



THE CALIFORNIA INSTITUTE FOR FEDERAL POLICY RESEARCH
419 New Jersey Avenue, SE, Washington, D.C. 20003 202-546-3700
Fax: 202-546-2390 E-mail: ransdell@calinst.org Web: <http://www.calinst.org>

SPECIAL REPORT: House FY 2005 Transportation-Treasury Appropriations and California Implications - September 14, 2004

On July 24, 2004, the House Appropriations Committee passed an \$89.9 billion Transportation Appropriations spending plan for Fiscal Year 2005, HR 5025. The Committee Report is numbered H.Rept. 108-671. The House of Representatives was expected to take up the bill on Tuesday, September 14, 2004, and final action was expected by the next evening. The full Senate Appropriations Committee is expected to take up their version of the Transportation-Treasury bill on the afternoon of September 14.

The following is a quick analysis of the bill from a California perspective as prepared by the California Institute. We apologize for any errors or omissions in our discussion of these documents, and would appreciate any input/feedback on how to make improving corrections. The ordering of items generally reflects their presence in the bill and does not mean to imply any relative importance.

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

The Federal Aviation Administration (FAA) is responsible for the safety and development of civil aviation and the evolution of a national system of airports. The House Transportation appropriations bill makes an appropriation of \$14 billion for FAA operations, \$171 million above the prior year's appropriation and \$55 million more than the recommendation in the President's budget.

Airport and Airway Trust Fund

The Committee report notes that the Administration estimates a current balance in the trust fund of \$2.875 billion, 36 percent below 2002 estimates, and that trust fund outlays are outpacing revenue at a higher rate than the previous two years. The steep reduction in Airport ATF funds resulted from the dip in air travel following the 9/11 terrorist attacks.

Essential Air Service

The House bill recommends level funding of \$51.7 million for the Essential Air Service [EAS] and Rural Airport Improvement Program, which provide funds directly to commuter/regional airlines to provide air service to small communities that otherwise would not receive air service and for non-hub rural airport improvement. Two California airports have received federal EAS funding in the past: Crescent City and Merced.

Instrument Landing System Establishment

The Committee report recommends \$25.8 million for this program to establish instrument landing systems (ILS) at select airports. Report language sets aside \$2.5 million for the upgrade of a landing system on Runway 9 at San Diego International airport.

Air Traffic Services: Contract Tower Base Program

From funds supporting air traffic services, the House Committee bill sets aside \$86 million to sustain the contract tower base program. This program services 30 towers nationwide, and provides safety benefits to small communities. Meanwhile, \$7 million is provided to fund the contract tower cost-sharing program. Report language highlights the community of South Lake Tahoe as one recipient of these funds

Airspace Efficiency and Capacity Improvements: Procedures and Technologies

Report language is included encouraging FAA to complete airspace redesign in Washington D.C. and Chicago to develop and implement RNP/RNAV at key points such as San Francisco – if resources allow – and to further develop the en route automation and modernization program to boost capacity and efficiency at commercial airports.

Terminal Air Traffic Control Facilities Replacement Program

A total of \$112.7 million is appropriated for the replacement of outdated air traffic control towers, of which Sacramento International airport in California is tagged to receive \$3 million.

Automated Surface Observing System

Under air traffic control facilities and equipment funds, language recommends \$500,000 to upgrade the automated weather sensing system (AWSS) at Corona Municipal Airport, California.

Transponder Landing System

Within \$8.4 million is appropriated for TLS activities, an earmark of \$2.1 million slated for Ukiah Municipal Airport.

Airport Discretionary Grants

Within the overall obligation limitation in the bill, \$983.1 million is available for discretionary grants to airports. Specifically, the House Committee directs the FAA to give priority consideration to a number of California based projects including:

- March Air Reserve Base for widening of airport taxiway area
- Castle Airport for the completion of tower upgrade for part 139 certification, runway improvements, airfield signage, and various security enhancements
- Crows Landing for runway repair
- Stockton Airport Cargo Center for various improvements
- Southern California Logistics Airport for ongoing runway infrastructure improvements
- Nut Tree Airport for improved airport access, sealing of hangar taxi landings, and improvements to the parking aprons
- San Bernardino International for various infrastructure improvements including ongoing hangar repair, electrical supply delivery, and runway improvements
- Southern California Logistics Airport for “Engine Run Up” runway infrastructure improvements
- San Francisco International airport for a perimeter security fence and electronic detection
- Schulz Airport for an airport master plan; acquiring land to extend the runway
- Robert McNamara Field for various improvements

San Diego Metropolitan Area Airport Study

The report states that committee “remains concerned” by the San Diego Air Transportation Action Plan (ATAP) site selection process that continues to consider active military bases as potential sites for future civilian use, specifically noting that use of Marine Corps Air Station Miramar for civilian-military use is “strictly prohibited by law.” House committee report language cites sources declaring such facilities incompatible for joint civilian-military use requests. Expressing concern that limited federal resources are

being misspent, the report prohibits the expenditure of funds to study active military facilities or to influence the Department of Defense's base closure and realignment activities.

Transportation Research

The House bill contains \$478 million for transportation research projects.

ITS Standards Research Operational Tests and Development

Of \$239 million in transportation research funds slated for Intelligent Transportation Systems (ITS) activities, the House bill recommends \$115 million be directed to support standards, research, operational tests and development projects and \$124 million to fund ITS implementation. However, unlike in previous years, the bill does not contain earmarks for any specific projects, whether in California or any other state.

Federal Highway Administration

The House report anticipates \$34.6 billion in previously-secured contract authority for the administration and operation of the Federal Highway Administration in FY 2004, not quite \$1 billion more than the fiscal year 2004 enacted level. California's estimated receipts derived from this national obligation authority would amount to \$2,976,688, with \$2,825,400 coming from FY 2005 formula apportionments and \$151,288 awarded in minimum guarantee (MG) funds, according to the House report.

Federal-Aid Highways

The Transportation Equity Act for the 21st Century (TEA-21) expired on September 30, 2003. TEA-21 aligned highway spending with highway trust fund receipts. Since Congress has yet to renew long-term authorization language, transportation law is being maintained by the passage of temporary extensions.

Estimated House obligation limitations for major FAHPs are broken down in the following table. Next to each program's funding level is the California Institute's estimated California percentage share of the national totals (estimates are based on CA's 2002 FAHP apportionments):

<u>FAHP</u>	<u>FY-05 Amt</u>	<u>CA% in 2002</u>
Surface Transportation Program:	\$8,595,933	9.6
National Highway System	\$7,341,075	9.26
Interstate Maintenance	\$6,010,869	8.81
Bridge Replacement and Rehab. Program	\$5,161,869	7.4
Congestion Mitigation and Air Qual. Imp. Program	\$2,103,561	21.32
Minimum Guarantee	\$2,000,000	6.99

Interstate Maintenance (IM) Discretionary Funds

This program finances projects to restore, resurface, rehabilitate and reconstruct the 46,567 miles of road that make up the interstate system. None of the eight California related projects earmarked in the FY 2004 committee report were slated for 2005 funding.

Bridge Replacement and Rehabilitation Program

BRRP provides funds for the maintenance and improvement of bridges on public roads. Compared to the many California projects receiving bridge discretionary dollars in fiscal year 2004, the FY2005 House report recommends zero dollars in bridge earmarks.

Federal Lands Highways

The House report specifies \$696.1 million in federal lands highways funds. This program provides funds for roads on public lands under four major categories—Indian reservation roads, parkways and park roads, public lands highways (which incorporates the previous forest highways category), and federally-owned public roads providing access to or within the National Wildlife Refuge System. No California earmarks are specified in the House Committee report.

National Corridor Planning and Border Infrastructure Programs

\$138 million is the recommended funding level for this program that provides funds to facilitate the safe movement of goods and people across national borders by channeling funds to corridors of national significance. House report language notes the establishment of the coordinated border infrastructure program to support the safe movement of goods and people across the US/Mexican and US/Canadian borders. No California earmarks are specified.

Sacramento area transportation.—

The Committee directs the FHWA to work with California state and regional transportation planners to resolve a litigation matter concerning Shingle Springs Rancheria in El Dorado County. Litigation, according to the House committee report, threatens to cause the Sacramento area's metropolitan transportation plan (MTP) to fall out of compliance with federal clean air requirements and would result in project delays and cost increases for 160 projects.

Federal Motor Carrier Safety Administration

This agency promotes commercial vehicle safety, aiming to reduce the number of accidents involving large trucks. In 2003, the mandate of the agency was expanded to include border security, enforcement and safety with respect to the transshipment of hazardous materials for vehicles traveling in accordance with the North American Free Trade Agreement (NAFTA).

Administrative grants

The House report recommends \$248.5 million to support administrative expenses, including a \$33 million appropriation for southern border state operation grants and northern border truck inspections and \$22 million to fund state commercial drivers license (CDL) improvement grants. CDL aims to improve the accuracy and completeness of driver conviction and disqualification data. Report language directs CDL funds to be used to improve data reporting improvements, maintain a Mexican and Canadian central depository system, support state computer systems, and to finance program reviews.

General Provisions (Sec. 141)

The House bill includes language reiterating the terms and conditions of Section 350 of PL 107-87, including a provision requiring the DOT secretary to submit a report on Mexico-domiciled motor carriers.

National Highway Traffic Safety Administration

The House report recommends \$223.1 million to fund NHTSA operations and expenses. NHTSA is tasked with administering traffic and highway safety activities for the federal government. The Committee recommendation represents a \$1.7 million cut from the prior year's appropriation and a level \$10.1 million less than the Administration's FY05 budget request.

Federal Railroad Administration

The House bill provides \$137.7 million for the operations and administration of the FRA which is responsible for railroad industry practices and management, as well as high speed transit and Amtrak. The recommendation exceeds the prior year's enacted budget by \$7.7 million and is \$4.67 million short of the President's FY05 request.

Next Generation High-Speed Rail

The House bill recommends \$11 million for the development, demonstration, and implementation of high-speed rail technologies. This total exceeds the President's budget request by \$1 million while it signifies a drastic \$26.2 million reduction from the FY04 enacted budget.

National Railroad Passenger Corporation (AMTRAK)

Amtrak, the nation's major passenger rail service has lost money in every year of its operation since 1971. It escaped bankruptcy last year although it continues to service a growing debt burden. Its FY04 enacted funding level amounted to \$1.2 billion. The Committee's FY05 recommendation matches the Administration's request of \$900 million to maintain Amtrak operations (although the rail operator claims it needs twice that amount). Amtrak's funding authorization has expired. Language notes the progress made by Amtrak in achieving financial accountability through greater oversight and the establishment of more effective financial controls. However the passenger rail service is still heavily subsidized by federal resources and is still operating without the support of authorizing legislation. The House report characterizes claims by Amtrak officials that the railroad would shutdown if authorized below \$1.8 billion as "rhetoric." Bill language specifies \$500 million for service improvements to the Northeast Corridor.

The House Committee sustains the budget management practice of requiring the submission of operating and capital plans to executive and legislative leaders before authorizing expenditure of funds. Monthly letters of approval from the Secretary of Transportation must be accompanied by monthly performance reports outlining: all revenue and expenses by route, budgeted and actual rail expenditures for capital investments, a comprehensive business plan, a quarterly assessment of business plan goals achieved or not, a listing of debts, and detailed information about Amtrak's relationship to commuter rail systems.

The Secretary is directed to use up to \$4 million to retain a third party consultant to perform a valuation of Amtrak assets and to establish a methodology for determining the costs of each route.

A provision is included in the House bill directing the Secretary to continue developing and implementing fair and competitive bidding procedures to assist states in crafting managed competition options as a way of demonstrating the quality and cost benefits of introducing rail service providers other than Amtrak. Up to \$2.5 million may be reprogrammed by the Secretary to support such activities.

Federal Transit Administration

In the absence of TEA-21 reauthorization language, the House committee proposes to continue funding levels for bus and rail transit at \$7.249 billion, the same as FY 2004 levels.

Formula Program

The bill anticipates \$4,039,000,000 in transit formula grant funds, with \$3.27 billion derived from the mass transit account of HTF, and \$768 million drawn down from appropriated general revenue. The 2005 recommendation is \$222.7 million more than the last year's transit formula grant appropriation and \$1.58 billion less than the amount requested in the President's budget (which was predicated on passage of a TEA-21 reauthorization bill, which remains in conference). Formula program funds are subdivided into three core categorical programs. California's FY 05 numerical apportionment estimate is:

- Urbanized area (Section 5307) -	\$619,843,992
- Nonurbanized area (Section 5311) -	\$ 10,832,851
- Elderly and persons with disabilities -	\$ 10,025,258
- Total 05 CA formula programs -	\$640,702,101

National Planning and Research

Out of an appropriated \$126 million, the House report specifies \$2,000,000 to fund the CALSTART/West Start Advanced Transit Technology initiative.

Capital Investment Grants

The House bill anticipates a reduction from FY04 levels by \$266 million to provide \$2,852,647,000 in FY05 for the three major transit capital programs: Fixed Guideway Modernization; New Starts; and Bus and Bus Facilities. Funds for discretionary projects under these programs may remain unobligated for three years before DOT is authorized to reallocate them and are available to eligible public bodies and agencies.

Bus and Bus Facilities

The Committee recommends \$607.4 million for bus and bus facilities funding. These funds may be used to replace, rehabilitate, and purchase buses and related equipment and to construct bus-related facilities. Report language notes that bus trips represent 60 percent of total transit usage.

The report specifies that unexpended funds designated for reallocation in prior appropriations acts are to remain available for the following California projects:

- Anaheim, Resort transit project
- City of Monrovia, Natural gas vehicle fueling facility
- Costa Mesa, CNG facility
- County of Amador, Bus replacement
- County of Calaveras, Bus fleet replacement
- Livermore Amador Valley Transit Authority, Buses and bus facility
- Monterey-Salinas, Transit facility
- North County Transit District
- Pasadena Area Rapid Transit System
- San Bernardino CNG/LNG Buses
- Sierra Madre Villa and Chinatown intermodal transportation centers
- Sunline Transit, hydrogen refueling station
- Indian Hills, Transportation hub at the Village

Alameda-Contra Costa Transit Corridor

House Committee language notes that funds made available in 2004 for Alameda-Contra Costa Transit District expansion buses may be used for rapid bus improvements.

City of Monrovia

Report Language allows that funds available to the City of Monrovia for the construction of a natural gas vehicle fueling facility in 2002 may now be used for the construction of a bus transit facility along the Gold Line Foothill Extension (obligations are extended for one year).

Sacramento Area Council of Governments (SACOG)

The House committee stresses its support of local control and its disapproval of any effort to use funds, initially assigned to SACOG for its regional blue print plan, to undermine locally adopted land use plans.

No other earmarks are contained in the committee's bus and bus facilities budget. Last year's report highlighted 59 California projects earmarked for funding.

Section 5309 Fixed Guideway Modernization

As specified in TEA-21 and its extension bills, the House bill includes a total of \$1,214,400,000 by formula for the modernization of existing rail transit systems, an increase of \$14.8 million from the prior year's appropriation. Under TEA-21 all of the funds are distributed by formula to transit agencies with fixed guideway segments in operation for at least seven years. The committee estimates that California would receive \$147,724,101 for these projects in FY2005, a \$2.785 million hike from FY 04 levels.

Transit New Starts

The bill provides \$1,030,827,000, supplemented by \$158 million in unobligated capital investment grants funds for New Starts projects. These funds are available for major investment studies, preliminary engineering, right-of-way acquisition, project management, oversight, and construction for new systems and extensions. The House bill directs FTA to not reallocate unexpended funds designated for the Altamont Commuter Rail Project, Stockton.

Report language notes that the rapid growth in the number of eligible New Starts Full Funding Grant Agreements (FFGAs) over 12 years has led to a squeeze in the New Starts resources supply. As a result,

little or no funding is provided to projects in preliminary engineering stages. Furthermore, the House report recommends no appropriation for projects in the alternatives analysis phase. The committee expresses its support for the administration's effort to reduce the federal match for New Starts projects from 80 to 50 percent.

The Committee specifies the following amounts for these California based projects:

- San Diego, Mission Valley East Line Extension project	\$81,640,000
- Los Angeles, North Hollywood Extension	\$10,000,000
- San Francisco, SFO BART extension project,	\$100,000,000
- Los Angeles, East Side Light Rail Transit System	\$60,000,000
- San Diego Oceanside-Escondido Light Rail Project	\$55,000,000

Job Access and Reverse Commute Grants

The Committee recommends \$150 million for the Job Access and Reverse Commute Grants (JARC) program, an increase of \$25,737,000 from the previous year's enacted budget. This program is meant to help welfare reform efforts succeed by providing enhanced transportation services for low-income individuals, including former welfare recipients, traveling from urban centers to get to jobs or training centers in suburban areas.

The program makes competitive grants to qualifying metropolitan planning organizations, local governmental authorities, agencies, and nonprofit organizations.

General Provisions (Sec. 174)

The Committee acts to retain a provision that modifies the non-New Starts share of funding for the San Francisco Muni Third Street Light Rail Project, declaring that if new calculations result in a "not recommended" rating, funds provided may not be obligated.

DEPARTMENT OF TREASURY

Internal Revenue Service

The federal agency responsible for processing tax returns, processing and compiling income statistics and assisting tax payers with filing tax payments is appropriated \$4,071,824,000 under the House bill, an increase of \$62.6 million from 2004 and \$75 million less than the President's request. Meanwhile, tax law enforcement funding levels are recommended at \$4.278 billion

General Services Administration

House Report highlights specify a \$90.7 million set aside to fund the construction of new border stations along the nation's borders and to improve commercial efficiency.

Under the House bill, \$314.4 million is provided for construction of a new Los Angeles federal courthouse, and \$2.7 million is designated for design and site acquisition for a new courthouse in San Diego.

No direct appropriation is provided for the Federal Buildings Fund (FBF) that finances the activities of the public buildings service, however it draws down a limitation for use of \$6.997 billion. The House bill sets aside \$522 million of this total to fund building construction and acquisition activities. According to the report, the bill reduces the President's budget item request for the proposed design of a new FBI facility in Los Angeles by \$14,054,000.