



# Transportation 101

AN INTRODUCTION TO FEDERAL  
TRANSPORTATION POLICY

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TRANSPORTATION FOR AMERICA

Executive Summary



# Transportation 101: An Introduction to Federal Transportation Policy



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# Executive Summary

This is a pivotal moment for our nation and its commitment to America's transportation infrastructure. The Interstate Highway System has been built, but it no longer meets all our needs and is showing its age. The next transportation bill must address the many challenges our nation is facing: crippling commutes, rising costs, wasteful spending, lack of options and economic development in our urban, suburban and rural communities.

As Congress prepares to debate the next bill, Transportation for America offers this guidebook as a reference to existing policies and programs, their historical background and the issues that numerous stakeholders believe must be addressed this time around. The guidebook is divided into six sections: 1) The history of federal transportation policy; 2) Funding and revenue collection and distribution; 3) How our current federal program works; 4) How the federal policies are implemented at various levels of government; 5) The reauthorization process; and 6) The future of federal transportation policy.

## How we got here

Over many decades, the federal government's interest in transportation has evolved in response to new opportunities, economic growth and shifting travel demand. Article I of the United

States Constitution articulates the importance of interstate commerce and allows Congress to regulate these activities.

As our transportation network evolved, so have our cities, towns and neighborhoods. Traditional, compact patterns of streets and buildings oriented for people on foot began to change in the first half of the twentieth century, when cars and trucks started reshaping the landscape. As car ownership grew and electrified trolleys became increasingly vital to the growing suburbs, the transportation system was increasingly important for connecting people and places within cities.



Photo by Detroit Publishing Company, between 1915 and 1925. Library of Congress Prints and Photographs Division

In 1941, President Roosevelt appointed the National Interregional Highway Committee, whose recommendation for a "National System of Interstate and Defense Highways" resulted in the Federal-Aid Highway Act of 1944. The federal role in highway building grew exponentially with the creation of the Interstate program in

the 1950s. The Interstate and Defense Highways Act of 1956, also called the 1956 Federal-Aid Highway Act (Interstate Act), appropriated \$25 billion<sup>1</sup> (about \$197 billion in 2009 dollars) to build 41,000 miles of multi-lane, limited access highways.



Flickr photo by triplefivedrew: <http://www.flickr.com/photos/triplefivedrew/2040918034/>

Originally intended as a system to connect economic centers and link states together, the Interstate System radically transformed the travel and development patterns within cities themselves and helped facilitate booming growth in the nation's suburbs. While urban highways were built with as much as 90 percent federal money, no similar program existed for non-highway networks or for public transportation. Transit systems struggled to compete with the subsidized highway program. Efforts to secure federal support for transit began around 1960, led by mayors from cities experiencing deteriorating

commuter systems. These mayors stressed the need to modernize antiquated transit systems and stem the decline in central cities.

Congress placed public transportation under the purview of the Department of Housing and Urban Development (HUD.) Congress authorized loans and demonstration grants through Urban Mass Transportation Acts, tentatively in 1964 and significantly in 1970 with long-term, contract authority of at least \$10 billion over 12 years. The new program provided capital grants for up to 50 percent of the cost of transit capital improvements – and starting in 1974, operating expenses administered by HUD.

In the early 1980s, Congress took steps to unify highway, transit and transportation safety programs under the Surface Transportation Assistance Act of 1982 and – with President Reagan's support and leadership – raised the gas tax from 4 to 9 cents and dedicated 1 cent per gallon exclusively for public transit programs for the first time.

The Interstate System as originally conceived was completed in 1991 and capped at 43,000 miles. In 1991, Congress passed the Intermodal Surface Transportation Efficiency Act (ISTEA), changing the overall program to allow greater flexibility in project selection and expanding the number of programs. With ISTEA, Congress recognized the need to shift beyond the narrow goal of building the interstate highway system, but subsequent bills have failed to articulate clear national objectives to guide federal investments.

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1 Department of Transportation, Federal Highway Administration, "Highway History: Federal-Aid Highway Act of 1956," <http://www.fhwa.dot.gov/infrastructure/50interstate.cfm>

## Current Transportation Policy

On August 10, 2005, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), our current transportation legislation, became law. The law, signed by President George W. Bush, authorized \$286.5 billion dollars to fund our nation's transportation network through September 2009, including \$228 billion for highway programs and \$53 billion for transit programs. The bill expired on September 30, 2009 and has been extended multiple times since that date.



The number of programs and the complexity of transportation funding have grown over time. SAFETEA-LU authorized more than 108 individual programs. The nine programs within the transit and highway titles generally are referred to as “core” programs. These formula-driven programs – six within the highway title and three within the transit title – are considered core because, together, they represent nearly 75 percent of authorized funding through SAFETEA-LU.

SAFETEA-LU establishes both formula and discretionary programs. Formula programs allocate funds to states and transit agencies by formulas based on criteria such as population and gas tax receipts. The discretionary programs allow the U.S. DOT to allocate funds through competitive processes. Formula programs have been criticized in several recent commission reports because they are unrelated to actual need or outcomes.

The U.S. DOT administers SAFETEA-LU through 13 divisions – 10 that are responsible for individual modes (highways, transit, marine, etc.) and 3 for administrative branches. States are given the majority of control to plan and build projects, and generally work with the federal government at the end of the process to arrange for reimbursement.

During the debate over SAFETEA-LU, Congress recognized the need to reform the structure and function of surface transportation authorizations. The law authorized two separate commissions to examine the future of transportation. We discuss their findings below.

## Funding and Revenue

To run any transportation system requires two kinds of funding: initial, upfront money to build projects and ongoing funds for operations and repair. In the U.S., the federal government has traditionally focused on providing construction funds, while states and regions are tasked with paying for ongoing repair and operating costs.

Taken together, federal, state and local support for transportation totaled \$204.5 billion in 2006 alone.

Federal funding provides a significant amount of the financing for capital investments, but typically must be matched by funds from other sources – in most cases, state and local governments. Federal highway programs today generally pay 80 percent of project costs, requiring a 20 percent state or local match. Unlike highways, funds for new transit projects typically come from discretionary grant programs. As a result, the federal match in reality is often only 50 percent. In addition to matching federal funds, states and localities often use general funds or impose special tax levies to pay for new projects and maintain existing roadways.

The federal government funds transportation projects and programs in part through taxes and fees related to use of the transportation system. Herbert Hoover instituted the first, one-cent federal gas tax in 1932 – not for transportation but for deficit reduction. It was not until passage of the Highway Revenue Act of 1956 that the gas tax was tied to transportation projects through the Federal-Aid Highway program. The 1956 act created a dedicated transportation funding account, the Highway Trust Fund (HTF). In the early 1980s, Congress expanded the definition of federal highways beyond the Interstate, created new programs to address transit infrastructure and established a Mass Transit Account within the trust fund.

## TRANSPORTATION TERMINOLOGY

**Formula funding:** Funding allocated to states/agencies by pre-determined formulas backed by numbers such as population or gas tax receipts.

**Discretionary funding:** Funding that can be allocated by the U.S. DOT or related agencies based on a competitive or merit-based process.

Since 1956, Congress has also taken gradual steps to increase the gas tax and diversify the taxes and fees associated with funding the transportation system. Federal gas taxes have been increased five times since 1932 to boost either the Highway Trust Fund or the federal general fund.

Congress counted on ever-increasing gas tax revenues generated from ever-increasing traffic volumes to keep up with the need for transportation funding. However, mileage driven per person has hit a plateau in recent years and improvements in fuel efficiency are slowing fuel consumption. During the recent recession, gas tax receipts fell well below funding levels authorized in the legislation. Since fiscal year 2008, Congress has transferred \$34.5 billion of from the Treasury to the Highway Trust Fund to address shortfalls. In its most recent estimates, the Congressional Budget Office (CBO) projected the fund will reach insolvency in spring 2013. The Mass Transit Account remains solvent today, though its long-term health is also believed to be in jeopardy. The current funding approach is unsustainable and most industry observers agree new sources of funds for transportation projects are essential.

## TRANSPORTATION TERMINOLOGY

### **Metropolitan Planning Agency (MPO):**

Regional policy agency serving urbanized areas with populations over 50,000. They are responsible in cooperation with the state and other transportation providers for carrying out the metropolitan transportation planning requirements of federal highway and transit legislation.

## TRANSPORTATION TERMINOLOGY

**Strategic planning:** Is a planning approach that helps communities eliminate bureaucratic waste and prioritize more strategic investments to get the “best bang for the buck.” By taking a page from the private sector’s playbook and implementing a strategic plan, our communities can have less traffic, less taxes, and less wasteful misuse of critical infrastructure funding

## How projects get built

As noted above, federal policies and programs are overseen by U.S. DOT and its modal agencies, but states, regional planning organizations and local jurisdictions exert enormous influence on project implementation. In metropolitan areas, three entities have some level of say over federal transportation dollars: 1) the state transportation agency (DOT), 2) public transportation operators (transit agencies), and 3) metropolitan planning organizations (MPOs). Created at the behest of the Congress, MPOs are made up primarily of representatives from local governments in the region. In rural areas and small towns outside census-defined urbanized areas, individual towns and counties participate in regional planning organizations and/or work with the state.

In order to receive federal funds, projects must be part of a long-range transportation plan. In these plans, local and state governments are required to project future travel demand and examine likely impacts of transportation investment, but this planning is inadequate, failing to examine the impact that projects would have on land

use and development, or how future changes in development patterns could impact travel demand.

Recognizing this disconnect, some communities have begun approaching long-range planning by starting with the desired outcomes for their region and then designing the future transportation system to meet those goals. To get there, planners model various investment and decision-making scenarios with the goal of reducing traffic, minimizing public and private transportation costs, leveraging private investment, making the best use of taxpayer money and increasing accessibility. Well-known examples include the Sacramento, California Blueprint plan and Nashville, Tennessee’s Cumberland Region Tomorrow Strategic Plan.

While MPOs set regional policies, state DOTs control the allocation of most funding and thus essentially choose and prioritize projects. The federal process for building, widening and extending the highway network differs fundamentally from similar investments in the transit system. Transit projects must clear

several levels of federal evaluation before they can be built, while highway projects generally are not subjected to the same level of scrutiny.

## The Reauthorization Process

The authorization process in Congress presents the opportunity to shape funding, policy and program administration over the course of several years. The process involves two steps, authorization and appropriation. An authorization is a statutory provision that sets ceilings on funding levels for a program or agency. Obligation limitations within the bill set a ceiling on the total amount that can be spent in a single year. Although obligations are commitments to reimburse states for the federal share of a project's cost, actual cash reimbursements cannot be made until they are appropriated. Through annual appropriations acts, Congress sets the levels at which federal agencies are allowed to make payments out of the Treasury for specified purposes.

The adoption of a multi-year transportation bill typically begins with the Administration developing a legislative proposal or principles for the transportation bill. The Administration bill or principles are circulated through Congress and members within each of the different authorizing committees work independently to prepare versions of the bill in both the House and the Senate. Committees in both chambers hold hearings on parts of the legislation.

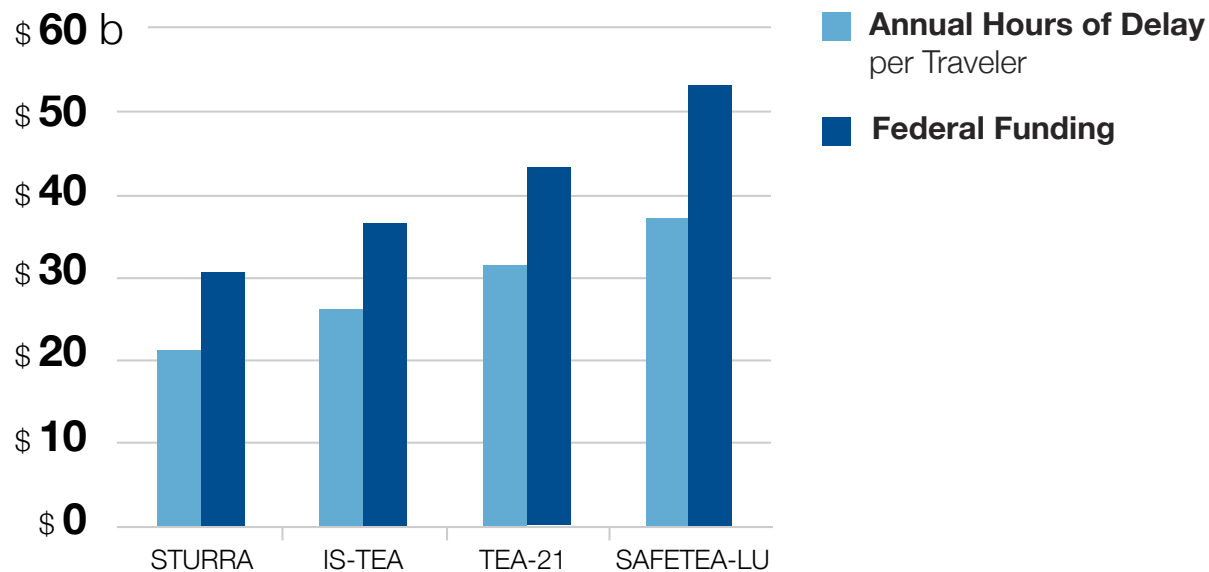
The 111th Congress saw work on the next authorization stall amid a stalemate over revenues and funding. In June 2009, then-chairman of the House Transportation and Infrastructure Committee James Oberstar (D-MN) proposed the \$500 billion Surface Transportation Authorization Act of 2009. While many agreed that the nation needed to make a significant investment to maintain and expand our infrastructure, the sum was nearly twice expected gas tax revenues, and neither the Administration nor Congressional leadership was prepared to seek a gas tax increase to pay for it. The 112th Congress faces a challenging but critical path forward, whether it chooses to constrain the program to available gas tax revenues or propose new sources of revenue to make up the shortfall.

## Is the System Working? The Future of Transportation

There is widespread agreement on the need for a new direction in federal policy to address the many challenges we face. While the interstate system was built substantially with gasoline taxes, it cannot be said that the system is “paid for,” because as the system ages – many bridges, for example, are at or near their 50-year design life – the costs required to rebuild and repair are mounting.

Meanwhile, the development and travel patterns created by urban interstates have left those corridors congested with local traffic, causing headaches for commuters and threatening the

## Spending more, but getting worse: despite increased spending, congestion has nearly doubled



efficiency of goods movement. Mere widening is no longer an option in most places, but building transit alternatives and improving development practices are arduous processes under existing policies. Nor does the current framework support creating the intercity rail alternatives that could relieve the interstates. One key revenue source that could help manage congestion and provide funding for alternatives could be tolls on existing corridors that vary according to volume of use. But those are off limits under current policy (which disallows tolls on the interstate system), for the most part.

Many of these issues were widely acknowledged starting in 2005, when Congress created two national commissions in the SAFETEA-LU authorization to study options and opportunities to reform transportation policy. Numerous other organizations, including the U.S. Government Accountability Office, the Congressional

Research Service, the Bipartisan Policy Center, the American Association of State Highway and Transportation Officials, the Miller Center for Public Affairs and the Brookings Institution, have also published analyses of the current situation.

While the recommendations and policy solutions put forth by these groups vary to some extent, their conclusions about the need for change do not: the federal transportation program needs to be fixed.

## Four core challenges with potential for reform

The various commissions reached widespread agreement on core challenges and the potential for reform:

1. The next bill must express a **national vision and set clear goals that move our surface transportation program forward** and direct limited federal funds to get the best bang for our buck and develop a network that meets the needs of the 21st century.
2. There must be **increased accountability for results**. Federal transportation money cannot continue to be distributed with little accountability to demonstrate performance. Congress must restore voters' confidence that spending on transportation will improve conditions, build the system we need, and overall, meet established national goals.
3. Current **funding and financing structures of the federal transportation program** do not reflect new realities in the demand for and means of travel today.
4. The **institutions** managing the transportation system **need to employ the best tools and approaches to ensure effective investment decisions**.

This year's transportation authorization presents the opportunity to grow the economy, increase access to jobs and improve the quality of life for our citizens. The transportation network does more than just move people. It provides the very framework around which we build our economy and our communities. Now is the time to renew our sense of purpose and refocus our policies to get the job done.

## Read More

The full six-chapter version of Transportation 101 is available for free download at <http://t4america.org/resources/transportation101>

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**Transportation**  
for America

## About Transportation for America

Transportation for America (T4 America) is the largest, most diverse coalition working on transportation reform today. Our nation's transportation network is based on a policy that has not been significantly updated since the 1950's. We believe it is time for a bold new vision — transportation that guarantees our freedom to move however we choose and leads to a stronger economy, greater energy security, cleaner environment and healthier America for all of us. We're calling for more responsible investment of our federal tax dollars to create a safer, cleaner, smarter transportation system that works for everyone.