

**STATEMENT OF  
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U.S. DEPARTMENT OF TRANSPORTATION**

**BEFORE THE**

**COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE  
SUBCOMMITTEE ON HIGHWAYS, TRANSIT & PIPELINES  
U. S. HOUSE OF REPRESENTATIVES**

**FEBRUARY 15, 2006**

**Good afternoon. Thank you for the opportunity to appear before you today to discuss the President's fiscal year (FY) 2007 budget plan for the Department of Transportation's surface transportation programs.**

**Last summer, the "Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users" (SAFETEA-LU) authorized funding for the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), the National Highway Traffic Safety Administration (NHTSA), and the Federal Motor Carrier Safety Administration (FMCSA) through FY 2009 – providing a record investment in our highways, transit, and highway safety programs.**

**I am pleased to report to you today that the President's FY 2007 budget plan proposes surface transportation funding as envisioned in SAFETEA-LU. The President's request for highways, transit, and highway safety is \$50.0 billion – \$3.9 billion more than enacted in FY 2006. The President's request includes \$842 million associated with a revenue aligned budget authority (RABA) adjustment. This RABA calculation, as provided for in SAFETEA-LU, adjusts highway funding up or down depending on gas tax receipts and ensures that revenues collected in the Highway Trust Fund are directed to fund some surface transportation program needs. The President's 2007 request, including the RABA adjustment, will provide historically high levels of investment in our highway, transit, and highway safety programs.**

**The Administration's 2007 proposed funding levels for these transportation programs are especially significant given the overall context of the President's budget. At a time when most non-security related domestic programs are experiencing reductions in their funding levels, and when the Department of Transportation's total budget is holding steady, the President's 2007 budget request would increase highway, transit, and highway safety funding by nearly 10 percent above FY 2006 levels. This shows the high priority the Administration has placed on continuing to fully fund SAFETEA-LU programs among many competing national priorities.**

**At the same time, the President's 2007 budget projections reflect a continuing downward trend in the cash balances in the Highway Trust Fund that are available for America's highway, transit, and highway safety programs. I call your attention to the fact sheet attached to this statement which will be helpful in reviewing the current status of the Highway Trust Fund. The trust fund has two parts – a Highway account that funds FHWA, NHTSA, and FMCSA programs – and, a separate Mass Transit account that funds FTA programs. Combined, the cash balances for these accounts are estimated at \$14.4 billion by the end of 2007 and fall to \$10.4 billion in 2008. By the end of the authorization period in 2009, trust fund balances are estimated to be a total of \$4.6 billion including a negative \$2.3 billion balance in the Highway account, and a balance of \$6.9 billion in the Mass Transit account.**

**While we recognize that the trend of an imbalance between resources and spending is a concern, a review of the history of the Highway Trust Fund shows that projections of the cash balances in this fund typically vary from year to year and become less reliable as you look further into the future. The Department of the Treasury model used to calculate the Highway Trust Fund's resources is dependent on macroeconomic projections that are subject to a large number of variables. In addition, expenditures from the Highway Trust Fund are estimates and based largely on approximations of each State's obligations for highway projects and programs. Thus, the factors affecting the cash balances can be difficult to predict. Nonetheless, we recognize that the trend in declining cash balances in the Highway Trust Fund remains constant and needs attention.**

**The traditional funding sources for highway programs are producing insufficient revenue at all levels of government. One way to identify new ways of expanding highway investment levels is through the new \$100 million Open Roads Financing Pilot Program proposed in the President's FY 2007 Budget. This new program will make it possible for up to five states to explore innovative mechanisms that can augment existing sources of state highway funding, as well as improve highway performance and reduce congestion. The pilot States will report their progress and provide lessons learned that will be helpful as we explore new ways to support surface transportation in the future.**

**We are hopeful that this program will also assist us in identifying new ways to address the growing problems caused by highway traffic congestion. As demands on our transportation systems continue to grow, congestion and its economic and environmental impacts are a continuing concern.**

**The Open Roads Financing Pilot Program is just one of the efforts that will assist us in finding new ways to address future surface transportation funding needs. Congress included in SAFETEA-LU the establishment of two commissions charged with reviewing and making recommendations on issues affecting the Highway Trust Fund. The National Surface Transportation Policy and Revenue Study Commission will review current methods and explore alternatives for investing in and managing our surface transportation system. A separate National Surface Transportation Infrastructure Financing Commission is charged with a specific focus on financial issues and the future of the Highway Trust Fund. This commission will consider alternative approaches for generating revenue in the Highway Trust Fund. These two commissions will provide information on potential alternatives to the current gasoline tax approach that may prove more effective in supporting highway and transit funding.**

**My testimony today noted that the President's FY 2007 budget is consistent with SAFETEA-LU funding levels. There are two programmatic changes I would like to highlight for you today. First, the President's 2007 budget changes the funding structure for NHTSA. Currently, a portion of NHTSA's funding is authorized through General Fund resources. The President's budget reflects the impact of authorizing legislation that would fund all of NHTSA's resources from**

**the Highway Trust Fund, providing consistent budgetary treatment of all NHTSA programs.**

**Second, SAFETEA-LU authorized the FTA to develop regulations to implement a new \$200 million “Small Starts” transit capital investment program in FY 2007 including the evaluation criteria for selecting projects and new funding grant agreements. Small Starts will provide Federal funding to support projects that are under \$250 million in total cost with a New Starts funding share of less than \$75 million. It is a program that the Administration recommended to Congress because it levels the playing field for medium and small communities. Work is currently underway to complete the regulations needed to establish criteria for awarding these new grants. Last month FTA published an Advance Notice of Proposed Rulemaking in the Federal Register to solicit public comments on the evaluation criteria and other program requirements. Because this new program will not be up and running until late FY 2007, it will be difficult to award more than \$100 million in Small Start grants before the end of FY 2007. As a result, the President’s budget funds the Small Starts grant program at \$100 million in FY 2007.**

**In summation, the President’s budget for 2007 proposes surface transportation funding generally consistent with SAFETEA-LU guaranteed levels. Nevertheless, the Administration’s revenue and spending projections for future years indicate a shortfall, perhaps as early as 2009, between resources (revenues and balances). We want to work closely with the Congress to find solutions for this projected imbalance. We must begin serious consideration of the post SAFETEA-LU era to ensure that these programs are fully financed to meet our Nation’s transportation needs.**

**Thank you for the opportunity to appear before you today. I would be happy to answer questions.**

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## Surface Transportation Programs FY 2007 Fact Sheet

### SAFETEA-LU ENACTED LEVEL (AUGUST 2005)

	(\$ in billions)			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	
Federal-Aid Highways	34.3	36.0	38.2	<i>In our comparisons, we are using 2006 SAFETEA-LU numbers compared with 2007 President's budget numbers (including RABA)</i>
Exempt Highway	0.7	0.7	0.7	
Public Transportation	7.6	8.6	9.0	
Safety	<u>0.9</u>	<u>1.2</u>	<u>1.2</u>	
<b>Total</b>	<b>43.5</b>	<b>46.5</b>	<b>49.1</b>	

### FY 2007 BUDGET (INCLUDES RABA)

	(\$ in billions)		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Federal-Aid Highways	33.3	35.6	39.1
Exempt Highway	0.7	0.7	0.7
Public Transportation	8.6	8.5	8.9
Safety	<u>0.9</u>	<u>1.3</u>	<u>1.3</u>
<b>Total</b>	<b>43.5</b>	<b>46.1</b>	<b>50.0</b>

- The FY 2007 budget request supports the **enacted SAFETEA-LU** funding levels of \$286 billion over the six years of the program. The budget also provides an additional **\$842 million in Revenue Aligned Budget Authority (RABA)** in FY 2007. RABA funds are distributed to FHWA (\$838.7 million) and FMCSA (\$3.5 million) as required by current law.
- The FY 2007 budget proposes to fully fund NHTSA out of the Highway Trust Fund. Because of the 1% across the board rescission in FY 2006 and reductions in Transit, the Administration was able to make this proposal within the enacted SAFETEA-LU funding levels.
- The budget includes a **\$100 million** proposal for the **Open Roads Financing Pilot Program**. With these funds, the Administration will work with **up to five states** to explore **innovative mechanisms** that can **augment existing sources of highway funding**, as well as improve highway performance and reduce congestion. The pilot States will be required to report on progress and findings.

### Highway Trust Fund Cash Balances During SAFETEA-LU (\$ in billions)

	<u>Actual</u>		<u>Estimated Balances</u>			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Cash Balance</b>						
Highway Account	10.8	10.6	10.2	6.6	2.4	(2.3)
Mass Transit Account	<u>3.8</u>	<u>1.9</u>	<u>5.9</u>	<u>7.8</u>	<u>8.0</u>	<u>6.9</u>
<b>Total</b>	14.6	12.5	16.1	14.4	10.4	4.6
<b>Byrd Test Passage (Highway Account)</b>	2.7 (pass)	71.1 (pass)	71.2 (pass)	65.7 (pass)	60.3 (pass)	63.8 (pass)

- It should be noted that this analysis is based on estimated receipts and spending that could later change. Going forward, the Administration will closely watch the status of the Highway Trust Fund.
- Under the FY 2007 budget, the Highway Account and the Mass Transit Account pass the Byrd Test in all years.