U.S. Department of Transportation
Federal Highway Administration

FINANCING FEDERAL-AID HIGHWAYS

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Contents

Introduction

Because of a continuing demand for information concerning the financing of Federal-aid highways, the Federal Highway Administration (FHWA) prepared a report, "Financing Federal-Aid Highways," in January 1974 to describe the basic process involved. The report was modified and updated in July 1976, May 1979, October 1983, and November 1987. These updates were prepared following enactment of new highway or surface transportation acts to reflect changes made through those acts.

Enactment of Public Law (P.L. 102-240), the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA of 1991), has made it necessary to update the November 1987 version to incorporate the significant changes in the program structure and financing procedures brought about by that act.

As with previous versions, this report follows the financial process from inception in an authorization act to payment from the Highway Trust Fund and includes discussion of the congressional and Federal agency actions that occur throughout.

A glossary of terms used in this report can be found in Appendix A.

Congressional Procedures

The first step, and the most crucial in financing the Federal-Aid Highway Program, is the authorizing legislation, which is commonly called the "highway act." In 1978, 1982, 1987, and 1991, highway legislation was passed as part of comprehensive surface transportation acts. For other Federal programs, the authorizing legislation may not be as significant. As explained later, a second legislative act, the appropriations act, is of equal or greater importance to their financing process.

Hearings

As a springboard for drawing up authorizing legislation, Congress holds hearings on the Federal-Aid Highway Program, usually about nine months to a year before new funding is needed. The purpose of the congressional hearings is to give interested organizations, citizens, Members of Congress, and the executive branch an opportunity to publicly present their views on the future direction of the highway program. Testimony, oral or written, may be by invitation, by request of congressional committees, or at the initiative of the witness.

The Surface Transportation Subcommittee of the Committee on Public Works and Transportation in the House of Representatives and the Subcommittee on Water Resources, Transportation, and Infrastructure of the Committee on Environment and Public Works in the Senate have primary jurisdiction for a major part of the Federal-Aid Highway Program and are responsible for conducting hearings on and subsequently drafting highway legislation. The jurisdiction of the House committee extends to mass transit and safety. In the Senate, however, the Commerce, Science, and Transportation Committee handles safety while the mass transit area comes under the Banking, Housing, and Urban Affairs Committee. Trust Fund and revenue matters fall in the purview of the House Ways and Means and the Senate Finance committees. Thus, hearings and/or bills involving highway matters can originate from a variety of sources in the Congress.

Draft Bills

After hearings are completed, the staffs of the subcommittees prepare their respective versions of new highway legislation. These drafts are often based on information obtained during the hearings or on bills submitted earlier in that session of Congress that were referred to the above-named committees. The initial bills may have been introduced in several ways, including:

1. Introduction by various Members of Congress who have an interest in the program. Usually, these bills concern only one facet of the program, such as bridge replacement and rehabilitation. However, some propose comprehensive changes in the program.

2. Introduction of a comprehensive Administration (executive branch) bill prepared by the Department of Transportation (DOT). The Administration's bill is often introduced "by request," signifying that the sponsors in Congress were asked to introduce it and do not necessarily endorse all provisions of the bill.

3. Introduction of a comprehensive bill sponsored by the chairman or top-ranking members of the full committee or subcommittee combining the views from several sources. This bill often serves as the basis for the hearings and goes on to be used as the primary document in preparing the draft legislation.

It is important to keep in mind that the Senate and House work independently on their separate highway bills, each with its own schedule for hearings, committee meetings, and the like. Not until a conference committee reaches agreement is there a single highway bill.

Committee Action

The subcommittees then "mark up" (amend) the staff-prepared draft bills by adding and dropping provisions and compromising on any controversial provisions. When a bill is finally voted on favorably by the subcommittee, it is submitted for approval to the parent committee—the Environment and Public Works Committee in the Senate and the Public Works and Transportation Committee in the House.

The full parent committee considers the bill, alters it, or if it desires, prepares its own version, although this is rarely done. Once voted upon and approved by the entire committee, the bill, usually entitled the Federal-Aid Highway Act of 19XX (where XX is the year of passage), is sent to other committees that have jurisdiction over some aspect of the program (e.g., for Trust Fund matters, the House Ways and Means and Senate Finance committees would have jurisdiction). Then a comprehensive bill that usually (since 1978) covers highways, highway safety, and mass transportation is "reported out" to the full chamber of its respective body of Congress.[1] Accompanying the bill when it is reported out is a committee report that expands upon the legislative language in the bill and is used by the executive branch and the courts to determine congressional intent. There is a committee report for the Senate bill *and* the House bill.

Floor Action/ Conference Committee

The bills are debated, amended, and voted upon on the floors of the House of Representatives and the Senate. Assuming both the Senate and House bills are passed by their respective bodies and contain different provisions, which they usually do, a conference committee is formed to reconcile the differences and arrive at a mutually acceptable compromise. Members of the conference committee are formally appointed by the Speaker of the House and the Presiding Officer of the Senate, based on recommendations from the committee chairmen. The conference committees are thus comprised of members from both the House and Senate committees that have jurisdiction over the areas encompassed by the bill.

The conference committee discusses the merits of the different proposals, airs the disagreements, and arrives at a satisfactory compromise. It is worthwhile to mention that the conference committee deliberations, the markup sessions of the full committee and subcommittees, and the initial hearings are usually open to the public.

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[1] Although there are additional steps between committee approval and consideration on the floor of Congress, such as passing through the Rules Committee in the House, they do not affect the typical flow of a highway bill and are omitted for brevity.

Enactment

Upon agreement in conference, the bill is sent back to each body of Congress for final passage. Accompanying the conference bill is a conference report, which, like the committee reports, expands upon the legislative language. Amendments to conference bills are usually not permitted; they must be voted on in their entirety exactly as presented by the conferees. When the bill has passed both the House and Senate in identical form, it is transmitted to the President to sign.

Although this explanation is admittedly simplified, it does reflect the principal steps in the congressional process. It is recognized that the conferees may not be able to reach agreement (as happened in 1972 and 1986) or that the President may veto the highway bill (as happened with the 1987 Act); however, it is beyond the scope of this report to describe every possible deviation entailed in passing a bill. It is sufficient to state that digressions do occur. Figure 1 displays the typical process as described.

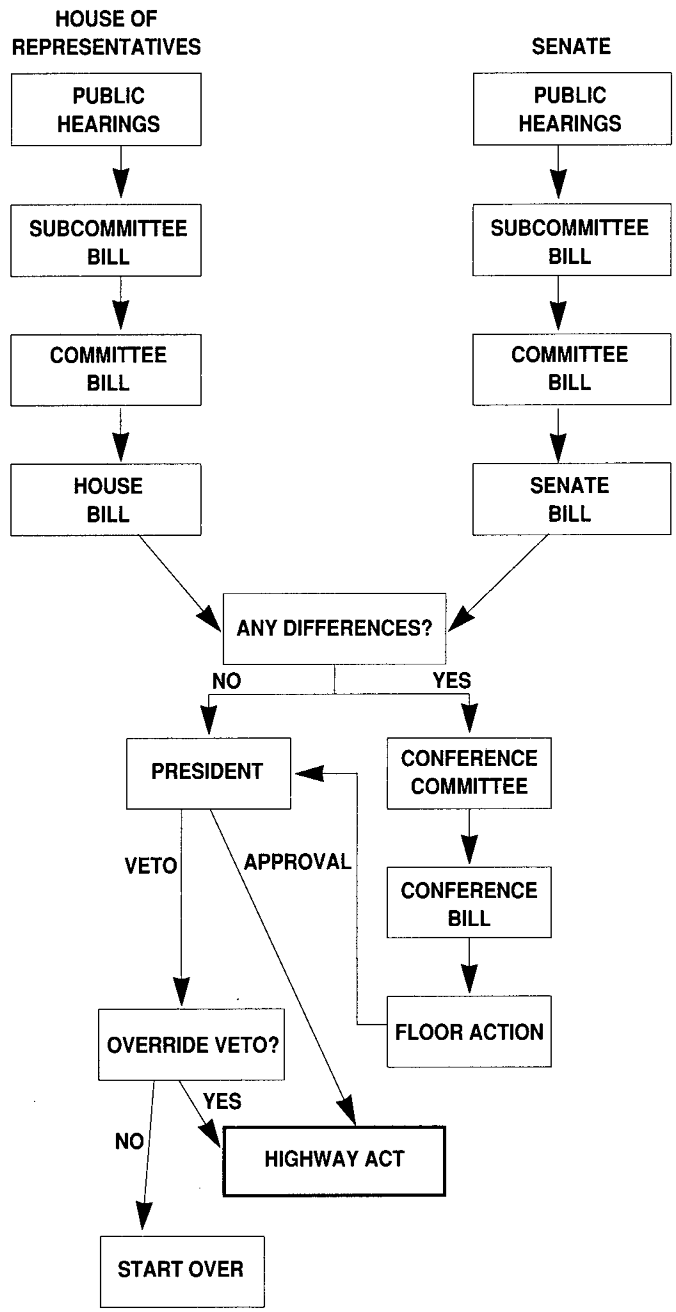

Figure 1.—Congressional Procedures (simplified, typical process).

Title 23 of the United States Code

As new highway acts are passed, Title 23 of the United States Code (23 U.S.C.) is amended. This title contains Federal laws that have been codified or arranged systematically. Title 23 is titled "Highways" and includes most of the laws that govern the Federal-Aid Highway Program. It embodies substantive provisions of law that Congress considers permanent and need not be reenacted in each new highway act. Each highway act specifies which sections of Title 23 are to be amended, repealed, or added. Title 23 does not contain requests for studies, special projects, etc., and most authorizations are not codified. Thus, the code effectively contains only those continuing provisions of highway law.

For various reasons, certain substantive provisions have not been incorporated into Title 23, but remain in effect as still valid sections of previous acts. Thus, section 108 of the Federal-Aid Highway Act of 1956 is the source law for Interstate System authorizations. In addition, codification into titles is not practiced governmentwide. For example, the Urban Mass Transportation Act of 1964, as amended, is still the primary source law for the major Federal mass transportation assistance programs.

Federal-Aid Highway Act

The congressional procedures described in the previous section relate generally to the development of Federal-Aid Highway acts, the legislation of greatest importance to the Federal-Aid Highway Program, although the procedures could relate to other types of legislation, as well. These acts, often known as authorizing or substantive legislation, are distinct from appropriations acts, which will be discussed later. Highway acts are passed periodically, basically when they are needed. The most recent one was included as Title I of the 1991 Intermodal Surface Transportation Efficiency Act (ISTEA), which became effective on December 18, 1991, when the President signed it. Normally, Title I has been identified as the Federal-Aid Highway Act of 19(XX). While Title I of the ISTEA is not so identified, it is, in effect, the highway act.

Highway acts range from a stop-gap funding bill, such as the one enacted October 15, 1982, to major multi-year bills, such as the Surface Transportation and Uniform Relocation Assistance Act of 1987 (STURAA) and the ISTEA. Although they may vary in scope, highway acts will generally contain one or more of the following elements: (1) authority to start new programs or change existing ones; (2) special requests (studies); and (3) specific funding (authorizations) for the many categories of highway assistance. The ISTEA included eight titles: I—Surface Transportation; II—Highway Safety Act of 1991; III—Federal Transit Act Amendments of 1991; IV—Motor Carrier Act of 1991; V—Intermodal Transportation; VI — Research; VII—Metropolitan Washington Airports Act Amendments of 1991; and VIII—Surface Transportation Revenue Act of 1991.

Programs

It will be useful to understand the meaning of "program" as it is used in this report. First, Federal-Aid Highway Program is an umbrella term generally referring to all activities funded through the FHWA and administered by the States' highway or transportation agencies or, in some cases, by local transportation agencies. Second, the term "program" is also used to refer to one of the many components or categories that make up the overall Federal-Aid Highway Program and to activities with limited applicability, such as the National High-Speed Ground Transportation Program.

Each of the categories is separately funded. For example, there is specific funding for an Interstate Construction Program, an Interstate Maintenance Program, and a Surface Transportation Program.

In addition, many important activities that do not have separate funding are eligible under one or more of the several categories that are included in the Federal-Aid Highway Program. Funds can be used for preliminary engineering, fringe and corridor parking, and wetlands mitigation efforts because they are eligible activities under one or more programs. Because the legislation does not single out these activities for specific funding, they are not considered programs in the financial sense of the term as used in this report.

A highway act establishes programs by identifying the scope of the problem addressed and setting the ground rules under which funds may be used (what activities are eligible, how the funds are to be distributed, how long the funds are available, etc.). These can be changed by subsequent highway acts. Sometimes, other acts—such as appropriations acts and environmental legislation—will make changes to highway law.

Program Changes

As pointed out earlier, highway acts, such as the ISTEA of 1991, are the primary instruments used by Congress to shape and redirect the Federal-Aid Highway Program. This is done by eliminating or adding programs, modifying characteristics of a program, and changing requirements. All of these actions were done in the ISTEA. The following are illustrations of such actions and do not include all changes:

- **Eliminating programs.** The Federal-aid primary, secondary, and urban programs were repealed along with the Federal-aid systems those programs supported.[2] The Forest Highways Program was incorporated into a broader Public Lands Highways Program.[3]

- **Adding new programs.** Several new programs were established, including the National Highway System,[4] which substantially incorporates the previous Primary Program; the Surface Transportation Program,[5] which incorporates the previous Secondary, Urban, Hazard Elimination, and Rail-Highway Crossing programs; and the Congestion Mitigation and Air Quality Improvement Program.[6]

- **Modifying characteristics of a program.** The previous Interstate 4R (resurfacing, restoring, rehabilitation, and reconstruction) Program is changed by name to the Interstate Maintenance Program, although an Interstate 4R Discretionary Program is retained. The Interstate 4R also is changed to basically a system preservation-type (resurfacing, restoring, and rehabilitation) program, except that reconstruction is eligible if it does not add capacity, unless that capacity comes through high-occupancy vehicle lanes and auxiliary lanes.[7]

- **Modifying requirements.** Newly required by the ISTEA is a statewide planning process that must include development of a long-range transportation plan and a statewide transportation improvement program.[8]

Final inspections of Federal-aid highway projects under Certification Acceptance are not required. Instead, the Secretary can decide on the type

2 P.L. 102-240, ISTEA of 1991, section 1006(b) and other sections.

3 Ibid., section 1032(a).

4 Ibid., section 1006.

5 Ibid., section 1007.

6 Ibid., section 1008.

7 Ibid., section 1009.

8 Ibid., section 1025(a).

and frequency of inspections necessary to ensure that the projects have been properly built.[9]

A new requirement is added whereby States will be required to develop six management systems: Highway Pavement; Bridges; Highway Safety; Traffic Congestion; Public Transportation Facilities and Equipment; and Intermodal Transportation Facilities and Systems. These systems are expected to be the basis for identifying and prioritizing projects for additions and/or improvements to the transportation systems.[10]

Studies

Congress often writes sections into legislation that contain special requests for studies. Studies are largely the result of an impasse among Members regarding the best solution to a problem or a lack of sufficient information to formulate a policy. The ISTEA requires submission of 67 reports covering specific studies, demonstration projects, pilot projects, and other special projects. Not all of the reports must be submitted by the U.S. DOT; for example, the Comptroller General does six of the reports.

Authorizations

The third kind of provision in highway acts—specific funding of the highway programs—relates most directly to the subject of this report. Federal-aid highway acts have normally been the vehicle for providing funding, termed "authorizations," for the Federal-Aid Highway Program. It is these authorizations that spell out the amount and purpose for which Federal-aid funds are to be expended.

Appendix B lists the programs and special activities authorized by the 1991 ISTEA and the amounts provided for fiscal years (FYs) 1992-97.

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9 P.L. 102-240, ISTEA of 1991, section 1016(f)(2)(C).

10 Ibid., section 1034.

Federal-Aid Financing Procedures

Authorizations

The authorizations contained in highway acts are the amounts of funds that the Secretary of Transportation, acting through the FHWA and other departmental agencies, can obligate on behalf of the Federal Government. They are the upper limits on the commitments that the administering agency can make. Critical to understanding the financial aspects of the Federal-Aid Highway Program is a knowledge of *when* these commitments can occur, which is determined by whether a program operates with budget authority that is appropriated or with contract authority. Both concepts are described in the following paragraphs.

■ **Budget authority.** The license to proceed with Federal programs is generally called "budget authority." A two-step process implements most Federal programs. The initial step is the congressional passage of authorizations. This, in itself, does not permit the program to begin but only sets an upper limit on program funding. The program may start, i.e., the authorizations may be distributed and used, only after passage of a second piece of legislation, the appropriations act. In an appropriations act, the Congress appropriates an amount that can actually be used for the program. This amount cannot exceed the amount provided in the authorizing legislation but may be less. It is at this point that the program can proceed. In other words, "budget authority"—the approval to distribute, spend, loan, or obligate funds—has been granted through the appropriations act, although at the level of the appropriations, not at the level of the originally authorized amount.

Figure 2 shows the typical procedural steps for these appropriated budget authority programs.

■ **Contract authority.** Most programs within the Federal-Aid Highway Program do not require this two-step process to commit or obligate Federal funds. Through what is termed "contract authority" (a special type of budget authority), sums authorized in Federal-aid highway acts are made available for obligation without an appropriations action. With respect to the Federal-Aid Highway Program, funds authorized for a fiscal year are to be apportioned (this will be discussed in a subsequent section of this report) on the first day of that fiscal year (October 1), at which time they can be obligated as the State chooses and the Secretary approves. Other funds may be distributed through allocation (also discussed later). Allocations may be made on the first day of the fiscal year or later in the year. In either case, the entire amount of the authorization will be available for use; that is, there is no appropriation action that would reduce the amount of the authorization that can actually be used.

The use of contract authority, first legislated for the highway program in the Federal-Aid Highway Act of 1921, gives the States advance notice of

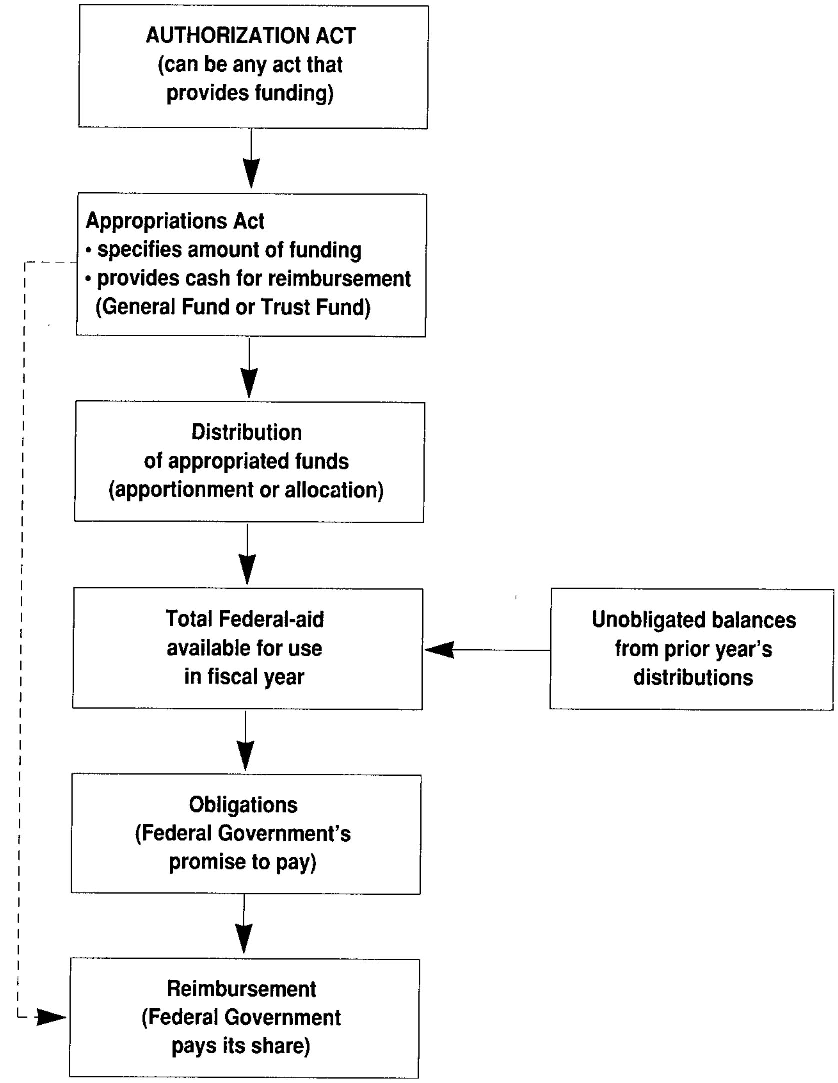

Figure 2.—Appropriated Budget Authority Programs.

the size of the Federal-aid program as soon as an authorization act is enacted and eliminates some of the uncertainty contained in the authorization-appropriation sequence.

The financial procedures for contract authority programs are shown in Figure 3.

To have contract authority, a highway program must meet two criteria. First, it must be encompassed in Chapter 1 of Title 23, or its authorizing language must refer to Chapter 1. The primary wording conferring contract authority states that the Secretary of Transportation shall distribute funds that have been authorized[11] and that "authorized sums are available on the date they are apportioned." Normally, this is October 1.[12]

The second requirement for contract authority is that the program must be financed from the Highway Trust Fund. This link between the

[11] 23 U.S.C. 104(b).

[12] 23 U.S.C. 118(a).

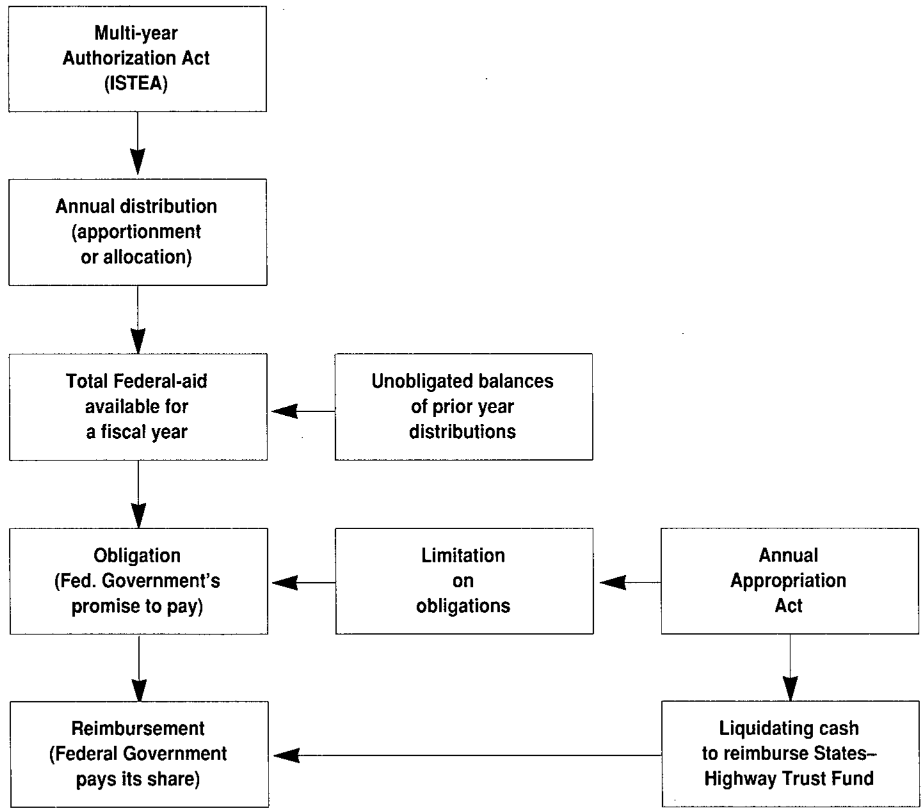

Figure 3.—Contract Authority Programs.

Fund and contract authority programs has existed only since passage of the Congressional Budget and Impoundment Control Act of 1974. Because one of the main purposes of that act was to give Congress greater control over Federal spending, it seeks to reduce the number of programs that receive budget authority before passage of appropriations acts—the legislation through which Congress annually meters spending. Obviously, contract authority programs, such as the Federal-Aid Highway Program, bypass this appropriations process. Congress recognized this but realized that some Federal programs require advance knowledge of the size of future funding commitments to do long-range planning and operate smoothly from year to year. There was the further realization that such funding can be available because the source is a user-related dedicated tax rather than the general revenues. Thus, the Budget Act permits several exceptions to the standard two-step process. One of these is for programs whose new budget authority is derived from trust funds, 90 percent or more of whose receipts are user-related taxes.[13] The Federal-Aid Highway Program falls into this category because it is supported by the Highway Trust Fund.

It should be recognized that, by definition, contract authority is unfunded and a subsequent appropriations act *is* necessary to liquidate (pay) the obligations made under contract authority.

[13] P.L. 93-344, section 401(d)(1)(B).

Reimbursable Program

To have a basic understanding of the financial procedures of the program, it is essential to know that the Federal-Aid Highway Program is a reimbursable program; that is, the Federal Government only reimburses States for costs actually incurred. The authorized amounts distributed to the States through apportionment or allocation represent lines of credit upon which States may draw as they advance federally assisted projects. They draw on the line of credit by obligating or committing some portion of it for a project (this step is called obligation and will be discussed later). No cash is disbursed at this point. The States generally start a project using their own money; i.e., they provide front-end financing for the project and receive cash for the Federal share of the project's cost as work is completed.[14] The step-by-step procedures related to distributing and using authorized amounts will be discussed under Apportionments and Allocations.

Deductions

Before the authorizations are released (distributed), two deductions are made. The first of these is statutory allowance "not to exceed 3.75 percentum,"[15] for administering the provisions of Title 23 and conducting certain research. This deduction is made from most of the authorized programs' sums that are apportioned among the States—Interstate Construction (IC); Interstate Maintenance (IM); Interstate Substitutes (IS); National Highway System (NHS); Surface Transportation Program (STP); Congestion Mitigation and Air Quality Improvement Program (CM/AQ); Bridge Replacement and Rehabilitation Program (BRR); Federal Lands Programs (FL)—and from special authorizations for Donor State Bonus and Reimbursement for Interstate (see Appendix E).

Because this provision is an upper limit, the amount usually deducted for this purpose is less than 3.75 percent as the full deduction has not been necessary to administer the program. In FY 1992, for example, 2.75 percent was deducted.

This administrative deduction is used to pay the salaries of FHWA employees and reimburse travel expenses, pay for supplies, for office space, and the like, and is also used for FHWA-sponsored research, development, and technology transfer related to highway construction, planning, and design. This research is supplementary to that carried out by the States as discussed under Earmarking. In the 1991 ISTEA, Congress directed that certain amounts of the administrative deduction must be used for certain activities, such as Operation Lifesaver.[16]

Administrative funds for other programs are sometimes contained in separate provisions of law. For example, funds to administer the DOT motor carrier safety functions are provided in yearly appropriations acts. And two safety programs—the Highway Safety Program (23 U.S.C. 402) and the Alcohol Impaired Driving Countermeasures (23 U.S.C. 410)—contain a provision that permits administrative deductions not to exceed 5 percent of the sums authorized for those programs.[17]

[14] 23 U.S.C. 121.

[15] 23 U.S.C. 104(a).

[16] 23 U.S.C. 104(d).

[17] 23 U.S.C. 402(c) and 23 U.S.C. 410(f).

The second deduction is used to finance the metropolitan transportation planning activities mandated by 23 U.S.C. 134. The deduction is equivalent to 1 percent of the authorizations remaining after the administrative deduction is made from the IM, NHS, STP, CM/AQ, and BRR Programs.[18] These funds are distributed to each State through its own apportionment formula.[19]

Although these are the only deductions applied programwide, other funds may be set aside for particular purposes. For example, $100 million of the Interstate Construction funds are set aside annually as a discretionary fund.[20] Also, there is a set-aside of the BRR authorization each year for a bridge discretionary fund. (The amount varies from year to year.)[21] The same is true for annual set-asides from the NHS authorization for an Interstate 4R discretionary fund.[22] The complete picture of takedowns over the period of the ISTEA can be seen in Appendices C-1 and C-2.

The authorized amounts remaining after these deductions and set asides are distributed to the States through legislatively prescribed methods. The amount distributed would change in subsequent fiscal years if the administrative percentage were to change.

Apportionments and Allocations

■ **Apportionment.** Subsequent to these deductions and set-asides, the FHWA apportions the remaining portion of the sums authorized for the various programs among the States. These apportionments are based on formulas and procedures prescribed by law; e.g., IC apportionments are based on cost to complete the system in each State; IM apportionments are based on Interstate System lane miles (weighted 55 percent) and vehicle miles travelled on those lanes (weighted 45 percent). Appendix D-1 contains formulas for the apportioned funds.

When funds are distributed by apportionment, every State is assured of receiving some portion of the amount distributed. This is not true for IC and IS because of the cost-to-complete basis of their distributions. Further, once an apportionment is made to a State, it cannot be taken away (other than by lapsing) except by a congressional action.

If a State is in a penalty (see Glossary) situation at the time of apportionment, a part may be withheld until the State comes into compliance with the law. For some penalties, there is a specific period of time by which the State must come into compliance before the withheld funds will lapse (be lost to the State). For others, the lapse can occur immediately.

There is another type of penalty that does not involve withholding of apportionments, but does not allow the apportionment to be used. For example, if a State sets a speed limit on its highways higher than the maximum imposed by Congress, project approvals will be not be made in that State for any project financed with Federal funds.[23]

[18] 23 U.S.C. 104(f)(1).

[19] 23 U.S.C. 104(f)(2). The funds must be made available by the States to MPOs designated to carry out provisions of 23 U.S.C. 134.

[20] 23 U.S.C. 118(c)(1).

[21] 23 U.S.C. 144(g)(1).

[22] 23 U.S.C. 118(c)(2).

[23] 23 U.S.C. 154(a).

Apportionments are generally made on the first day of the fiscal year, October 1.[24] At the time of an apportionment, certificates denoting the sums deducted and the exact amount of each apportionment are issued by FHWA. These certificates officially notify the States of the opportunity to request the Federal Government to obligate funds in the various categories, thereby promising to pay the States later on. Again, it is not cash that is apportioned; rather, it is a new line of credit or an addition to unused lines of credit previously provided.

■ **Funding equity.** Several special provisions were included in the ISTEA because Congress wanted to (1) ensure some level of funding equity among the States; (2) address the concerns of States that contribute more in highway user taxes than they receive in Federal-aid highway funds; and (3) provide each State with the same relative share of overall funding that it had received in the past. One of the provisions—Minimum Allocation—continues previous law, although at a guaranteed 90 percent rather than the old 85 percent. Another provision, which is not effective until FYs 1996 and 1997, will reimburse States for the cost of routes they had incorporated into the Interstate System in 1956. These two provisions, along with the other three—Donor State Bonus, Hold Harmless, and 90 Percent of Payments Guarantee—cannot be considered programs because they are not directed toward particular roads or activities. The amounts from the latter four are directed to the STP. Minimum Allocation funds may be used for Interstate, Interstate Highway Substitute, NHS, STP, CM/AQ, Bridge, hazard elimination, and railway-highway crossing projects.

Appendix E describes these funding equity categories.

■ **Allocation.** Most but not all funds are distributed to the States through apportionments, but some funding categories do not contain a legislatively mandated apportionment formula. Distributions of funds when there are no formulas in law are called "allocations." In most cases, allocated funds are divided among the States using administratively determined formulas and/or criteria provided in law. Funds for Interstate 4R Discretionary and Bridge Discretionary are distributed using administrative criteria specified in law. If a State receiving an allocation does not use it within a specified period of time, it can be withdrawn and reallocated to other States.

Appendix F contains a list of allocated programs.

■ **Congressional direction.** In an increasing number of cases, Congress directs how certain funds are to be distributed by requiring that particular projects are to receive specific amounts of funding. This may be done either in highway acts or by including statements of congressional intent in the committee reports accompanying the legislation. A prime example of congressional direction is the 157 demonstration projects included in section 149 of the 1987 STURAA and the 539 demonstration projects in the 1991 ISTEA. These projects are distinct from apportionments in that their authorized funding is not distributed by formula. In the case of these demonstration projects, funding can be reduced only by congressional action.

Earmarking

Federal highway law requires that certain sums be earmarked (allowed to be used only for special purposes) once they are apportioned to the States. Two percent of the major categories (IC, IM, IS, NHS, STP, CM/AQ, and Bridge) can only be used for planning and research activities. One-fourth

[24] 23 U.S.C. 118(a).

of this amount must be used for research, development, and technology transfer unless the State certifies that transportation planning expenditures will require more than 75 percent of the earmarked amount.[25]

Ten percent of the STP apportionment to a State must be used only for safety construction programs and another 10 percent must be used for transportation enhancement activities.[26] The latter covers a broad range of activities that include beautification, scenic highways and easements, historic preservation, and pedestrian and bicycle facilities.

A State may use up to one-sixteenth of a percent of its STP funds to pay for education and training of its employees. These funds can pay for no more than 80 percent of the cost of tuition and direct educational expenses (other than travel, subsistence, or salaries) for State and local highway department employees.[27]

Special Conditions

Although apportionments are made to the States (generally, it is the State's transportation agency that receives the apportionment certificates), Congress frequently puts into law provisions that require the State to further distribute the funds within the State. Under the STP, the States must obligate funds or projects in particular areas. After earmarking 20 percent of the apportionment (see discussion in Earmarking section), a State must use 62.5 percent of the remainder (this actually is 50 percent of the original apportionment) in urbanized areas of over 200,000 population[28] and in other areas of the State in proportion to the relative share both such areas are of the State's population. The remaining 37.5 percent (30 percent of the apportionment) can be used anywhere in the State. A further requirement states that from the 62.5 percent portion (other than the amount going to the 200,000 areas), the State must obligate in rural areas below 5,000 population an amount equal to 110 percent of the amounts apportioned to the State for the Secondary Program in FY 1991.[29] This process is illustrated in Appendix D-2.

At least 15 percent of a State's bridge apportionment must be used for public bridge projects that are not on a Federal-aid road. The maximum amount of the apportionment that can be used for this purpose is 35 percent. The 15 percent requirement can be waived whenever it is determined that this expenditure is not needed.[30]

At least 10 percent of the authorizations in the ISTEA for surface transportation, mass transit, intermodal transportation, and research programs must be spent with small business concerns owned and controlled by socially and economically disadvantaged individuals.[31]

[25] 23 U.S.C. 307(c). The States receiving any Minimum Allocation funds may use 1.5 percent for planning and research activities.

[26] 23 U.S.C. 133(d)(1) and (d)(2).

[27] 23 U.S.C. 321(b).

[28] Unless the State, appropriate MPO, and Secretary of Transportation agree on other distribution factors to use instead of population.

[29] 23 U.S.C. 133(d)(3).

[30] 23 U.S.C. 144(g)(3).

[31] P.L. 102-240, section 1003(b)(1).

Availability

When new apportionments or allocations are made, the amounts are added to the program's unused line of credit from previous years (e.g., newly apportioned NHS funds are added to any existing balance of unobligated (unused) NHS funds). This situation arises because Federal-aid highway funds are available for use (available for obligation) for more than one year. Their availability does not terminate at the end of the fiscal year as is the case with many other Federal programs. The availability period is specified in law.

Interstate Construction funds are apportioned at the beginning of the fiscal year one year before the fiscal year for which they are authorized.[32] Under the ISTEA, these funds are available for one year.[33]

Interstate Highway Substitute funds are available for two years, except for FY 1995 funds, which are available until expended.[34] Most of the other major highway program funds are available ". . . for a period of three years after the close of the fiscal year for which such sums are authorized . . . ." Thus, they are available for four years.[35] Appendix G lists major categories for which new or continued authorizations are provided by the 1991 ISTEA and their period of availability.

Should a State not obligate a particular year's apportionment within the period of availability, the authority to obligate any remaining amount of that apportionment lapses — it is no longer available.[36] No cash need be returned to the Federal Government since there was never any cash distributed. Exceptions to this lapsing provision are the sums apportioned for IC, IS (highways), and BRR. Any of the IC apportionments under the ISTEA that are unobligated after one year are withdrawn from the State and will be redistributed to other States as part of the Interstate Discretionary Fund.[37] Any IS (highways) funds not used by a State after two years are redistributed among States that have obligated all their funds (except for FY 1995, when the funds are available until expended).[38] In the unlikely event that bridge funds are unused after four years, they also would be redistributed to other States.[39]

Transferability

The level of authorizations reflect Congress' relative priority among the many Federal-aid funding categories. The apportionment formulas for the various categories are intended to reflect (depending on the category) the relative needs of the States, population of the States, and the States' prior years funding levels. However, the States may have differing needs or priorities. In response to this, the law provides flexibility in the use of specific sums by permitting transfers to be made among certain funds.

■ **National Highway System.** Up to 50 percent of the funds apportioned

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32 23 U.S.C. 104(b)(5)(A).

33 However, Interstate Construction funds apportioned and allocated after September 30, 1993, will be available until expended. All Interstate Construction funds apportioned to Massachusetts after October 1, 1989, will be available until expended.

34 23 U.S.C. 103(e)(4)(E)(i).

35 23 U.S.C. 118(b)(2).

36 Ibid.

37 23 U.S.C. 118(b)(1).

38 23 U.S.C. 103(e)(4)(E)(ii).

39 23 U.S.C. 144(e).

to the NHS may be transferred to the apportionment for the STP. If the State wants to transfer more than 50 percent, it may do so only with Secretarial approval. The Secretary must determine that the transfer is in the public interest and must provide the public an opportunity to comment. The earmarking and subdivision requirements of the STP discussed above do not apply to the transferred funds.[40]

■ **Bridge replacement and rehabilitation.** A State may transfer up to 40 percent of its bridge program apportionment to its apportionment under either the NHS or the STP, or both. Any amounts transferred to the STP are not subject to the earmarking and subdivision requirements of the STP program.[41]

■ **Interstate maintenance**. A State may transfer any amount of its IM apportionment to its NHS or STP apportionments if it certifies that the IM apportionment is in excess of its needs for that program and that it (the State) is adequately maintaining the Interstate System. The Secretary must accept the certification before the transfer can be made. However, the State can transfer up to 20 percent without the certification.[42]

■ **Interstate construction**. A State may transfer an amount equivalent to the cost to complete its open-to-traffic Interstate segments from its Interstate construction funds to its NHS or IM apportionments. These costs become ineligible for future IC funding; i.e., the State's future cost-to-complete (on which its IC apportionment is based) will not include these costs.[43]

Obligations

The term "obligation" has been used frequently. An obligation is a commitment of the Federal Government to pay, through reimbursement to the States, the Federal share of a project's eligible cost. The commitment is made when the plans, specifications, and estimate for a project (PS&E) is approved or, in the case of certain projects funded under the STP, when a quarterly certification is accepted.[44]

Obligation is a key step in financing. Obligated funds are considered "spent" even though no cash is transferred. Incurring an obligation is similar to the use of a credit card. The holder of the card is obligated to reimburse the credit card company when a purchase is made. Although no cash has changed hands, the money is as good as spent when the holder signs the charge receipt. Likewise, the Federal Government must eventually provide the cash to reimburse the States once an obligation is made.[45]

Obligation also is the step in the financing process under contract authority programs that is more often controlled by the Federal budgeting

[40] 23 U.S.C. 104(c).

[41] 23 U.S.C. 144(g).

[42] 23 U.S.C. 119(f).

[43] 23 U.S.C. 119(d).

[44] For certain kinds of projects financed with STP funds, the States may ask to be exempted from FHWA project review and oversight, including approval of PS&E. The State certifies each quarter that all of such projects will meet requirements (other than non-Title 23 requirements) of the program. The certification includes a notification of expected obligations for such projects during the quarter. Acceptance of the certification and notification obligates the funds in the same way as approval of a PS&E.

[45] 23 U.S.C. 106(a).

process. If such controls are necessary, they are usually achieved by the imposition of limitations on the program obligations (this is discussed later).

Federal Share

With a few exceptions, the Federal Government does not pay for the entire cost of construction or improvement of Federal-aid highways. Federal funds are normally "matched" with State and/or local government funds to account for the necessary dollars to complete the project.[46] The maximum Federal share is specified in the legislation authorizing the program. Most projects will have an 80 percent Federal share.[47] IC and IM projects are normally funded with a Federal share of 90 percent, but, if the project adds lanes that are not high-occupancy-vehicle lanes or auxiliary lanes, the Federal share will revert to the 80 percent level. If NHS, STP, and CM/AQ funds are used for projects on the Interstate System, the Federal share will be 90 percent (unless the project adds lanes other than HOV or auxiliary lanes).[48]

There also is a special matching ratio for toll facility projects: the Federal share will generally be 50 percent, although 80 percent is allowed for specified bridge or tunnel work and 4R work on a certain group of existing toll facilities.[49]

Exceptions to the "no 100 percent rule" include the Federal Lands projects; Emergency Relief projects (if the emergency repairs are made within 180 days of the event causing the need for such repairs);[50] and certain safety projects.[51]

States with large amounts of Federal lands have their Federal share of certain programs increased in relation to the percentage of their total land area that is under Federal control.[52]

A State may contribute more than the normal match (thereby decreasing the Federal share) for all projects under Title 23.[53]

Appendix G shows the basic Federal share for major programs.

Reimbursement

As mentioned previously, the Federal-Aid Highway Program is a reimbursable program. What is apportioned to the States is not cash but a line of credit against which they can draw to incur obligations. It is up to the States to provide the initial cash to get a project underway. The project need not be completed before a State begins to receive reimbursement. Depending upon the type of the project, the time elapsing from obligation to reimbursement can vary from a few days to several years. Progress payments are permitted as long as a project agreement has been executed pursuant to 23 U.S.C. 110. The payments must not exceed the Federal share of the total cost incurred for work done up to the voucher date.[54]

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[46] The State matching share for a project may be credited with the fair market value of land that is donated to the State and incorporated into the project.

[47] 23 U.S.C. 120(b).

[48] 23 U.S.C. 120(a).

[49] 23 U.S.C. 129(a)(5).

[50] 23 U.S.C. 120(e).

[51] 23 U.S.C. 120(c).

[52] 23 U.S.C. 120.

[53] 23 U.S.C. 120(i).

[54] 23 U.S.C. 121.

While payments normally are made to the States, if projects have been initiated on toll facilities under the jurisdiction of a public authority in a State, reimbursements can be made directly to that public authority if requested by the State transportation department.[55]

The normal sequence of events for reimbursement are:

1. Work is done by a contractor,
2. Payments are made to the contractor by the State,
3. Vouchers are sent by the State to the FHWA division office for review and approval,
4. The FHWA certifying officer certifies the State transportation department's claim for payment,
5. Certified schedules are submitted to the Treasury Department, and
6. The Federal share of the project cost is transferred directly from the Treasury Department to the State's bank account by electronic fund transfer.

This sequence repeats, often beginning again before the previous round is completed. This is illustrated in Figure 4.

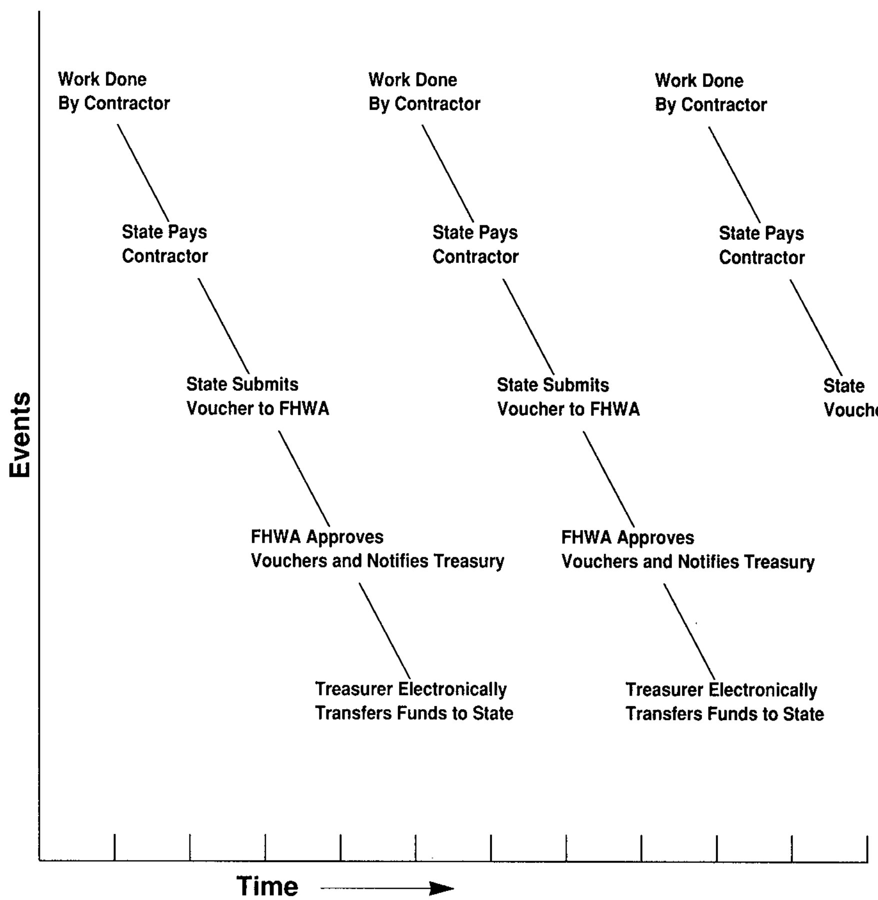


Figure 4.—Reimbursement.

[55] 23 U.S.C. 129(a)(4).

Limitations on Obligations

The foregoing discussion has described the routine procedures for financing Federal-Aid Highway Programs that have contract authority: authorizing legislation, apportionments, obligations, and reimbursements. Again, because of contract authority, the flow of these program funds is not directly affected by the annual appropriations process. This permits a smooth and stable flow of Federal-aid to the States, but this very benefit can be a disadvantage to overall Federal budgeting. A major function of the appropriations process is to assess the current need for and effect of Federal dollars on the economy. The appropriations process has been the traditional way to control Federal expenditures annually. But the highway program, with multiple-year authorizations and multiple-year availability of funds, is exempt from this annual review. The question arises: how can the highway program be covered under annual Federal budget decisions?

The answer in recent years has been to place a ceiling, or limit, on the total obligations that can be incurred for Federal-Aid Highway Programs during a year. This ceiling is also referred to as Obligational Authority. By controlling obligations annually, the program may be made more responsive to prevailing economic policy. However, a limitation in a given year does not affect the scheduled apportionment of Federal-aid highway funds after they are authorized or the eventual obligation of those funds.

Limitations

A limitation on obligations acts as a ceiling on the sum of all obligations within a specified time period, usually a fiscal year. Because of multi-year availability and the varying obligation rates among States and between programs, it would be difficult administratively to keep track of a ceiling placed on the use of a particular fiscal year's apportioned funds (e.g., FY 1992) over several years. Thus, a limitation is placed on obligations that can take place within a certain fiscal year, regardless of the year in which the funds were apportioned. If there happens to be any limitation unused at the close of a fiscal year, it *cannot* be carried over into the next fiscal year.

Table 1 illustrates how an actual limitation on obligations affects the highway program.

Table 1.—FY 1992 Limitation on Obligations* (for illustrative purposes only).

	(MILLIONS OF DOLLARS)
Unobligated Balance (9-30-91)	$ 6,448
New Apportionments/Allocations	15,673
Total Apportionments/Allocations Available	22,121
Limitation (Obligational Authority)	15,686
Amount Not Available for Obligation in FY 1992	6,435

* Applies to all Federal highway contract authority programs subject to the limitation.

The FY 1992 limitation was divided among the States based on each State's relative share of the total of apportioned and allocated funds to all States for FY 1992. The law provides for a redistribution on August 1, 1992, of the obligation ceiling from those States unable to obligate their share of the full ceiling to other States that are able to obligate more than their initial share of the ceiling.[56] This ensures the total limitation will be used.

In addition, beginning in FY 1993, each State that uses up both its initial ceiling distribution and any ceiling it received through the August 1 redistribution before September 30 may obligate an additional 5 percent of its unobligated balances from IC, IM, IS, NHS, STP, CM/AQ, and BRR categories. However, the total nationally cannot exceed 2.5 percent.[57]

This distribution, redistribution, and bonus process is specified in the ISTEA, but it also has been the rule in appropriations acts for several years before the ISTEA. It is likely that the process will be followed throughout the life of the act but could be modified by subsequent annual appropriations acts. It also is likely the amount of the ceiling established in the ISTEA for future fiscal years will be changed by these appropriations acts.

It is important to recognize that the distribution and redistribution of the individual State ceilings do *not* constitute a grant or a retraction of apportioned and allocated sums. A State already has received apportionments or allocations as a result of authorizations in highway acts; the limitation relates only to *how much* of the State's total unobligated balance of apportionments and allocations may be obligated during a given year. The unobligated balance of apportionments or allocations that the State has remaining at the end of any fiscal year is carried over for use by that State during the next fiscal year. Again, any unused limitation does *not* carry over.

History of Highway Limitations

The highway program has been subject to limitations since 1966. In the early years, the executive branch limited obligations. The common term for this action was "impoundment." But, a turnabout came with enactment of the Congressional Budget and Impoundment Control Act of 1974.[58] This act established a formal process for the Executive Branch and the Congress to follow in setting limits on the use of authorized funds.

Beginning with FY 1976, Congress became the branch of government that places annual limitations on obligations. However, the President's budget each year has recommended a level for the ceiling to be imposed on the program. This recommendation is only a proposal to Congress for enactment. The Congress will consider it but may or may not actually follow the recommendation.

Congress places limits on the program through a legislative act, most frequently in an appropriations act since limitations are a form of budget control. But they often appear in other acts such as highway acts or reconciliation bills.

Congress can rescind (eliminate) previously authorized funds, although this is rarely done. In 1986 and 1990, a specified percentage of contract authority funds was sequestered (in effect, rescinded) when the

56 P.L. 102-240, section 1002.

57 Ibid.

58 P.L. 93-344, enacted July 12, 1974.

overall Federal spending exceeded certain Budget Act[59] targets, triggering automatic sequestration provisions. Once funds are eliminated (by any mechanism), they are lost to the State.

Summary

The contract authority highway programs receive special consideration in that funds can be obligated on the basis of an authorization act. These programs are not affected by the annual adjustments in funding levels that are made to appropriated budget authority programs in the appropriations process. Limits are imposed on the amount of multi-year Federal-aid highway apportionments and allocations that can be obligated each year to control the highway program and make it responsive to current economic and budgetary conditions. These limitations can be proposed by the executive branch but must be enacted by Congress to take effect. The limits do not take back funds already apportioned to the States; they only slow the rate of obligations. On the other hand, Congress could, but rarely does, rescind previously authorized funds. In that case, the amounts rescinded, or eliminated, are not available to the State in the future.

[59] Balanced Budget and Emergency Deficit Control Act of 1985 and Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987.

Appropriations

The fiscal operations described so far related to the law originating in authorization acts that are often called "highway acts." Yet, as the last section described, there are also appropriation acts that affect the highway program. Though most of the Federal-Aid Highway programs do not receive budget authority through appropriation acts as do most other Federal programs, the appropriation act is important in the fiscal process.

A program (or project) is normally required to be authorized as part of an authorization act before funds can be appropriated for it. However, there has been a tendency by the appropriations committees to appropriate funds for new programs or projects that are not authorized in an authorization act or to appropriate funds for a program that has been previously authorized but is not authorized in a current authorization act.

Appropriations for the highway program are continued in the annual DOT and Related Agencies Appropriations acts. In addition to affecting the Federal Highway Administration's programs, these acts also affect all other DOT programs and those activities of the Architectural and Transportation Barriers Compliance Board, National Transportation Safety Board, the Civil Aeronautics Board, the Interstate Commerce Commission, Panama Canal Commission Government, United States Railway Association, and the Washington Metropolitan Area Transit Authority.

The FHWA part of the act is divided into several accounts, each covering one or a group of highway funding categories. The accounts can be classified according to whether the type of programs composing them have contract authority or budget authority.

Appropriated Budget Authority Accounts

Most of the highway programs operate with contract authority, but some must obtain their budget authority through the appropriation process. The latter group has what is called "appropriated budget authority," because two steps—an authorization act and an appropriations act—are needed before obligations can be incurred (although, as noted, Congress often has appropriated funds for programs that have not been authorized). For an appropriated budget authority program, then, the appropriations act is crucial to these appropriated budget authority programs since it gives the go-ahead to obligate as well as the liquidating cash needed for reimbursement.

In the 1992 DOT Appropriations Act, 27 of the FHWA accounts provided appropriated budget authority. Twenty-two of these accounts provided funds for programs (projects) that were not included in an authorization act. Thus, the appropriations act, in effect, was the authorization act for these accounts, reflecting the tendency previously described. The total amount provided for these accounts in the DOT Act was $663 *million*, compared to the $16.9 *billion* provided in contract authority authorizations in the ISTEA for FY 1992.

The source of funding for the appropriated budget authority accounts can be either the General Funds of the Treasury or the Highway Trust Fund. Since implementation of the Budget Act of 1974, general funded programs must have appropriated budget authority; i.e., they cannot have contract authority.

Contract Authority Accounts

Funds for contract authority programs can be obligated upon apportionment of authorizations contained in the highway act. Although obligations are commitments to reimburse the States for the Federal share of a project's cost, actual cash reimbursements by the Department of the Treasury cannot be made until they are appropriated. This then is the primary function of an appropriations act as it relates to the major part of the highway program—the provision of the cash to liquidate the Federal commitment. The act provides the bulk of this cash in one account, Federal-Aid Highways, that covers liquidating cash needs for most of the significant contract authority, trust-funded categories including, among others:

- Interstate
- Interstate Maintenance
- Interstate Substitute
- National Highway System
- Surface Transportation Program
- CM/AQ
- Federal Lands Highways
- Bridge Replacement and Rehabilitation
- Donor State Bonus
- Intelligent-Vehicle Highway System
- Demonstration Projects
- Emergency Relief
- Metropolitan Planning
- Minimum Allocation

The $15.4 billion of liquidating cash provided by the 1992 Appropriations Act in the Federal-aid highway account was derived from an estimate of prior unpaid obligations plus new obligations incurred during FY 1992 for which vouchers are expected to be presented by the States for payment during the fiscal year. Therefore, it is the consequence of the authorization/obligation process but is not equivalent to either the amount authorized for FY 1992 or expected to be obligated in FY 1992. The amount will change from year to year. As discussed earlier, the liquidating cash provided in the accounts covering contract authority must come from the Highway Trust Fund because of the link established in the Budget and Impoundment Control Act between Trust Fund financing and contract authority.

Limitations on Obligations

Since the nature of the highway program (i.e., contract authority and reimbursement) prevents direct Federal control of cash outlays in any year, Congress relies on limitations on obligations to slow down the program. By placing a ceiling on obligations, future cash outlays are indirectly controlled. It is in the budget/appropriations process that Congress concerns itself with overall Federal spending in terms of cash outflow; thus, a limitation on obligations will often be included in an appropriations act.

The limitations on obligations may be found in the General Provisions section of the DOT appropriations acts and apply to programs under the contract authority accounts. The FY 1992 Appropriations Act contained three separate sections to establish limitations, one for programs under the

Federal-Aid Highways Account, one for the Highway Related Safety Grants program, and one for the Motor Carrier Safety Assistance Program. Again, these limitations are not restricting the amount of cash for reimbursements but are ceilings on obligations that can be incurred during the fiscal year.

The ceiling for the Federal-aid Highways Account of $16.8 billion in the 1992 DOT Appropriations Act was superseded by the ISTEA. The rule is that the latest ceiling enacted is the operative one. Because the 1992 DOT Appropriations Act was signed October 28, 1991, and the ISTEA was signed December 18, 1991, the ISTEA prevails. The ceiling in the ISTEA also was $16.8 billion, but a budget compliance[60] provision in the act caused the ceiling to be lowered to $15.686 billion.

Other Appropriations Actions

Besides the annual DOT Appropriations Act, other appropriation actions can affect the cash available for Federal-Aid Highway programs. A supplemental appropriations act is sometimes necessary during the course of a fiscal year when it becomes apparent that more cash than was initially provided will be necessary to reimburse the States for the Federal share of project costs. The shortfall situation can occur when the amount of vouchers submitted by the States exceeds the estimate of cash needed for the year. The Administration will request that Congress enact supplemental legislation when it foresees this situation. Congress routinely enacts such requests since the Federal Government is bound to honor the obligation it has made to the States. The supplemental request for highway liquidating cash will be grouped with similar emergency requests for other agencies. Often, it will contain other provisions relating to highways, such as funds for pay increases or emergency projects where Emergency Relief funds are not sufficient. Sometimes, in fact, a supplemental will contain *only* these related provisions without any request for additional reimbursing cash.

A continuing resolution provides cash to tide agencies over when an annual appropriations act has failed to be enacted by the beginning of the fiscal year. For the Federal highway program, the resolution provides cash so that reimbursements for authorized programs can continue to be made to the States at the same rate as the previous fiscal year (or the lowest rate included in either the Senate- or House-passed versions of an appropriations act if it is lower than the previous year) until the DOT annual appropriations bill is enacted. In recent years, continuing resolutions have become commonplace, and it has become more routine for continuing resolutions, like appropriations acts, to include provisions that establish (authorize) new, albeit small, programs.

The Federal Budget and Appropriations Acts

Omitted from the previous discussion was an explanation of how the numbers in the appropriation acts are derived. The usual course of events starts in the spring of each year, about 1 1/2 years before the beginning of the fiscal year being addressed, when the FHWA begins work on the budget. Included in the budget are estimates of outlays (necessary cash to liquidate obligations), proposed budget authority for those programs that do not have contract authority, and a proposed level of obligations for the Federal-aid programs that have contract authority, should some measure of control be considered necessary. Also reviewed are policy issues that may affect the upcoming budget.

[60] P. L. 102-240, section 1004.

Development of the budget progresses through FHWA, the Office of the Secretary of Transportation, and the Office of Management and Budget, where final decisions are made in early fall. The executive branch's budget activities culminate in the submission to Congress of the President's Federal budget in January, less than nine months before the fiscal year begins.

In the spring, Congress formulates its own version of the Federal budget, using the President's budget as input. The Budget Committees (one in the House and one in the Senate) were established by the 1974 Congressional Budget and Impoundment Control Act to fulfill the function of drawing up budget resolutions and shepherding them through their respective houses. The budget resolutions set spending and tax levels and must also explicitly set a deficit or surplus level for the year. The House- and Senate-approved budget resolutions then go through the conference committee process, and the agreed-upon version is sent back to each House for approval. The President's signature is not required on budget resolutions. The congressionally approved budget is intended to guide the committees in formulating legislation for the next year.

If all is on schedule, all appropriations acts (including the DOT's) are passed and signed by the President by October 1 of each year (the House is supposed to complete action on the acts by June 30). If, as often is the case, the DOT Appropriations Act is not enacted on time, then reimbursing cash is provided through a continuing resolution. The Administration also may establish a temporary obligation limitation based on the House and Senate actions to date; if there have been no House or Senate bills to base a temporary ceiling on, the level will be set at the previous year's limit. The apportionment or allocation of funds for contract authority programs will proceed on schedule whether or not an appropriations bill has been enacted because contract authority programs proceed on the basis of an authorizing act.

Table 2 shows the timetable for the Federal budget process.

Table 2.—Timetable for Federal Budget Process.

First Monday in February	President submits budget
February 25	Committees submit views and estimates to Budget Committee
April 15	Deadline for adopting budget resolution for coming year
May 15	Annual appropriations bills can be reported out
June 10	Deadline for reporting out all appropriation acts by House
June 30	Deadline to pass all appropriations acts by House
September 30	Deadline for enacting all spending measures
October 1	Fiscal year begins

The congressional procedures for enacting an appropriation act are like those for an authorization act described in Congressional Procedures and illustrated in Figure 1. One major difference is that the committees with jurisdiction are the Appropriations Committees and their transportation subcommittees in both the House of Representatives and the Senate.

The Highway Trust Fund

The previous sections have only peripherally mentioned the Highway Trust Fund. This has been intentional because the Trust Fund, other than being tied to the existence of contract authority through the 1974 Budget Act, does not greatly affect the financial procedures under which the highway program operates. The following section briefly describes the operation of the Trust Fund.

History

Before 1956, the year Interstate System authorizations were greatly increased, the Highway Trust Fund did not exist. Cash to liquidate previously incurred obligations for the Federal-Aid Highway Program came from the General Funds of the Treasury. Budget authority came through the granting of contract authority, as it does now. Although taxes on motor fuels and automobile products were in existence, they bore little relation to expenditures for highways. At that time, financing for the highway program and revenues from automobile and related products were included under the public finance principle of "spend where you must, and get the money where you can." There was no formal relationship between the level of revenue obtained from the highway user taxes and the level of the highway program. Aside from this, the program operated in terms of authorizations, apportionments, obligations, appropriations, and reimbursements—much as it does now.

The Federal-Aid Highway Act of 1956, coupled with the Highway Revenue Act of that same year, increased authorizations for the primary and secondary systems, authorized significant funding of the Interstate System, and established the Highway Trust Fund as a mechanism for financing the accelerated highway program. To finance the increased authorizations, the Revenue Act increased some of the existing user taxes, established new ones, and provided that the revenues from most of these taxes should be credited to the Trust Fund. Revenues accruing to the fund were dedicated to the financing of Federal-aid highways. The passage of the Highway Revenue Act of 1956 also increased the political acceptability of the additions in the user taxes and provided earmarked revenues to finance the larger highway program.

The life of the Trust Fund must be extended periodically, since it is not enacted permanently. The 1956 Highway Revenue Act set an expiration date of 1971, which has been extended several times by subsequent legislation. Highway-user taxes dedicated to the fund and expenditures from the fund are now scheduled to terminate on September 30, 1999.[61]

[61] P.L. 102-240, section 8002.

User Taxes

The Trust Fund was set up as a user-supported fund. Simply, the revenues of the Trust Fund were intended for financing highways, with the taxes dedicated to the fund paid by the users of highways. This principle is still in effect, but the tax structure has changed since 1956. Major revisions occurred most recently as a result of the STAA of 1982 and the Deficit Reduction Act of 1984. Those acts increased the motor-fuel taxes for the first time since 1960. The 1982 STAA also established a special Mass Transit Account in the Trust Fund to receive part of the motor-fuel tax.[62]

Then, another increase of 5 cents per gallon (to a total of 14 cents per gallon) was enacted as part of the Omnibus Budget Reconciliation Act of 1990. That increase was effective December 1, 1990, and was to drop back to previous levels after September 30, 1995. The act also established a "first" for the Highway Trust Fund. One-half of the revenues derived from the nickel increase goes to the General Funds of the Treasury. Previously, virtually *all* revenues from Federal motor-fuel (and other highway-related Federal excise taxes) had been credited entirely to the Trust Fund.

The ISTEA extended the collection of Federal highway user taxes through FY 1999, but the 2.5 cents that goes to the General Funds (GF) will expire on September 30, 1995. The other 2.5 cents of the most recent increase will continue through FY 1999 and will go to the Trust Fund.

Table 3 shows the types of taxes placed in the Trust Fund and the rates currently in effect.

Table 3.—User Fee Structure.

TAX TYPE	RATE*
Gasoline/Special Fuels Diesohol	14 cents/gal (2.5 cents to GF)
Diesel	20 cents/gal (2.5 cents to GF)
Gasohol/Special Fuels with 10% alcohol	8.6 cents/gal (3.1 to GF)
Ethanol/Methanol (not made from petroleum or natural gas)	8 cents/gal (2.5 cents to GF)
Ethanol/Methanol (made from natural gas)	7 cents/gal (1.75 cents to GF)
Tires	0–40 lbs.: no tax 40–70 lbs.: 15 cents/lb 70–90 lbs: $4.50 + 30 cents per lb. over 70 lbs Over 90 lbs: $10.50 + 50 cents per lb over 90 lbs
Truck Sales	12% retail: all tractors; trucks over 33,000 lbs GVW; trailers over 26,000 lbs GVW
Use Tax	Up to 55,000 lbs: no tax; 55,000 lbs and over: $100 + $22/1,000 lbs over 55,000 lbs to a maximum of $550 Logging, Canadian, and Mexican trucks: 75% of above rates

* Rates include 1.5 cents per gallon credited to the Mass Transit Account but do not include 0.1 cent per gallon for the Leaking Underground Storage Trust Fund.

Collection

Most of the excise taxes credited to the Trust Fund are not collected by the Federal Government directly from the consumer. They are, instead, paid to the Internal Revenue Service by the producer or importer of the taxable product (except in the cases of the tax on trucks and trailers, which is paid by the retailer, and the Federal use tax, which is paid by the heavy vehicle owner). Tabulations showing taxes paid into the fund by States are es-

[62] Revenue from 1.5 cents of the motor fuels taxes is credited to the Mass Transit Account.

timates of what is paid by users in those States and do not mean that the taxes were actually collected in the States. As a point of interest, because of the home office locations of major producers of taxable products, over one-half of all Federal gasoline tax revenues are received from just three States—New York, Pennsylvania, and Texas; most of the rubber tax is paid in Ohio; and most of the new motor vehicle tax payments come from Michigan. Hence, the 14-cent Federal gasoline tax charged at the pump is (in effect) a reimbursement for taxes already paid.

Since there is considerable interest in the amount of contributions to the Trust Fund made by each State, estimates are made of the amount of taxes paid by the consumers of each State on the basis of motor vehicle registrations and State motor-fuel tax collection data. Highway users in some States pay more in user taxes than they receive back in Federal-aid highway apportionments and allocations. In an effort to compensate for this, the ISTEA included three provisions that distribute additional funds to qualifying States. These provisions are described in detail in Appendix E.

User taxes are deposited in the General Funds of the Treasury and the amounts equivalent to these taxes are then transferred on paper to the Trust Fund. Transfers are made at least monthly on the basis of estimates by the Secretary of the Treasury and later adjusted on the basis of actual tax receipts.[63] Amounts in the fund in excess of current expenditure requirements are invested in public debt securities and interest from these securities is credited to the fund.[64]

Pay-As-You-Go Fund

Another important characteristic of the Trust Fund is that it was set up as a pay-as-you-go fund. In other words, there must be enough money in the Trust Fund to make reimbursements. The control mechanism that ensures this is the Byrd Amendment.

Under the Byrd Amendment, as modified by the STAA of 1982, unfunded authorizations (unpaid commitments in excess of amounts available in the fund) at the end of the fiscal year in which the apportionment is to be made must be less than the revenues anticipated to be earned in the following 24-month period. For example, to determine the status of FY 1993, at the close of FY 1992 the Secretary of the Treasury must determine if the balance of the Trust Fund as of September 30, 1992, plus the anticipated income (taxes and interest) in FY's 1993, 1994, and 1995, will be greater than the sum of the authorizations to be distributed for FY 1993 and the authorizations distributed, but not paid, as of September 30, 1992. If there will be a shortfall in funds, then all Trust-Funded program apportionments for FY 1993 will be reduced proportionately.[65]

■ **Expenditures**. As stated before, the Trust Fund exists to support the Federal-Aid Highway Program (plus the new transit capital assistance from the Mass Transit Account). Even though the program does for the most part have contract authority, the cash to reimburse the States for the Federal share of project costs still must be released from the Trust Fund by an appropriation act. In other words, the Federal Government does not have the ability to pay the State without an appropriation of cash from the Trust Fund. Any amounts that have been appropriated but not used during the year can be carried over for use in the next fiscal year. Conver-

[63] Internal Revenue Code, section 9503(b).

[64] Ibid., section 9602(b).

[65] Ibid., section 9503(d).

sely, as noted before, supplemental appropriations are enacted when the amounts appropriated in the annual DOT Appropriations Act are insufficient.

Payments from the Trust Fund include not only those required for reimbursements to the States but also transfers to the Aquatic Resources Trust Fund and to the Land and Water Conservation Fund for estimated taxes received from the sale of gasoline and special fuels used in motorboats[66] and to the National Recreational Trails Trust Fund.[67]

In some cases, the motor-fuel tax has already been paid by the producer/distributor or retailer on motor fuel that is ultimately used for an exempt purpose and the price the ultimate user paid included the tax. In those cases, the ultimate user of the motor fuel is entitled to a refund of the tax paid. These refunds amounted to $351 million in FY 1991.

Balance of the Highway Trust Fund

The balance of the Highway Trust Fund has long been a point of controversy. Because of the nature of a reimbursable program like the Federal-Aid Highway Program, there will always be cash in the fund that is not needed for immediate use. (As discussed earlier, this cash is invested in Federal securities.) It is important to understand that this is not excess cash but will be needed to reimburse the States as vouchers are submitted.

Perhaps a comparison of the Trust Fund operation to a personal financial situation can help clarify this point. If a person has a checking account balance of $500, that amount cannot be considered excess if he or she has at the same time outstanding monthly bills of $1,000, but neither is the account in a deficit situation since he or she will receive $1,200 in a paycheck at the end of the month.

This is how the Trust Fund operates. Although there was a cash balance of over $10 billion in the Highway Account of the Trust Fund at the close of FY 1991 (see Table 4), there were also at the same time, unpaid commitments (authorizations already apportioned/allocated to the States) against the Trust Fund totaling about $32 billion. Therefore, the $10.2 billion balance is not excess cash.

Table 4.—Operation of the Highway Account of the Highway Trust Fund (in millions of dollars).

Balance close of FY 1990		$9,629
Receipts		
Excises	$14,494	
Interest	$810	
Total receipts		$15,304
Disbursements (Outlays for Federal-aid Highway and other programs)		$14,686
Receipts less disbursements		$618
Balance close of FY 1991		$10,247

If highway revenues were to have stopped completely at the close of FY 1991, the debts (unpaid obligations and authorizations) would exceed the cash on hand by about $22 billion. Since the highway program functions as a reimbursable program, with cash outlays following obligations at a later date, this situation is quite proper. The Revenue Act did not state

[66] Internal Revenue Code, section 9503(c)(4).

[67] Ibid., section 9511.

that obligations should not exceed the anticipated amounts that could be liquidated from the Trust Fund revenues at a future date when the vouchers are submitted for payment.

The difference between commitments and income through the termination of the fund is the amount that truly reflects the status of the fund and must be considered when any new commitments (additional authorizations) are proposed. It also must be recognized that this balance is based on revenue projections that can change from time to time. If the projections are reduced or the commitments are increased (Congress may add new programs or projects through other acts, such as appropriations acts), or programs, such as Minimum Allocation, exceed estimated authorizations, the balance will be less.

Appendices

Appendix A: Glossary

Allocation. An administrative distribution of funds among the States, done for funds that do not have statutory distribution formulas.

Apportionment. A term that refers to a statutorily prescribed division or assignment of funds. An apportionment is based on prescribed formulas in the law and consists of dividing authorized obligation authority for a specific program among the States.

Appropriations Act. Action of a legislative body that makes funds available for expenditure with specific limitations as to amount, purpose, and duration. In most cases, it permits money previously authorized to be obligated and payments made, but for the highway program operating under contract authority, appropriations specify amounts of funds that Congress will make available to liquidate prior obligations.

Authorization Act. Basic substantive legislation or that which empowers an agency to implement a particular program and also establishes an upper limit on the amount of funds that can be appropriated for that program.

Budget Authority. Empowerment by the Congress that allows Federal agencies to incur obligations to spend or lend money. This empowerment is generally in the form of appropriations. However, for the major highway program categories, it is in the form of "contract authority." Budget authority permits agencies to obligate all or part of the funds that were previously "authorized." Without budget authority, Federal agencies cannot commit the Government to make expenditures or loans.

Contract Authority. A form of budget authority that permits obligations to be made in advance of appropriations. The Federal-Aid Highway Program operates mostly under contract authority rules.

Expenditures (Outlays). A term signifying disbursement of funds for repayment of obligations incurred. An electronic transfer of funds, or a check sent to a State highway or transportation agency for voucher payment, is an expenditure or outlay.

Fiscal Year (FY). Since FY 1977, the yearly accounting period beginning October 1 and ending September 30 of the subsequent calendar year. Prior to FY 1977, the Federal fiscal year started on July 1 and ended the following June 30. Fiscal years are denoted by the calendar year in which they end; e.g., FY 1991 began October 1, 1990, and ended September 30, 1991.

Limitation on Obligations. Any action or inaction by an officer or employee of the United States that limits the amount of Federal assistance that may be obligated during a specified time period. A limitation on obligations does not affect the scheduled apportionment or allocation of funds, it just controls the rate at which these funds may be used.

Obligational Authority. Another term for limitation on obligations. See that definition.

Obligations. Commitments made by Federal agencies to pay out money as distinct from the actual payments, which are "outlays." Generally, obligations are incurred after the enactment of budget authority. However, since budget authority in many highway programs is in the form of contract authority, obligations in these cases are permitted to be incurred immediately after apportionment or allocation. The obligations are for the Federal share of the estimated full cost of each project at the time it is approved regardless of when the actual payments are made or the expected time of project completion.

Penalty. An action that does not allow a State to use the full amount of its apportioned funds. The action may be a withholding of project approvals or withholding of a percentage of the State's apportionment. The action may be taken when the State does not comply with a required provision of law.

President's Budget. A document submitted annually (due by the first Monday in February) by the President to Congress. It sets forth the *Executive* recommendations for the Federal budget for the upcoming fiscal year. The President's budget submitted in January 1992 contained recommendations for FY 1993, beginning on October 1, 1992.

Rescission. A legislative action to cancel the obligation of unused budget authority previously provided by Congress before the time when the authority would have otherwise lapsed. Rescission may be proposed by the executive branch but require legislative action to become effective.

States. As defined in Chapter 1 of Title 23, the 50 States comprising the United States plus the District of Columbia and the Commonwealth of Puerto Rico. However, for the purposes of some programs (e.g., Highway Safety programs under 23 U.S.C. 402), the term may also include the Territories (Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands) and the Secretary of the Interior (for Indian Reservations).

Trust Funds. Accounts established by law to hold receipts that are collected by the Federal Government and earmarked for specific purposes and programs. These receipts are not available for the general purposes of the Federal Government. The Highway Trust Fund is comprised of receipts from certain highway user taxes (e.g., excise taxes on motor fuel, rubber, and heavy vehicles) and reserved for use for highway construction, mass transportation, and related purposes.

Appendix B: Authorizations
(millions)

PROGRAM	1992	1993	1994	1995	1996	1997	TOTAL
Title 1—Surface Transportation							
Interstate Construction Program	1,800.00	1,800.00	1,800.00	1,800.00	0.00	0.00	7,200.00
Interstate Substitute Program	240.00	240.00	240.00	240.00	0.00	0.00	960.00
Interstate Maintenance Program	2,431.00	2,913.00	2,914.00	2,914.00	2,914.00	2,914.00	17,000.00
National Highway System	3,003.00	3,599.00	3,599.00	3,599.00	3,600.00	3,600.00	21,000.00
Surface Transportation Program	3,418.00	4,096.00	4,096.00	4,096.00	4,097.00	4,097.00	23,900.00
Congestion Mitigation and Air Quality Improvement Program	858.00	1,028.00	1,028.00	1,028.00	1,029.00	1,029.00	6,000.00
Bridge Program	2,288.00	2,762.00	2,762.00	2,762.00	2,763.00	2,763.00	16,100.00
Federal Lands Highway Programs:	371.00	445.00	445.00	445.00	447.00	447.00	2,600.00
Indian Reservation Roads	(159.00)	(191.00)	(191.00)	(191.00)	(191.00)	(191.00)	(1,114.00)
Public Lands Highway	(143.00)	(171.00)	(171.00)	(171.00)	(172.00)	(172.00)	(1,000.00)
Parkways and Park Highways	(69.00)	(83.00)	(83.00)	(83.00)	(84.00)	(84.00)	(486.00)
Donor State Bonus Amounts	429.00	514.00	514.00	514.00	514.00	515.00	3,000.00
Reimbursement for non-federally aided Interstate Segments	0.00	0.00	0.00	0.00	2,000.00	2,000.00	4,000.00
Hold Harmless*	606.60	606.60	606.60	606.60	606.60	606.60	3,639.60
90% of Payment Adjustments*	0.00	83.00	83.00	83.00	83.009	83.00	415.00
Additional Allocation—Wisconsin	40.00	47.80	47.80	47.80	47.80	47.80	279.00
Highway Use Tax Evasion Projects	5.00	5.00	5.00	5.00	5.00	5.00	30.00
Highway Use Tax Evasion Projects—GF	2.50	2.50	2.50	2.50	2.50	2.50	15.00
Scenic Byways Program	1.00	3.00	4.00	14.00	14.00	14.00	50.00
Interim Scenic Byways Program	10.00	10.00	10.00	0.00	0.00	0.00	30.00
Ferry Boat and Facilities Construction	14.00	17.00	17.00	17.00	17.00	18.00	100.00
Emergency Relief	100.00	100.00	100.00	100.00	100.00	100.00	600.00
Arkansas Traffic Control Device	1.20	0.00	0.00	0.00	0.00	0.00	1.20
Minimum Allocation*	1,160.00	803.40	803.40	803.40	803.40	803.40	5,177.00
Projects:	542.62	1,225.46	1,158.85	1,100.52	1,100.52	1,100.52	6,228.49
High Cost Bridge Projects	(22.82)	(52.48)	(52.48)	(52.48)	(52.48)	(52.48)	(285.20)
Congestion Relief Projects	(39.20)	(90.17)	(90.17)	(90.17)	(90.17)	(90.17)	(490.04)
High Priority NHS Corridors	(94.65)	(270.99)	(204.38)	(204.38)	(204.38)	(204.38)	(1,183.16)
Rural Access Projects	(73.65)	(169.40)	(169.40)	(169.40)	(169.40)	(169.40)	(920.63)
Urban Access and Mobility Projects	(44.49)	(102.32)	(102.32)	(102.32)	(102.32)	(102.32)	(556.10)
Innovative Projects	(232.85)	(459.71)	(459.71)	(401.38)	(401.38)	(401.38)	(2,365.41)
Priority Intermodal Projects	(34.96)	(80.40)	(80.40)	(80.40)	(80.40)	(80.40)	(436.95)
High Priority NHS Corridor Studies	8.00	8.00	8.00	8.00	8.00	8.00	48.00
High Priority NHS Corridor Revolving Fund	0.00	40.00	40.00	40.00	40.00	40.00	200.00
Infrastructure Awareness Education Program	2.00	0.00	0.00	0.00	0.00	0.00	2.00
Safety Belts and Motorcycle Helmets	17.00	Continues as $24 million drawdown from sec. 402 for 93–94					17.00
Trauma Study	(5.00)	0.00	0.00	0.00	0.00	0.00	(5.00)
FHWA Highway (402) Safety Program	17.00	20.00	20.00	20.00	20.00	20.00	117.00

* Estimated amounts.

Appendix B (continued)

FHWA Highway R&D Safety (403) Program	10.00	10.00	10.00	10.00	10.00	10.00	60.00
National Magnetic Levitation Dev't—TF	5.00	45.00	100.00	100.00	125.00	125.00	500.00
High-speed Ground Transportation Dev't—TF	0.00	5.00	5.00	5.00	5.00	5.00	25.00
National Magnetic Levitation Dev't—GF	225.00	0.00	0.00	0.00	0.00	0.00	225.00
High-speed Ground Transportation Dev't —GF	25.00	0.00	0.00	0.00	0.00	0.00	25.00
High-speed Ground Transportation Dev't R&D—GF	25.00	0.00	0.00	0.00	0.00	0.00	25.00
Railroad Relocation Demonstration Program—TF	10.00	10.00	10.00	0.00	0.00	0.00	30.00
Railroad Relocation Demonstration Program—GF	5.00	5.00	5.00	0.00	0.00	0.00	15.00
Private Sector Involvement Program GF	5.00	5.00	5.00	5.00	5.00	5.00	30.00
Miscellaneous Highway Projects	987.20	0.00	0.00	0.00	0.00	0.00	987.20
Recreational Trails*	30.00	30.00	30.00	30.00	30.00	30.00	180.00
Title 1 Total	18,692.12	20,478.76	20,469.15	20,395.82	20,386.82	20,388.82	120,811.49
Highway Trust Fund—Highway Account	17,419.92	20,468.76	20,469.15	20,390.82	20,381.82	20,383.82	119,504.29
General Fund	1,272.20	10.00	10.00	5.00	5.00	5.00	1,307.20
Title II—Highway Safety							
NHTSA Highway Safety (402) Program	126.00	171.00	171.00	171.00	171.00	171.00	981.00
NHTSA Highway R&D Safety (403) Program	44.00	44.00	44.00	44.00	44.00	44.00	264.00
Drug Recognition Expert Training Program	4.00	4.00	4.00	4.00	4.00	4.00	24.00
National Driver Register Act Authorizations	4.00	Continues as $4 million drawdown from sec. 402 for 93 and 94					4.00
Alcohol Traffic Safety Incentive Grants	25.00	Continues as $25 million drawdown from sec. 402 for 93–97					25.00
Traffic and Motor Vehicle Safety	68.72	71.33	74.04	76.86	0.00	0.00	290.95
Motor Vehicle Information and Cost Savings Programs	6.49	6.73	6.99	7.25	0.00	0.00	27.46
Title II Total	278.21	297.06	300.03	303.11	219.00	219.00	1,616.40
Highway Trust Fund—Highway Account	199.00	219.00	219.00	219.00	219.00	219.00	1,294.00
General Fund	79.21	78.06	81.03	84.11	0.00	0.00	322.40
Title III—Mass Transit							
Section 3 Discretionary and Formula	1,342.17	2,030.00	2,050.00	2,050.00	2,050.00	2,900.00	12,422.17
New Starts	(536.87)	(812.00)	(820.00)	(820.00)	(820.00)	(1,160.00)	(4,968.87)
Rail Modernization Formula	(536.87)	(812.00)	(820.00)	(820.00)	(820.00)	(1,160.00)	(4,968.87)
Bus	(268.43)	(406.00)	(410.00)	(410.00)	(410.00)	(580.00)	(2,484.43)
Section 9 Formula Capital and Operating	1,822.76	2,604.14	2,642.57	2,642.57	2,642.57	3,741.02	16,095.64
Section 18 Rural	106.09	151.56	153.80	153.80	153.80	217.73	936.78
Interstate Transfer—Transit	160.00	164.84	0.00	0.00	0.00	0.00	324.84
Section 16(b)(2)	54.88	70.15	68.68	68.68	68.68	97.15	428.21
Transit Planning and Research	109.12	157.05	153.75	153.75	153.75	217.50	944.92
National	(39.51)	(45.62)	(44.62)	(44.62)	(44.62)	(63.75)	(282.75)
State	(8.96)	(14.96)	(14.62)	(14.62)	(14.62)	(21.00)	(88.79)
Cooperative	(8.96)	(14.96)	(14.62)	(14.62)	(14.62)	(21.00)	(88.79)
Sec. 8 MPO Planning	(43.69)	(70.67)	(69.19)	(69.19)	(69.19)	(97.88)	(419.80)

* Estimated amounts.

Appendix B (continued)

Rural Transit Assistance Program	(5.00)	(7.85)	(7.69)	(7.69)	(7.69)	(10.87)	(46.79)
National Transit Institute	(2.99)	(3.00)	(3.00)	(3.00)	(3.00)	(3.00)	(17.99)
University Transportation Centers	6.99	7.00	7.00	7.00	7.00	7.00	41.99
Program Administration	37.00	50.26	49.20	49.20	49.20	69.60	304.46
Title III Total	3,639.01	5,235.00	5,125.00	5,125.00	5,125.00	7,250.00	31,499.01
Highway Trust Fund—Transit Account	1,896.01	2,875.00	2,975.00	2,875.00	2,775.00	4,800.00	18,196.01
General Fund	1,743.00	2,360.00	2,150.00	2,250.00	2,350.00	2,450.00	13,303.00
Title IV—Motor Carrier Safety							
Motor Carrier Safety Grants Programs	65.00	76.00	80.00	83.00	85.00	90.00	479.00
Motor Carrier Safety Functions	49.32	0.00	0.00	0.00	0.00	0.00	49.32
Longer Combination Vehicles	1.00	1.00	1.00	0.00	0.00	0.00	3.00
Uniformity	6.00	Continues as $6 million drawdown from MCS Grants for 93–97					6.00
Title IV Total	121.32	77.00	81.00	83.00	85.00	90.00	537.32
Highway Trust Fund—Highway Account	72.00	77.00	81.00	83.00	85.00	90.00	488.00
General Fund	49.32	0.00	0.00	0.00	0.00	0.00	49.32
Title VI—Research							
Bureau of Transportation Statistics	5.00	10.00	15.00	15.00	20.00	25.00	90.00
Bus Testing	3.99	0.00	0.00	0.00	0.00	0.00	3.99
Howard Transportation Information Center	2.24	0.00	0.00	0.00	0.00	0.00	2.24
Nat'l Center for Advanced Transportation Technology	2.50	3.00	2.50	0.00	0.00	0.00	8.00
University Transportation Centers	5.00	6.00	6.00	6.00	6.00	6.00	35.00
University Research Institutes	6.25	6.25	6.25	6.25	6.25	6.25	37.50
Intelligent Vehicle Highway Systems	94.00	113.00	113.00	113.00	113.00	113.00	659.00
Title VI Total	118.98	138.25	142.75	140.25	145.25	150.25	835.73
Highway Trust Fund—Highway Account	114.99	138.25	142.75	140.25	145.25	150.25	831.74
Highway Trust Fund—Transit Account	3.99	0.00	0.00	0.00	0.00	0.00	3.99
General Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	22,849.63	26,226.07	26,177.93	26,047.18	25,961.07	28,098.07	155,299.96
HIGHWAY TRUST FUND—HIGHWAY ACCOUNT	17,805.91	20,903.01	20,901.90	20,833.07	20,831.07	20,843.07	122,118.03
HIGHWAY TRUST FUND—TRANSIT ACCOUNT	1,900.00	2,875.00	2,975.00	2,875.00	2,775.00	4,800.00	18,200.00
GENERAL FUNDS	3,143.72	2,448.06	2,241.03	2,339.11	2,355.00	2,455.00	14,981.92

Appendix C-1: Specific Dollar Takedowns
(millions of dollars)

TAKEDOWN FROM	FOR	1992	1993	1994	1995	1996	1997
Interstate Construction	Interstate Construction Projects	100	100	100	100	—	—
	Alaska Highway (optional)	20	20	20	20	—	—
National Highway System	I-4R Discretionary	54	64	64	64	64	65
Surface Transportation Program	High Speed Rail Corridors	5	5	5	5	5	5
Bridge Program	Bridge Discretionary	49	59.5	59.5	60.5	60.5	60.5
	Timber Bridges	8	8.5	8.5	8.5	8.5	8.5

Appendix C-2: Percentage Takedowns

TAKEDOWN FROM	FOR	1992	1993	1994	1995	1996	1997
Interstate Construction	Administration	2.75	*	*	*	*	*
Interstate Maintenance	Administration	2.75	*	*	*	*	*
	Metropolitan Planning	1	1	1	1	1	1
Interstate Substitute	Administration	2.75	*	*	*	*	*
National Highway System	Administration	2.75	*	*	*	*	*
	Metropolitan Planning	1	1	1	1	1	1
	Territories	1	1	1	1	1	1
Surface Transportation Program	Administration	2.75	*	*	*	*	*
	Metropolitan Planning	1	1	1	1	1	1
Congestion Mitigation/Air Quality	Administration	2.75	*	*	*	*	*
	Metropolitan Planning	1	1	1	1	1	1
Bridge Program	Administration	2.75	*	*	*	*	*
	Metropolitan Planning	1	1	1	1	1	1
	Indian Reservation Bridges	1	1	1	1	1	1
Federal Lands Highway Program	Administration	2.75	*	*	*	*	*
Reimbursement for 1956 Interstate	Administration	—	—	—	—	*	*
	Metropolitan Planning	—	—	—	—	1	1
Donor State Bonus	Administration	2.75	*	*	*	*	*

* To be determined each year to a maximum of 3.75 percent.

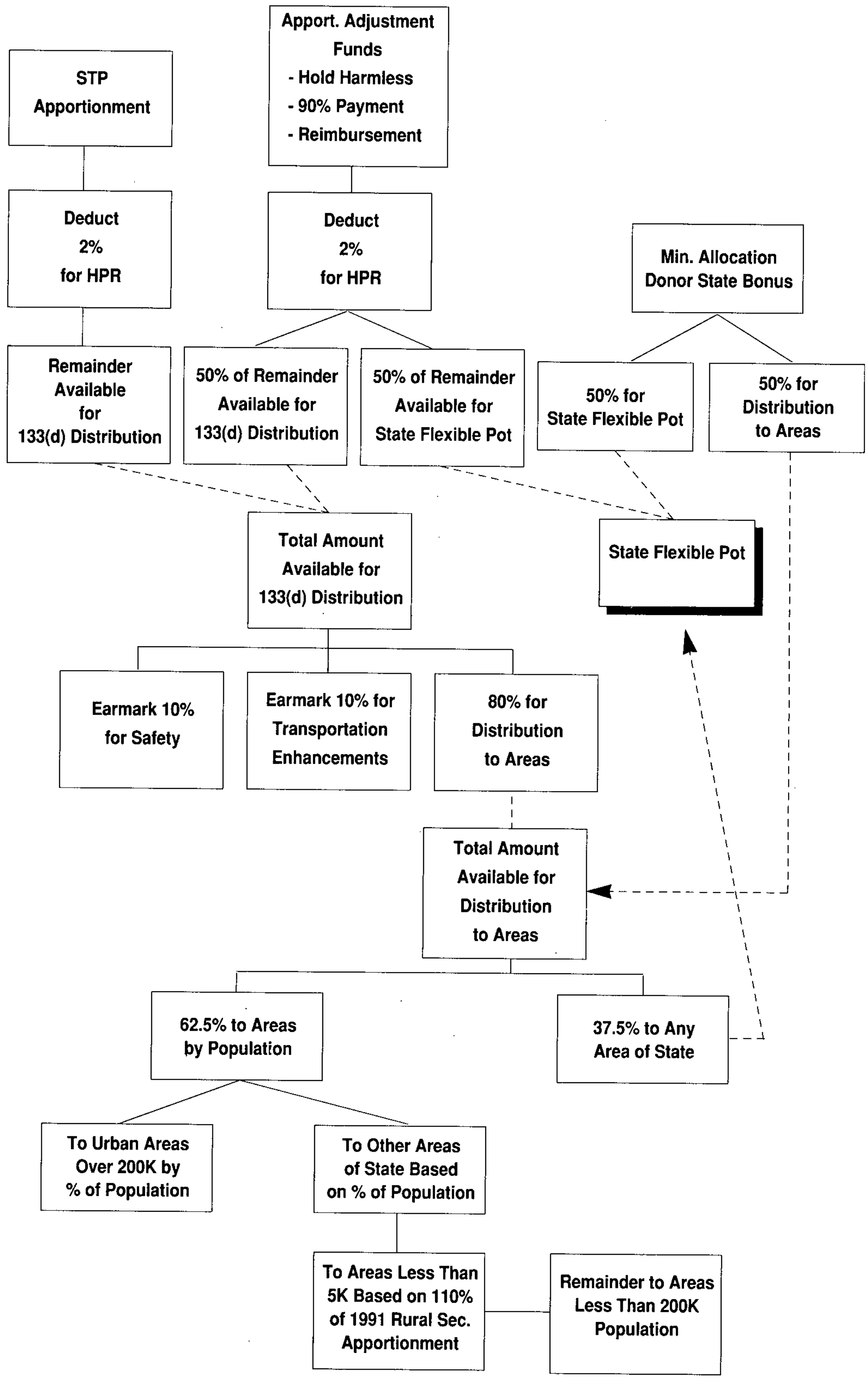
Appendix D-1: Apportionment Formulas

PROGRAM	FACTORS	WEIGHT	STATUTE*	MINIMUM APPORTIONMENT
Interstate Construction	Relative Federal share of cost to complete the system	1	104(b)(5)(A)	—
Interstate Maintenance	Interstate System lane miles	55%	104(b)(5)(B)	1/2%
	Vehicle miles traveled on Interstate System	45%		
Interstate Highway Substitution	Relative Federal share of cost to complete substitute projects	1	103(e)(4)(H)	—
Bridge Replacement and Rehabilitation	Relative share of total cost of deficient bridges	1	144(e)	1/4% (10% maximum)
National Highway System			104(b)(1)	70% of share of FY 87-91 funds received**
	Percent share of funds apportioned in FY for: NHS, IM, STP, BRR	must equal	Percent share of apportioned funds for FYs 1987-91 for: Interstate 4R, Primary, Secondary, Urban, Bridge R&R, IC 1/2% minimum	
Surface Transportation Program (STP)	Basically same as for NHS		104(b)(3)	Same as NHS
Congestion Mitigation and Air Quality Improvement Program (CM/AQ)	Non-attainment area population	1.1 to 1.4	104(b)(2)	1/2%

* Denotes Title 23 U.S.C. Section

** Unless State received IC apportionment of $50,000 or more in FY 1992

Appendix D-2: Surface Transportation Program—Sub-State Distribution



Appendix E: Funding Equity Categories

CATEGORY/SECTION	FORMULA	ELIGIBLE USE
Minimum Allocation (MA) 23 U.S.C. 157	For FY 1992-97, each State is guaranteed an amount so that its percentage of total appointments in each FY of Interstate Construction (IC), Interstate Maintenance (IM), Interstate Substitution (IS), National Highway System (NHS), Surface Transportation Program (STP), Bridge Program (BRR), Scenic Byways, and Safety Belt and Motorcycle Helmet grants and allocations from any of these programs received in the prior year shall not be less than 90 percent of the percentage of estimated contributions to the Highway Trust Fund, not including the Mass Transit Account. The contributions are based on the latest year for which data is available. This normally is 2 years before the FY for which the calculation is made.	The funds may be used for any or all of the following: IC, IM, IS, NHS, STP, CM/AQ, and BRR.
Donor State Bonus (DSB) 23 U.S.C. 1013(c)	For each FY 1992-97, donor States are identified by comparing each State's projected contributions to the Highway Trust Fund in the FY to the apportionments that will be received by the State in that FY. The ISTEA authorizes a particular amount each year to distribute to these donor States as a bonus. Starting with the State having the lowest return (apportionments compared to contributions), each State is brought up to the level of return for States with the next highest level of return. This is repeated successively for each State until the funds authorized for that FY are exhausted.	The funds are used as Surface Transportation Program funds, except that one-half of the bonus amount received by a State does not have to follow the sub-State distribution rules of that program.
Hold Harmless 23 U.S.C. 1015(a)	The ISTEA establishes a legislative percentage that each State must receive each FY. The percentage applies to the total funding to be distributed for IC, IM, IS, NHS, STP, CM/AQ, BRR, Federal Lands, MA, Interstate Reimbursement (when it becomes available in FY 1996), and DSB. Each State is to receive an addition to its regular apportionments so that its total will equal the established percentage.	The funds are used as STP funds, expect that one-half of the amount received by a State is not subject to the two set-asides or the sub-State distribution rules of that program.
90 Percent of Payments Adjustment 23 U.S.C. 1015(b)	For each FY 1992-97, each State that qualifies will receive an allocation in an amount that ensures its apportionments for the FY and allocations for the previous FY will be at least 90 percent of its contributions to the Highway Account of the Highway Trust Fund. This is different from the Minimum Allocation, where the guarantee is 90 percent of a State's *relative share* of contributions. Like Minimum Allocation, the contribution is determined based on the latest year for which data are available. The apportionments included in the calculation are those for IC, IM, NHS, STP, CM/AQ, Interstate Reimbursement (when it becomes applicable in FY 1996), DSB, and Hold Harmless.	The funds are used as STP funds, except that one-half of the amount received by a State is not subject to the two set-asides or the sub-State distribution rules of that program.
Reimbursement for Interstate Segments 23 U.S.C. 160	For FY 1996 and 1997, each State (including the District of Columbia) will receive an amount of money to reimburse them for their cost of constructing segments of the Interstate System without Federal assistance in the early days of the Interstate Construction Program. The amount each State will receive is a percentage (specified in the law) of the amount authorized for each of those years ($2 billion each year).	The funds are used as STP funds, except that one-half of the amount received by a State is not subject to the two set-asides or the sub-State distribution rules of that program.

Appendix F: Allocated Funds

FUNDS AND STATUTORY REFERENCE	DISTRIBUTION
Interstate Construction 23 U.S.C. 118(c)	Secretarial discretion based on State applications.
Interstate 4R 23 U.S.C. 118(b)(2)	This fund comes from a set-aside of NHS authorization. A certain amount of the authorization in FYs 1992-94 is to be used on a highway in Chicago. The remainder of the fund will be allocated subject to the following: States applying for funds must have obligated all NHS funds and must be able to obligate the funds within 1 year of their being made available; apply the funds to a ready-to-commence project; and begin work within 90 days of obligation. The Secretary is to give priority consideration to projects costing more than $10 million on high-volume urban routes or high-volume routes in rural areas.
Bridge Discretionary 23 U.S.C. 114(g)	Funds can be used only for (1) highway bridges costing more than $10 million to replace or rehabilitate and (2) bridges costing less than $10 million if the cost is at least twice the amount apportioned to each State for the year in which discretionary funds are sought. In addition, the Secretary must apply the selection criteria identified in section 161 of the 1982 Surface Transportation Assistance Act.
Emergency Relief 23 U.S.C. 125	Project by project.
Federal Lands Indian Reservation Roads Public Lands Highways Parkways and Park Highways 23 U.S.C. 202	Needs basis.

Appendix G: Federal Share and Availability for Significant Programs

PROGRAM	FEDERAL PERCENT SHARE	AVAILABILITY YEARS
Interstate Construction	90	1*
Interstate Substitution	85	2*
Interstate Maintenance	90	4
National Highway System	80	4
Surface Transportation Program	80	4
Congestion Mitigation and Air Quality Program	80	4
Bridge Replacement and Rehabilitation Program	80	4
Federal Lands	100	4
Toll Roads	50–80	N/A
Transit Capital		
Section 3	80	Until Expended
Section 9	80	4
Section 18	80	3
Section 16(b)(2)	80	1
Transit Operating	50	4
National Magnetic Levitation Prototype	75–90	Until Expended
National High-Speed Ground Transportation Technology Demonstration	80	Until Expended
Demonstration Projects	80	Until Expended
Highway Safety Programs	80	4
Motor Carrier Safety Assistance	80	Secretary—Until Expended; States—2 years
IVHS Corridors Program	80	Until Expended

* Last year of authorization available until expended.

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