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**Federal Transportation Reauthorization:
The stakes for the states**
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One of the major challenges confronting the 105th Congress in 1997 will be the reauthorization of the "Intermodal Surface Transportation and Efficiency Act" (ISTEA), the omnibus transportation legislation which provides federal funding for highways, transit systems, and other transportation-related programs. Since the current Act is scheduled to expire on September 30, Congress must act by that date or pass a temporary funding measure to continue highway funding to the states. Congressional battle lines have already been drawn on a number of contentious issues that will directly impact the states and their transportation programs. Prime among these issues are:

How will the estimated \$160 to \$200 billion in federal transportation funds be divided among the states? Will the distribution formula be altered to give "donor" states -- those which receive less transportation money than they contribute in taxes -- a larger share than they currently receive?

Will the states be given greater flexibility in determining how transportation funds are spent and will they be allowed more freedom in deciding the allocation of funds between programs with fewer federal mandates and restrictions?

Will the new Act address the balance between highways, public transit systems, and other components of ISTEA such as Amtrak, bicycles, clean air and open space?

And perhaps most importantly, how much money will be appropriated as part of the reauthorization bill? Will more gas tax revenue be returned to the states? Will Congress end its practice of appropriating funds at one level but actually allocating them at a reduced percentage of the appropriation? Is there any likelihood that Transportation Trust Fund monies will be thrown into the pot?

ISTEA and the States

The 1991 passage of ISTEA represented a major break with the federal transportation policies of the previous 30 years. After decades of funding the construction of the interstate highway system, the 1991 Act sought to refocus national priorities on an "intermodal" approach. The intermodal aspects of the bill encouraged development of linkages between highways, airports, seaports, and mass transit systems as well as funding for alternative modes such as railways and bicycle trails. In addition, ISTEA changed the formulas for distributing transportation funds to the states; the complex formula devised in 1991 takes into account eight programs and five separate funding mechanisms. It has been contended that ISTEA also introduced an environmental component to the transportation

world as it shifted billions of dollars to help metropolitan areas comply with amendments to the Clean Air Act and promote alternative transportation modes to reduce automobile use. For the past six years, metropolitan areas have tapped federal dollars for pollution reduction projects and transportation enhancements such as commuter train stations, bicycle racks, and polluted water runoff control. Moreover, the redistribution of funds exacerbated differences between so-called "donor" states and those that get back more than they pay into the Highway Trust Fund from gas taxes (recipient states).

Distributing Funds. A recent Congressional Quarterly report identifies Colorado as one of nine states considered to be "borderline" in the war between donor and recipient states, that is, Colorado receives between \$1.00 and \$1.08 for every \$1.00 that is remitted to the trust fund. These categories of states are derived from the funding approach adopted under ISTEA that combined the average amount each state received between 1987-91 with new adjustments intended to partially even out the funding distribution between states. The result in Colorado was a reduction from between \$1.17 and \$1.20 returned for every dollar raised in 1990 to just \$1.00 dollar returned for every dollar raised in 1995. During that time period, federal funds declined as a percentage of total highway spending in Colorado from 52.4 percent to 37.7 percent. In 1997, federal funds are projected to comprise only 27.3 percent of total state highway funding.

Sizing the Federal Pie. A key determinant in the new ISTEA equation will be the overall size of the federal transportation allocation. The six-year omnibus bill enacted in 1991 authorized a total of \$151 billion; the new bill is expected to raise between \$160-\$200 billion, but increases will face serious opposition from those concerned with reducing the federal deficit. Among the proposals under consideration are moving the four transportation trust funds "off-budget", meaning that they could no longer be counted to offset the federal deficit but might be available for appropriation. Congress is also considering ending the practice of directing a portion of the 18.3 cent federal gas tax to the federal treasury for deficit reduction. A third approach would terminate most of the federal gas tax and turn back responsibility for funding highway construction to the states. By stark contrast, the President's proposed budget calls for little growth in transportation funding, keeping the allocation for fiscal 1998 at almost exactly the same level as estimated expenditures in fiscal 1997.

Flexibility to States. A third critical element of ISTEA reauthorization will be whether states will be given greater latitude in allocating federal funds between programs and whether the current balance between highways and other transportation modes will be maintained. State officials are seeking greater flexibility in moving money from one transportation need to another as they deem fit, without federal mandates and restrictions. Perhaps an even more contentious issue will be the decisions that Congress makes regarding the amount of money dedicated to highways versus the allocations to other transportation modes. Some critics of ISTEA argue that there is simply not enough money available to meet all the goals of the Act, from road repair to bicycle paths. These differing perspectives may come to a head over the President's proposal to increase funds for the Congestion Mitigation and Air Quality Improvement program (CMAQ) by 30 percent, up from the current level of \$1 billion. An administration proposal to draw on federal highway funds to partially subsidize Amtrak may also draw Congressional fire.

The Air Quality Wild Card. A final variable to add to the mix is the relationship of ISTEA to the 1990 amendments to the Clean Air Act. ISTEA has been viewed as a source of funds for those transportation aspects of the Clean Air Act which have restricted highway construction by tying planning to clean air attainment goals. Specifically, the Clean Air Act amendments require metropolitan areas that do not meet federal air standards to develop transportation plans that conform to the state's air quality plan. In addition, the CMAQ program was authorized under ISTEA to help localities meet the costs of compliance and provide incentives to develop transportation alternatives. Finally, if states do not comply, the federal government may sanction them by cutting federal highway money. These components inextricably link ISTEA to the goals of the Clean Air Act and may be the subject of heated debate throughout the reauthorization process. Future funding of Colorado transportation projects will be

directly affected by the outcome of this debate.

Sources: *Congressional Quarterly Weekly Report; National Conference of State Legislatures; Colorado Department of Transportation.*

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