however, other federal highway funds cannot be used to construct these projects. Tolling for High Occupancy Vehicle (HOV) lanes and existing or new toll facilities can vary based on consumer demand by time of day and/or location. States may allow HOV lanes to be used free of charge by hybrid, energy-efficient and low-emission vehicles. Tolls may continue after a project has recouped costs for construction, to allow for a "reasonable return on investment" for private entities.

Earmarks. SAFETEA-LU authorizes funds for projects of special importance to states, known as "earmarks." USDOT estimates show Texas with an authorized funding level of nearly $678.5 million for 204 high priority highway projects across the state. In addition, approximately $71.3 million is earmarked for the **Buses and Bus Facilities and Clean Fuels Grant Program**, and $505.0 million will fund two public transit programs in Harris and Dallas Counties through the Federal Transit Authority's **New Starts Program.** Texas earmarks include a variety of projects, such as $10.0 million for the Capitol Metropolitan Transportation Authority for bus replacements, $22.8 million for large-scale landscaping along freeways and interchanges in the Houston region, and approximately $64.0 million for several construction projects related to the replacement of the Trinity River Bridge in Dallas.

Based on the 2000 U.S. Census, USDOT has calculated per capita expenditures of all earmarked projects for each state under the new SAFETEA-LU legislation. Table 2 provides a per capita comparison of the five most populous states.

TABLE 2. SAFETEA-LU PER CAPITA EARMARK EXPENSE FOR THE FIVE MOST POPULOUS STATES FEDERAL FISCAL YEARS 2005 TO 2009

STATE	AMOUNT
Illinois	$107.42
California	$77.65
New York	$51.97
Florida	$43.36
Texas	$36.18

Source: U.S. Department of Transportation

ENERGY POLICY ACT OF 2005

The President signed into law the "Energy Policy Act of 2005" on August 8, 2005. This comprehensive national energy legislation authorizes the following programs that may impact the Texas state budget.

Diesel Emissions Reduction. Congress authorized $200.0 million annually from fiscal year 2007 to fiscal year 2010 for two initiatives related to the reduction of diesel emissions. The first initiative, **National State and Local Grant Program**, will fund grants and low-cost revolving loans to achieve diesel emission reductions through retrofit technologies and other programs. The Environmental Protection Agency (EPA) must competitively award 70 percent ($140.0 million) of the funds to eligible entities (including state entities responsible for transportation or air quality). The second initiative, **State and Local Grant Program**, will require EPA to distribute to states the remaining 30 percent ($60.0 million) of the funds to support grants or loans for diesel emission reduction projects. A state's allocation will be dependent on how many states apply ($2.0 million minimum allocation vs. a formula based on population). If a state agrees to match the allocation provided, EPA may provide an incentive equal to 50 percent of the allocation. In order for these initiatives to be implemented, Congress will need to appropriate funding through its fiscal year 2007 appropriations process.

Coastal Impact Assistance Program (CIAP). Congress authorized $250.0 million annually for fiscal year 2007 to fiscal year 2010 from Outer Continental Shelf (OCS) revenues to lessen the impact of oil and gas production on coastal areas. Funds will be distributed to each producing state based on a ratio of individual state-generated OCS revenue to total OCS revenue from all producing states. Texas' allocation each year is estimated to be $60.0 million. Thirty-five percent of the state's share must be distributed to local coastal counties. Formerly, the Texas General Land Office received $26.4 million for CIAP from a one-time national appropriation of $150.0 million in fiscal year 2001.

The Federal Funds Analysis Team of the Legislative Budget Board conducts research on federal legislation and federal funding issues which impact the state budget.

Questions or comments may be directed to Gerry Dube at (512) 463-1200 or email at Gerry.Dube@lbb.state.tx.us.