400

Transportation

Budget function 400 covers most programs of the Department of Transportation as well as aeronautical research by the National Aeronautics and Space Administration. It supports programs that aid and regulate ground, air, and water transportation, including grants to states for highways and airports and federal subsidies for Amtrak. CBO estimates that total outlays for function 400 will be $51.6 billion in 2001. Almost all of that amount is classified as discretionary spending. (Funding for most transportation programs is provided by mandatory contract authority.) Spending under function 400 has increased significantly since the early 1990s.

Federal Spending, Fiscal Years 1990-2001 (In billions of dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Estimate 2001
Budget Authority (Discretionary)	13.5	13.7	15.0	14.0	15.7	12.5	13.6	14.5	16.0	13.7	15.2	19.0
Outlays												
Discretionary	27.9	29.3	31.5	33.3	36.0	37.1	37.1	38.4	38.3	40.6	44.8	49.7
Mandatory	1.6	1.8	1.9	1.7	2.1	2.3	2.5	2.3	2.1	1.9	2.1	2.0
Total	29.5	31.1	33.3	35.0	38.1	39.4	39.6	40.8	40.3	42.5	46.9	51.6
Memorandum:												
Annual Percentage Change in Discretionary Outlays		5.0	7.5	5.6	8.3	2.9	0	3.7	-0.4	6.0	10.3	10.9

400-01 Eliminate Federal Subsidies for Amtrak

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Relative to Current Appropriations		
2002	0	0
2003	521	208
2004	521	521
2005	521	521
2006	521	521
2002-2006	2,084	1,771
2002-2011	4,689	4,376
Relative to Inflated Appropriations		
2002	0	0
2003	543	217
2004	553	547
2005	564	557
2006	575	568
2002-2006	2,235	1,889
2002-2011	5,276	4,895

SPENDING CATEGORY:

Discretionary

RELATED OPTIONS:

400-03, 400-07, and 400-08

When the Congress established the National Railroad Passenger Corporation, commonly known as Amtrak, in 1970, it anticipated providing subsidies for only a limited time, until Amtrak could become self-supporting. By 1999, however, Amtrak had consumed more than $20 billion in federal subsidies. In addition to subsidies made through annual appropriations, the Congress gave Amtrak $2.2 billion in the form of tax credits under the Taxpayer Relief Act of 1997. That money was to be used for investments that would help turn Amtrak around. Further, the Amtrak Reform and Accountability Act of 1997 requires that Amtrak be self-supporting on an operational basis by the end of 2002.

This option would eliminate all federal subsidies for Amtrak by the end of 2002. Thus, Amtrak would have to finance its capital investments without federal assistance. To help make up for that loss of federal funding, the Congress could authorize states to use federal-aid highway funds for Amtrak. This option would save, over the 2002-2011 period, $4.4 billion relative to current appropriations and $4.9 billion relative to current appropriations adjusted for inflation.

Proponents of eliminating federal subsidies contend that Amtrak should be self-supporting, as initially envisioned. Without federal subsidies, Amtrak would have to focus on services that have the greatest potential for financial success, such as the Metroliner's high-speed service along the congested corridor between Washington, D.C., and New York City, where passengers could pay the full cost of the service. Amtrak would be forced to continue to improve its efficiency. Some who favor eliminating subsidies also claim that it is unfair for the federal government to subsidize business travelers, who make up a substantial share of Amtrak passengers in congested corridors, and vacationers with high income.

Opponents of cutting subsidies note that subsidizing rail service in congested areas may be justified as a way of lessening the congestion of highways, airports, and airways and its attendant costs. They also say that reducing federal support would lead Amtrak to cancel service on lightly traveled routes and that passengers in those areas might not have alternative transportation available. Moreover, improving service in some corridors could strengthen the national passenger rail system by providing links to better-performing routes.

400-02 Eliminate the Essential Air Service Program

	Savings (Millions of dollars)	
	Budget Authority	Outlays
2002	36	22
2003	36	36
2004	36	36
2005	36	36
2006	36	36
2002-2006	180	166
2002-2011	360	346

SPENDING CATEGORY:

Mandatory

RELATED OPTIONS:

300-14 and 400-03

The Essential Air Service (EAS) program was created by the Airline Deregulation Act of 1978 to continue air service to communities that had received federally mandated air service before deregulation. The program provides subsidies to air carriers serving small communities that meet certain criteria. Subsidies currently support air service to about 115 U.S. communities, including 30 in Alaska (for which separate rules apply). The number of passengers served annually has fluctuated in recent years, as has the subsidy per passenger, which has ranged from $6 to $400. The Congress has directed that such subsidies not exceed $200 per passenger unless the community is more than 210 miles from the nearest large or medium-sized hub airport. This option would eliminate the EAS program, saving $346 million in mandatory outlays from 2002 to 2011.

Critics of the EAS program contend that the subsidies are excessive, providing air transportation at a high cost per passenger. They also maintain that the program was intended to be transitional and that the time has come to phase it out. If states or communities derive benefits from service to small communities, the states or communities could provide the subsidies themselves.

Supporters of the subsidy program believe that it prevents the isolation of rural communities that would not otherwise receive air service. (Subsidies are available for service to communities only if they are 70 miles or more from a large or medium-sized hub airport, except in Alaska and Hawaii.) Because the availability of airline transportation is an important ingredient in the economic development of small communities, without it some towns might lose a sizable portion of their economic base, proponents claim.

400-03 Eliminate Grants to Large and Medium-Sized Hub Airports

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Relative to Current Appropriations		
2002	1,408	239
2003	1,408	831
2004	1,408	1,140
2005	1,408	1,281
2006	1,408	1,352
2002-2006	7,040	4,843
2002-2011	15,488	11,883
Relative to Inflated Appropriations		
2002	1,440	245
2003	1,468	854
2004	1,497	1,188
2005	1,526	1,355
2006	1,556	1,453
2002-2006	7,487	5,095
2002-2011	15,727	13,087

SPENDING CATEGORY:

Budget authority is mandatory. Outlays are discretionary.

RELATED OPTIONS:

400-01, 400-02, 400-07, and 400-08

RELATED CBO PUBLICATION:

Paying for Highways, Airways, and Waterways: How Can Users Be Charged? (Study), May 1992.

Under the Airport Improvement Program (AIP), the Federal Aviation Administration (FAA) provides grants to airports for expanding runways, improving safety and security, and making other capital investments. Over the period from 1982 to 1997, nearly 44 percent of the AIP's funding went to large and medium-sized hub airports—the 70 or so airports that together account for nearly 90 percent of passenger boardings. This option would eliminate the AIP's funding for those airports but would continue grants to smaller airports at levels consistent with those of 2001, assuming that smaller airports will receive about 56 percent of the $3.2 billion made available in 2001, or about $1.8 billion.

AIP funding is subject to distinctive budgetary treatment. The program's budget authority is provided in authorization acts as contract authority, which is a mandatory form of budget authority. The spending of contract authority is subject to obligation limitations, which are contained in appropriation acts. Therefore, the resulting outlays are categorized as discretionary. This option assumes that both budget authority and obligation limitations would be reduced, saving $11.9 billion over the 2002-2011 period relative to current appropriations and $13.1 billion relative to current appropriations adjusted for inflation.

Supporters of this option maintain that larger airports do not need federal funding and that federal grants simply substitute for funds that could be raised from private sources. Because they serve many passengers, those airports generally have been able to finance investments through bond issues and through passenger facility charges and other user fees. Smaller airports may have more difficulty raising funds for capital improvements, although some have been quite successful in tapping the same sources of funding as their larger counterparts. This option would focus federal spending on airports that appear to have the fewest alternative sources of funding.

Those who support continuing federal grants to larger airports argue that the controls exerted by the FAA as conditions of receiving aid ensure that the airports will continue to make investment and operating decisions that promote a safe and efficient aviation system.

400-04 Increase User Fees for FAA Certificates and Registrations

	Added Receipts (Millions of dollars)
2002	4
2003	4
2004	4
2005	4
2006	4
2002-2006	20
2002-2011	40

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

RELATED OPTIONS:

300-09, 300-10, 400-05, and 400-06

The Federal Aviation Administration (FAA) runs a large regulatory program to ensure safe air travel. It oversees and regulates the registration of aircraft, licensing of pilots, issuance of medical certificates, and other similar activities. The FAA issues most licenses and certificates free of charge or at prices well below its costs. For example, the current fee for registering an aircraft is $5, but the FAA's cost of providing the service is closer to $30. The FAA estimates the cost of issuing a pilot's certificate to be $10 to $15, but the agency does not charge for the certificates. Imposing fees to cover the costs of the FAA's regulatory services could increase receipts by an estimated $40 million over the 2002-2011 period. Net savings could be somewhat smaller if the FAA needed additional resources to develop and administer the fees.

The Drug Enforcement Assistance Act of 1988 authorizes the FAA to impose several registration fees as long as they do not exceed the agency's costs for providing the services. For general aviation, the law allows fees of up to $25 for aircraft registration and up to $12 for pilots' certificates (plus adjustments for inflation). Setting higher fees would require additional legislation.

Increasing regulatory fees might burden some aircraft owners and operators. That effect could be mitigated by setting registration fees according to the size or value of the aircraft rather than according to the FAA's cost. But the FAA’s fees based on the cost of service would be comparable with automobile registration fees and operators' licenses and thus would probably be modest, especially when compared with the total cost of owning an airplane.

400-05 Establish Marginal Cost-Based Fees for Air Traffic Control Services

	Added Receipts (Millions of dollars)
2002	2,000
2003	2,000
2004	2,000
2005	2,000
2006	2,000
2002-2006	10,000
2002-2011	20,000

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

RELATED OPTIONS:

300-05, 300-09, 300-10, 300-12, 370-02, 400-04, and 400-06

RELATED CBO PUBLICATION:

Paying for Highways, Airways, and Waterways: How Can Users Be Charged? (Study), May 1992.

The Federal Aviation Administration (FAA) operates the air traffic control (ATC) system, which serves commercial air carriers, the military, and such smaller users as air taxis and operators of private corporate and recreational aircraft. Traffic controllers in airport towers, terminal radar approach control facilities (TRACONs), and air route traffic control centers (ARTCCs) help guide aircraft safely as they taxi to the runway, take off, fly through designated airspace, land, and taxi to the airport gate. Other ATC services include flight service stations that provide weather data and other information useful to small-aircraft operators.

This option would impose fees for ATC services that reflect the FAA's marginal costs of providing the services. The marginal costs of a flight equal the costs of every ATC service (or contact) provided for that flight. For example, a commercial flight from New York to San Francisco entails contacts with two airport towers, two TRACONs, and seven ARTCCs. Under this option, the airline would pay the sum of the marginal costs of those contacts. A 1997 FAA study estimated total marginal costs to be about $2 billion a year.

Fees based on marginal costs would affect different types of airline operations differently. Carriers mainly using hub-and-spoke networks would probably face higher fees than those providing nonstop origin-to-destination flights because of differences in the number of contacts with towers, TRACONs, and ARTCCs.

Imposing fees for marginal costs would encourage efficient use of the ATC system. Noncommercial users might reduce their use of ATC services, freeing controllers for other tasks and increasing the system's overall capacity. By analyzing the pattern of revenues from user fees, FAA planners could better decide on the amount and location of additional investments in the ATC system, which would make it more efficient.

The main argument against this option is that it would raise the cost of ATC services to users. Such a move could weaken the financial condition of some commercial air carriers.

400-06 Impose a User Fee to Cover the Costs of the Federal Railroad Administration's Rail Safety Activities

	Added Receipts (Millions of dollars)
2002	76
2003	76
2004	76
2005	76
2006	76
2002-2006	380
2002-2011	760

SPENDING CATEGORY:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

RELATED OPTIONS:

300-10, 300-12, 370-02, 400-04, and 400-05

The function of the Federal Railroad Administration's (FRA's) rail safety activities is to protect railroad employees and the public by ensuring the safe operation of passenger and freight trains. Field safety inspectors are responsible for enforcing federal safety regulations and standards. Other functions include issuing standards, procedures, and regulations; administering post-accident and random drug testing of railroad employees; providing technical training; and managing highway grade-crossing projects.

Railroad safety fees, which had been authorized in the Omnibus Budget Reconciliation Act of 1990, expired in 1995. Before 1995, railroads were subject to those fees, which covered the safety enforcement and administrative costs of carrying out the FRA's mandated safety responsibilities. Those fees offset a portion of federal spending on safety programs.

This option would impose new user fees to offset the costs of the FRA's rail safety activities—totaling $760 million over 10 years. Those in favor of user fees contend that the specific recipients of government services should bear the costs. The user fees would relieve general taxpayers of the burden of supporting the FRA's rail safety activities.

People who oppose having users pay for the services contend that the general public is the main beneficiary of the FRA's rail safety activities. Critics of this option also note that, apart from businesses in the pipeline industry, no other freight or transportation businesses pay user fees for federal services that promote safety.

400-07 Eliminate Funding for "High-Priority" Highway Projects

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Relative to Current Appropriations		
2002	1,637	199
2003	1,637	663
2004	1,637	1,095
2005	1,637	1,340
2006	1,637	1,445
2002-2006	8,185	4,742
2002-2011	16,370	12,434
Relative to Inflated Appropriations		
2002	1,673	203
2003	1,707	682
2004	1,740	1,137
2005	1,773	1,409
2006	1,808	1,545
2002-2006	8,701	4,976
2002-2011	18,273	13,639

SPENDING CATEGORY:

Budget authority is mandatory. Outlays are discretionary.

RELATED OPTIONS:

400-01, 400-03, and 400-08

A portion of the federal-aid highway program is devoted to "high-priority" projects, specific ones designated by the Congress as especially worthy of funding. In authorizing $171 billion in funding for the federal-aid highway program over the 1998-2003 period, the Transportation Equity Act for the 21st Century (TEA-21) designated nearly $9.4 billion for 1,851 high-priority projects. For those projects, in 2000 the Congress provided nearly $1.7 billion in TEA-21 funding and added $90 million in budget authority tied to increases in revenues from fuel taxes and other taxes on highway users. The authorized federal shares of the high-priority projects range from $15,000 to $134 million. This option would eliminate funding for them.

The budgetary treatment of the federal-aid highway program is unusual. Budget authority is provided in authorization acts as contract authority, which is a mandatory form of budget authority. The spending of contract authority is subject to obligation limitations, which are contained in appropriation acts. Therefore, the resulting outlays are classified as discretionary. In order to achieve budgetary savings, this option would require modifying TEA-21 to cut spending authority by an amount equal to that provided for the high-priority projects. This option assumes that both budget authority and obligation limitations are reduced, saving $12.4 billion over the 2002-2011 period relative to current appropriations and $13.6 billion relative to current appropriations adjusted for inflation.

For the bulk of the federal-aid program, states set priorities and choose projects within certain broad categories established by the federal government. Critics of the high-priority projects contend that Congressional earmarking subverts the states' processes of establishing priorities for highway spending. If those projects were so important, the argument goes, the states would have included them in their transportation plans, and they would receive funding under the normal ranking processes. Moreover, annual federal aid to states for highways surged under TEA-21—from about $20 billion in 1997 to $30 billion in 2000—thereby giving states the resources to fund more projects.

Supporters of earmarking respond that the states' project-ranking models do not necessarily include all of the important factors (or give them sufficient weight) in setting overall priorities. Members of Congress, who are in touch with the needs of their states and districts, may balance the process by designating exceptional projects that merit consideration. Those projects may serve special purposes, such as providing economic aid for depressed regions.

400-08 Reduce Federal Aid for Mass Transit

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Relative to Current Appropriations		
2002	1,058	116
2003	1,058	413
2004	1,058	656
2005	1,058	868
2006	1,058	1,016
2002-2006	5,290	3,069
2002-2011	10,580	8,304
Relative to Inflated Appropriations		
2002	1,081	119
2003	1,102	424
2004	1,124	681
2005	1,145	910
2006	1,167	1,079
2002-2006	5,619	3,213
2002-2011	11,794	9,089

SPENDING CATEGORY:

Budget authority includes mandatory contract authority specified in law. Outlays are discretionary.

RELATED OPTIONS:

400-01, 400-03, and 400-07

RELATED CBO PUBLICATION:

Paying for Highways, Airways, and Waterways: How Can Users Be Charged? (Study), May 1992.

Under the "New Starts" program, the Department of Transportation provides for the construction of new rail and other fixed-guideway systems and extensions of existing systems. For 2001, the Congress provided $1,058 million for the program. This option would eliminate the New Starts program, although state and local governments could still use federal aid distributed by formula grants for new rail projects. In 2001, the federal government provided $3.3 billion in formula funding for a wide variety of transit projects.

The budgetary treatment of transit funding is complex. A portion of the budget authority for the New Starts program is provided in authorization acts as contract authority, which is a mandatory form of budget authority. The spending of contract authority is subject to obligation limitations, which are contained in appropriation acts. Therefore, the resulting outlays are categorized as discretionary. The remainder of the budget authority is provided in appropriation acts and is considered discretionary. This option assumes that discretionary budget authority, contract authority, and obligation limitations are all reduced, saving $8.3 billion over the 2002-2011 period relative to current appropriations and $9.1 billion relative to current appropriations adjusted for inflation.

Critics of funding for the New Starts program argue that new rail transit systems tend to provide less value per dollar spent than bus systems. Bus systems require much less capital, and they are more flexible in their ability to adjust schedules and routes to meet changing needs. Moreover, critics contend that letting the federal government dictate how communities should spend federal aid for transit is inappropriate and inefficient because local officials know their needs and priorities better than federal officials do.

Supporters of federal aid for mass transit in general and rail systems in particular contend that the suburban sprawl resulting when families and businesses move out of central cities leads to increasing congestion and pollution. Building additional roads will not solve the problem but only leads to greater decentralization and sprawl, they argue. New rail transit systems, on the other hand, can help channel future development into corridors where public transportation is available, as companies and residential developers locate where they can attract employees by offering easy and reliable access to the workplace.