



An Analysis of Transportation Funding in the FY 2014 Presidential Budget Request

On April 10, President Obama released his FY 2014 budget proposal, which totaled \$3.77 trillion. The budget would reduce the federal deficit by \$1.8 trillion over the next 10 years through revenue enhancements and spending reductions. Although the president typically releases his budget the first week of February, its release was delayed this year because of the fiscal uncertainty at the beginning of calendar year 2013. [With regard to the Department of Transportation \(DOT\), the president's FY 2014 budget request is \\$76.6 billion](#), a 5.5 percent increase compared to FY 2012 enacted levels¹.

Immediate Infrastructure Investments

In addition to his budget request for DOT, the president has also proposed increasing transportation funding and financing options. The larger proposal is a \$50 billion program titled "Immediate Infrastructure Investments" which includes:

- \$40 billion in investments to "improve our current existing transportation system"
 - \$25 billion would be allocated for highways and bridges
 - \$9 billion for transit infrastructure
 - \$2 billion for investments in Amtrak assets and infrastructure
 - \$3 billion in other passenger and freight rail projects
 - \$2 billion for airport infrastructure
- \$4 billion in funding for the Transportation Investment Generating Economic Recovery (TIGER) program
- \$3 billion for investments in high-speed rail
- \$2 billion for Transportation Leadership awards, which would function as a type of "Race-to-the-Top" incentive grant program
- \$1 billion to modernize the Nation's air traffic system through the (NextGen) initiative, which "remains one of the Department's highest priorities"

Rebuild America Partnership

The budget also includes a proposal titled the "Rebuild America Partnership," which recommends:

- A National Infrastructure Bank: The president recommends the creation of a National Infrastructure Bank that would be financed with \$10 billion for long-term, low-interest loans and guarantees. The bank is described as "an independent, nonpartisan" agency that would be "led by infrastructure and financial experts." The bank would help finance up to 50 percent of the cost of transportation, water and energy infrastructure projects. Eligible projects must be at least \$100 million in size and be of regional or national significance. The budget requests \$500 million in direct loans and \$200 million in guarantees for FY 2014.
- America Fast Forward (AFF) Bonds: The budget proposes the creation of America Fast Forward Bonds, a new type of taxable bond that would complement current tax-exempt bond offerings. AFFs would be available for eligible capital infrastructure projects that include the types of projects financed with qualified private activity bonds (e.g. airports and mass transportation systems). AFF's are modeled after

¹ All funding levels in the president's FY 2014 budget request are compared to FY 2012 enacted funding levels, due to the uncertainty of the federal funding for FY 2013 prior to the signing of the Continuing Resolution into law on March 26, 2013.

the Build America Bonds (BAB) program, which were part of the Recovery Act but expired in 2010. AFF bonds would receive a direct federal payment equal to 28 percent of the interest paid on the bonds.

Federal Aviation Administration

Within DOT, the budget proposes funding the Federal Aviation Administration (FAA) at \$15.6 billion, \$350 million below its FY 2012 level. This reduction is primarily because of the proposed change to the Grants-in-Aid for Airports program under which federal grant funding would focus on smaller commercial and general aviation airports while larger airports would have the option of generating funding by increasing Passenger Facility Charges. Although not directly within the FAA's budget, the DOT budget includes a request for \$246 million for the Essential Air Service (EAS) program, a program designed to guarantee small communities that were served by certificated air carriers before deregulation maintain a minimal level of scheduled air service.

Surface Transportation

On surface transportation, the president recommends the full funding of appropriation levels set forth in last year's surface transportation reauthorization, MAP-21. The president again recommended updating the Highway Trust Fund into a broader Transportation Trust Fund, which would add a rail sector account to its existing highway and transit accounts. Additionally, the budget noted that the president supports the appropriation of an additional \$88 billion for six years as part of the reauthorization of surface transportation needed by the start of FY 2015.

Highways

[The Federal Highway Administration \(FHWA\)](#) would receive a 2.8 percent increase compared to FY 2012. This includes:

- \$2.4 billion for Highway Safety Improvement Program
- \$21.9 billion for the Highway Performance Program
- \$10 billion for the Surface Transportation Program
- \$2.3 billion for the Congestion Mitigation and Air Quality program
- \$1 billion for the Transportation Infrastructure Finance and Innovation Act (TIFIA)
- \$820 million for the transportation Alternatives Program

Transit

[The Federal Transit Administration \(FTA\)](#) would receive \$10.9 billion, \$300 million above FY 2012 levels. Of this, \$8.6 billion would be allocated to FTA's formula grant programs and nearly \$2 billion is recommended for the agency's capital investment grant program which includes the New Starts program.

Rail

[The Federal Railroad Administration \(FRA\)](#) would see the largest annual increase as it would receive \$6.6 billion in FY 2014, an addition of \$5 billion from FY 2012. Of this, \$6.4 billion would go toward a proposed five-year, \$40 billion "National High Performance Rail System" that would fund investments in current passenger rail services, improve freight rail capacity, enhance safety and system reliability, and develop high-speed passenger rail corridors. For FY 2014, \$2.7 billion is recommended for passenger rail service of which \$300 million would be for grants to states to transition routes from Amtrak to state control. The FY 2014 budget proposes providing Amtrak with a \$478 million operating subsidy plus an additional \$976 million for capital improvements and debt service.

Highway Safety

The president recommends \$828.3 million for the [National Highway Traffic Safety Administration \(NHTSA\)](#) for investments in initiatives that reduce traffic crashes and related deaths and injuries. Of particular interest to states is the \$272 million proposed for the National Priority Safety Programs, which provide incentive grants to

states that focus on occupant protection and impaired driving, ignition interlocks, motorcycle safety, graduated driver licensing and distracted driving.

Motor Carriers

The budget would allocate \$572 million to the [Federal Motor Carrier Safety Administration \(FMCSA\)](#) for investments to improve the safety of motor carriers and commercial motor vehicle (CMV) operations as well as to reduce large truck and bus crashes, injuries and fatalities. This includes \$313 million for the Motor Carrier Safety Grants program that awards grants are used to support investigations in states and \$30 million for the Commercial Driver's License Program which provides discretionary funding for grant programs to states

Pipeline Safety

The president's budget also includes \$255 million for the [Pipeline and Hazardous Materials Safety Administration \(PHMSA\)](#), \$64 million above FY 2012 levels. Of this, \$155 million would be allocated to more than double the number of pipeline inspectors nationwide while \$18.8 million is requested for state pipeline safety programs to raise safety standards among state programs.

Additional Items of Interest

With regard to inland waterway navigation, the budget also includes a recommendation to establish an annual per-vessel fee that would supplement the current 20-cents-per-gallon diesel tax in order to help increase funding for a system of locks and dams on rivers and coastal waterways. It would generate an estimated \$82 million in FY 2014 and \$1.1 billion over 10 years, nearly doubling the Inland Waterways Trust Fund's receipts in 2014 to \$182 million.

Finally, the budget requests \$500 million of discretionary funding to continue the [National Infrastructure Investments \(NII\)](#) program to fund infrastructure projects of national and regional significance.

[DOT Budget Highlights](#)

[DOT Agency Specific FY 2014 Budget Estimates](#)

What's Next?

Now that the president has proposed his FY 2014 budget recommendations and both the House and Senate have approved their respective FY 2014 budget resolutions, the appropriations committees in both chambers will move to begin approving the 12 individual appropriations bills that make up a full budget before the beginning of FY 2014, on Oct. 1, 2013. Based on the experience of the past few years, approving all 12 bills is unlikely, especially given the differences between the two budget resolutions. Should Congress fail to pass all 12 appropriations measures, members would need to approve a continuing resolution to fund the federal government at current levels and avoid a shutdown.

***HIGHLIGHTS OF SELECTED TRANSPORTATION PROGRAMS IN THE
FY 2014 PROPOSED BUDGETS & APPROPRIATIONS BILLS***

(Federal fiscal year, dollars in millions)

U.S. Department of Transportation	Enacted FY 2012	President's FY 2014 Proposal	FY 2014 vs. FY 2012
Federal Aviation Administration	\$15,902	\$15,551	-\$351
Airport Obligation Limitation	3,350	2,900	-450
Federal Highway Administration	39,883	40,995	1,112
Airport Obligation Limitation	39,144	40,256	1,112
Highway Traffic Safety Obligation Limitation	550	562	12
Federal Motor Carrier Safety Administration	555	572	17
National Highway Traffic Safety Administration	800	828	28
Federal Transit Administration	10,608	10,910	302
Formula and Bus Grants Obligation Limitation	8,361	8,595	234
Capital Investment Grants (New Starts)	1,995	1,981	-14
Federal Railroad Administration	1,632	6,635	5,003
Pipeline and Hazardous Materials Safety Administration	191	255	64

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