DEPARTMENT OF TRANSPORTATION

Since 2001, the Administration:

- Worked with the Congress to enact a reauthorization of the Department of Transportation's highway, public transportation, and highway safety programs that gives States more flexibility and targets priority areas, such as safety and mobility;
- Helped stabilize the airline industry following the September 11, 2001, terrorist attacks;
- Reached key highway safety goals, including improving the national safety belt usage rate to a record high and reducing the highway fatality rate;
- Completed the largest competitive sourcing effort undertaken by a Federal agency, which will save taxpayers more than $2 billion by consolidating Federal Aviation Administration facilities and modernizing its technologies;
- Launched the Next Generation Air Transportation System initiative to transform the Nation's vital air transportation system; and
- Worked with pipeline users and the Congress to enact new legislation to improve pipeline safety by preventing damage to pipelines and providing help to States who share oversight of pipelines.

The President's 2008 Budget:

- Proposes Federal Aviation Administration reauthorization legislation that would improve the management of the air traffic control system by reforming the system's financing structure; and
- Proposes a new highway congestion initiative that will enable select cities to test innovative approaches for managing traffic and facilitate improvements to major interstate corridors.

FOCUSING ON THE NATION'S PRIORITIES

Building a More Efficient Air Traffic Control System to Meet the Air Travel Demands of the Future

Under the Federal Aviation Administration's (FAA's) current tax structure, which expires at the end of 2007, there is no relationship between the taxes paid by users and the air traffic control services provided by FAA. For example, two identical commercial jets fly between Miami and Boston at the same time of day. One is full of passengers, while the other is nearly empty, yet both impose the same workload on FAA. Since the current tax structure is primarily based on the price of a ticket, FAA collects much more in taxes from the full plane than from the nearly empty plane. Under its reauthorization proposal, FAA aims to create a direct relationship between revenue collected and services received, providing FAA with a stable revenue stream and creating incentives to make the system more efficient and responsive to user needs.

The 2008 Budget includes a reauthorization proposal that transforms FAA's excise tax financing system into a cost-based user fee system. Under this system, aviation users would pay for the actual level of service that FAA provides in managing the use of the national airspace. User fees would enable users to gauge the actual costs of their requirements on the system. By providing clearer price signals, a new direct payment structure will also enable FAA to better target investment and management decisions that provide the greatest system performance benefits. This new model encourages FAA to control costs, increase accountability, and improve its ability to operate like a business.

Under the proposal, FAA's financing for air traffic operations will primarily be based on user fees instead of excise taxes. FAA would have the authority to collect the user fees that directly offset the cost of its operations; expenditure of the available fees would be affirmed in the appropriations process. User fees would be collected from commercial aviation operators. General aviation users would continue to pay a fuel tax. Both user fees and fuel tax rates would be calibrated based on the costs that the users impose on the system. FAA would also be able to charge all users a fee for operating in the Nation's most congested airspace. FAA's budget would maintain a general fund component to cover activities that benefit the public good, like safety oversight functions and public use of the airspace. FAA's airport grants program would continue to be funded from fuel taxes paid by all users ($2.75 billion for 2008).

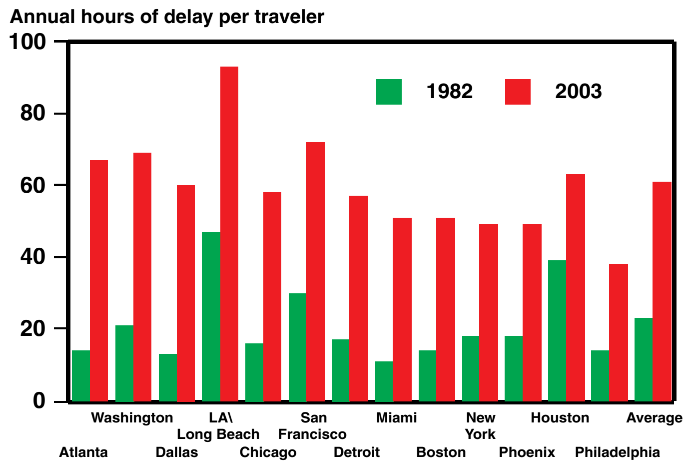
The Budget assumes FAA will implement its new financing system starting in 2009 while other elements of the reauthorization will be effective in 2008. To illustrate the effect of the proposal, the Budget *Appendix* volume also includes material that displays how this would be implemented.

The President's Budget also includes $175 million to support key FAA investments in the Next Generation Air Transportation System (NGATS). Launched in 2003, NGATS is a multi-agency effort that will transform the Nation's air traffic management system to accommodate projected demand and continue to improve air transportation safety and security. The Budget continues FAA investments in satellite navigation and other projects to improve the automation of air traffic management. The reauthorization proposal will help FAA continue to invest in NGATS, and includes proposals to establish pilot programs to encourage airports to take responsibility for maintaining and modernizing equipment to support the transformation of the air traffic control system. The reauthorization proposal includes other programmatic changes and reforms to improve the system. For example, the grants program will empower airports with strong local revenue sources to attract private capital and improve airport performance.

Exploring New Ways to Reduce Highway Congestion

Highway traffic congestion is a pervasive problem that affects every American either directly or indirectly. In 2003, drivers in the 85 most congested urban areas in the United States experienced 3.7 billion hours of travel delay and burned 2.3 billion gallons of wasted fuel for a total cost of $63 billion. In the Nation's 10 most congested areas, each rush hour traveler "pays" an annual virtual "congestion tax" of between $850 and $1,600 in lost time and fuel, spending the equivalent of almost eight work days each year stuck in traffic. In addition to these costs, deterioration in the transportation system makes delivery of goods and services less reliable, has environmental impacts, distorts real estate markets, and robs people of time with their families.

Worsening Highway Congestion



Source: Texas Transportation Institute.

In support of a Department-wide effort to tackle congestion in all modes, the 2008 Budget redirects funds to a new $175 million highway congestion initiative. The program is funded with balances from unneeded Congressional earmarks for highway projects. The Department would make these funds available to local governments to demonstrate innovative ideas for curbing congestion. A select number of large-scale pilot projects would be chosen based on their willingness to implement a comprehensive congestion reduction strategy. That strategy would include a broad demonstration of some form of congestion pricing, commuter transit services, commitments from employers to expand work schedule flexibility, and faster deployment of real-time traffic information. The goals of the initiative are to test new ways to mitigate congestion, evaluate the benefits and costs of these approaches, and determine if they can be applied in other parts of the country. Part of this initiative also includes $25 million for the Corridors of the Future program to enable the Secretary to target a small number of projects that show they can help expand capacity and improve operations along heavily congested interstate travel and trade corridors.

Focusing Amtrak's Spending Priorities

The Administration believes that scarce taxpayer dollars must be spent wisely, including the funds provided to Amtrak. Led by its Board of Directors, Amtrak made some progress in 2006 to strengthen its finances by increasing revenues and controlling costs. While Amtrak's recent performance is encouraging, it continues to under perform overall. Amtrak's system-wide on-time performance again dropped in 2006 to 68 percent, and it required $490 million in operating subsidies, mostly for its money-losing long distance trains. When last measured for 2002, the net Federal subsidy per thousand passenger miles traveled was $199.90 for rail, $5.87 for commercial aviation, and -$.95 for highway users according to the Bureau of Transportation Statistics. While Amtrak carried 24 million passengers in 2006, domestic air carriers that year flew 656 million passengers.

Historically, Amtrak has been hampered by a lack of accountability, poor design, and mismanagement. The latest critical review of Amtrak comes from the Government Accountability Office, which concluded, among several findings, that Amtrak's long-distance trains "show limited public benefits for dollars expended," and that "these routes account for 15 percent of riders but 80 percent of financial losses." To turn the enterprise around, the Administration has urged basic reforms that would empower local communities and ultimately customers to determine the most efficient way to run trains. The Administration expects the Board's newly-installed management to make significant changes required to enable the company to succeed without Federal operating subsidies. The Department plans to administer Amtrak's subsidy with this goal in mind.

The 2008 Budget proposes a subsidy that would require that Amtrak make hard choices about its services and commit to running the railroad more like a business. The request is part of a multi-year program to reduce and then eliminate Amtrak's reliance on Federal operating assistance as required by the Amtrak Reform and Accountability Act of 1997 (49 USC 24101). For 2008, the Budget recommends $900 million for intercity passenger rail, but only $800 million for Amtrak directly. This amount includes $300 million for operating costs, compared to the $490 million Amtrak received in 2006, beginning the phasing out of operating subsidies. The Budget continues to fund Amtrak's infrastructure needs with a capital request of $500 million, which is equal to the 2006 enacted level. This level should underwrite Amtrak's ongoing efforts to rehabilitate the Northeast Corridor between Washington, D.C. and Boston, which is by far its most heavily used and important route. In addition, the President's Budget requests $100 million for capital matching grants to States for intercity passenger rail projects. This new program would give local communities resources to direct investment in facilities that reflect their top rail transportation priorities. The Administration believes the Federal Government should help States fund capital projects where there is strong demand for rail service, and help foster managed competition among rail operators to encourage innovation and cost control.

Department of Transportation

(In millions of dollars)

	2006 Actual	Estimate	
		2007	2008
Spending			
Discretionary Budgetary Resources:			
Federal Aviation Administration	14,271	14,798	14,077
FAA operations, capital, and research programs (non-add)	*10,756*	*11,283*	*11,327*
Federal Highway Administration	34,206	31,477	37,176
Federal-Aid Highway Obligation Limitation (non-add)	*34,183*	*35,551*	*39,585*
Federal-Aid Highway rescission of contract authority (non-add)	*–4,229*	*–4,261*	*–2,000*
Federal Motor Carrier Safety Administration	490	455	528
National Highway Traffic Safety Administration:			
Existing law	806	799	711
Legislative proposal	—	—	122
Federal Railroad Administration	1,502	1,324	1,071
Intercity Passenger Rail (non-add)	*1,293*	*1,114*	*900*
Maritime Administration	298	212	295
Federal Transit Administration	9,853	8,529	9,423
Federal Transit Administration Obligation Limitation (non-add)	*8,263*	*6,910*	*7,873*
St. Lawrence Seaway Development Corporation	16	16	17
Pipeline and Hazardous Materials Safety Administration	115	112	119
Research and Innovative Technology Administration	6	6	12

Department of Transportation—Continued

(In millions of dollars)

	2006 Actual	Estimate 2007	Estimate 2008
All other programs (including offsetting collections)	267	203	128
Total, Discretionary budgetary resources [1]	61,830	57,931	63,679
Memorandum: Budget authority from enacted supplementals	*3,501*	—	—
Total, Discretionary outlays	59,236	62,713	65,811
Mandatory Outlays:			
Federal Aviation Administration	–181	–158	1
Federal Highway Administration	1,080	1,300	1,339
Federal Railroad Administration	–4	–2	–5
Maritime Administration	274	198	145
Pipeline and Hazardous Materials Safety Administration	12	15	16
All other programs (including offsetting collections)	–275	–291	–275
Total, Mandatory outlays	906	1,062	1,221
Total, Outlays	60,142	63,775	67,032
Credit activity			
Direct Loan Disbursements:			
Transportation Infrastructure Finance and Innovation Program	54	330	1,393
Railroad Rehabilitation and Improvement Program	79	363	600
Total, Direct loan disbursements	133	693	1,993
Guaranteed Loan Disbursements:			
Transportation Infrastructure Finance and Innovation Program	—	200	200
Maritime Guaranteed Loans (Title XI)	140	100	—
Minority Business Resource Center	5	19	18
Total, Guaranteed loan disbursements	145	319	218

[1] Includes both discretionary budget authority, obligation limitations, and rescissions.