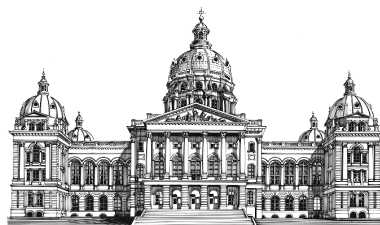


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Highway Funding of the Transportation Equity Act for the 21st Century

ISSUE

This *Issue Review* provides an overview of the federal Transportation Equity Act for the 21st Century (TEA-21) and the effect on Iowa's highway programs.

BACKGROUND

The Transportation Equity Act for the 21st Century (TEA-21) was signed into law on June 9, 1998, and authorizes spending levels for state transportation programs over the next six years (FFY 1998 through FFY 2003). The Act provides a total of \$217.9 billion in spending authorization over the six-year period, an increase of \$62.6 billion (40.3%) compared to the Intermodal Surface Transportation Efficiency Act (ISTEA) which was in effect from FFY 1992 to FFY 1997. The majority of the increase (\$50.297 billion) is directed at the federal-aid highway program. The following table compares the funding authorization levels of ISTEA and TEA-21 by program.

Comparison of Total Funding Authorization of TEA-21 and ISTEA

Funding to all States

(Dollars in Billions)

	ISTEA 1992 - 1997	TEA-21 1998 - 2003	Increase (Decrease)	Percent Change
Federal-Aid Highways	\$120.811	\$171.108	\$50.297	41.6%
Highway Safety	1.616	1.711	0.095	5.9%
Transit Programs	31.499	41.000	9.501	30.2%
Motor Carrier Safety	0.537	0.644	0.107	19.9%
Transportation Research	0.836	2.881	2.045	244.6%
Miscellaneous		0.545	0.545	
TOTAL	<u>\$155.299</u>	<u>\$217.889</u>	<u>\$62.590</u>	<u>40.3%</u>

HIGHWAY FUNDING

The Transportation Equity Act apportions \$1.9 billion to Iowa from FFY 1998 to FFY 2003. This is an increase of \$565.3 million (42.7%) compared to the apportionments in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). The apportionments

increase 15.3% from FFY 1998 to FFY 1999 and then increase approximately 1.9% annually to FFY 2003.

The following table shows the apportionments from TEA-21 to Iowa by program for each of the six years.

Transportation Equity Act for the 21st Century

Apportionments to Iowa

(Dollars in Millions)

	FFY 1998	FFY 1999	FFY 2000	FFY 2001	FFY 2002	FFY 2003	Total
National Highway System	\$ 67.4	\$ 78.1	\$ 78.9	\$ 80.5	\$ 81.9	\$ 83.8	\$ 470.6
Interstate Maintenance	48.6	55.6	56.1	57.3	58.3	59.5	335.3
Surface Trans. Program	70.7	81.9	82.7	84.4	85.8	87.5	493.0
Bridge Replacement	49.4	55.9	56.4	57.6	58.6	59.8	337.8
Congestion/Air Quality	6.1	6.9	7.0	7.2	7.3	7.4	42.0
Recreational Trails	0.5	0.6	0.8	0.8	0.8	0.8	4.1
Metro Planning	0.9	1.1	1.1	1.1	1.1	1.1	6.4
High Priority Projects	12.0	16.4	19.7	19.7	20.8	20.8	109.3
Minimum Guarantee*	14.6	15.1	15.0	14.9	14.9	14.8	89.3
Total	<u>\$ 270.2</u>	<u>\$ 311.6</u>	<u>\$ 317.5</u>	<u>\$ 323.5</u>	<u>\$ 329.4</u>	<u>\$ 335.5</u>	<u>\$ 1,887.7</u>

Note: Numbers may not equal totals due to rounding.

* An average of \$15.6 million is redistributed annually to the National Highway System, Interstate Maintenance, Surface Transportation Program, and Congestion Mitigation. The amounts shown are the remainder of the Minimum Guarantee funds.

The following provides an explanation for each of the programs listed on the above table.

National Highway System (NHS) - This program provides funding for improvements to roads that are part of the 178,000 mile National Highway System, including interstates. Iowa's roads designated on the NHS corresponds with the State's Commercial and Industrial Network of Highways.

Interstate Maintenance - This program provides funding for resurfacing, restoring, rehabilitating and reconstructing the interstate system. Under TEA-21, states may transfer up to 50.0% of interstate maintenance funds to the National Highway System, the Surface Transportation Program, Congestion Mitigation Program, and/or the Bridge Replacement Program.

Surface Transportation Program (STP) - The funds in this program may be used by the state and units of local government for projects on any Federal-aid highway. The Act also allows STP funds to be used for improvements to the National Highway System, bridge projects on any public roads, and transit capital projects. Federal legislation requires the surface Transportation Program funds to be spent as follows:

- 10.0% for Transportation Enhancements Projects.
- 10.0% for Infrastructure Safety Projects.
- 30.0% available to any area of the state.
- 50.0% to be distributed proportionally throughout the state based primarily on population distribution. While the Department of Transportation has administrative authority over the STP funds, these funds are distributed to urban areas over 200,000 population,

metropolitan planning organizations, and regional planning affiliations through agreements between local authorities and the DOT. Under the agreement, the local authorities are responsible for determining the highway programming priorities on the federal-aid system within their jurisdictions.

Bridge Replacement - The funds for this program are for the replacement or rehabilitation of deficient highway bridges located on the public road system. The Act requires that a minimum of 15.0% (up to a maximum of 35.0%) be expended on bridges located off the federal highway system.

Congestion Mitigation/Air Quality - These funds are to be used for projects which reduce transportation related emissions. All states are guaranteed a minimum of 0.5% of the total funds allocation for congestion mitigation. Iowa receives the minimum allocation.

Recreational Trails - These funds are for development and maintenance of motorized and non-motorized recreational trails. The funds are to be expended as follows: 30.0% for motorized trails, 30.0% for non-motorized trails, and 40.0% for diverse trails.

Metropolitan Planning - These funds are to assist the metropolitan areas with expenses associated with transportation planning.

High Priority Projects - Included in TEA-21 is funding for 1,849 specific transportation projects each with a specified amount of funding over a six-year period. Iowa was appropriated a total of \$109.3 million for 15 projects. The projects are listed in **Attachment A**.

Minimum Guarantee - These funds are intended to provide states a minimum return of 90.5% on their contributions to the Highway Trust Fund. A portion of each states minimum allocation funds are allocated to the other highway programs mentioned above. The remainder are administered as Surface Transportation Funds.

GUARANTEED SPENDING LEVELS AND OBLIGATION LIMITATION

The highway apportionment levels identified in TEA-21 are not necessarily the amount of funding the states will receive. The highway apportionments are often established at a higher level than projected Trust Fund revenues. Historically, Congress has annually imposed limits on the apportionments (referred to as Obligation Limitation) in an effort to control the highway program spending in response to economic and budgetary conditions. Provisions in TEA-21 establish an obligation limitation restricting the amount of federal highway funds that can be obligated on projects for each of the six years covered by the Act. Iowa's FFY 1998 highway apportionments total \$270.2 million and will increase to an estimated \$311.6 million in FFY 1999. However, the obligation limitation imposed in TEA-21 restricts state spending to \$238.6 million in FFY 1998 and \$273.9 million in FFY 1999.

With the passage of TEA-21, Congress made a major change to the Federal budget rules by guaranteeing a minimum level of spending for highway programs. Under the new budget rules, the amount of guaranteed highway spending is tied to the actual Highway Trust Fund Highway Account receipts. As revenues to the Trust Fund increase, the obligation limits are automatically adjusted to reflect the actual revenues. Prior to the passage of TEA-21, highway and transit programs funded from the Highway Trust Fund competed with other domestic programs for funding consideration.

Under TEA-21, reductions in highway or transit spending will not allow increased spending in other programs. This removes the primary incentive for limiting highway and transit spending below actual Trust Fund revenues.

The following table shows Iowa's FFY 1997 and FFY 1998 apportionments and the obligation limitations. It should be noted that the obligation limitation is not distributed proportionately to each program. States are given a single obligation limitation amount of which total spending from all programs can not exceed. Between FFY 1997 and FFY 1998 the apportionments increased by 16.0%, however, the obligation limitation increased only 9.9% (from \$217.1 million in FFY 1997 to \$238.6 million in FFY 1998).

**Comparison of FFY 1997 and FFY 1998
Apportionments and Obligation Limitations**
(Dollars in Millions)

	Final Year of ISTEA FFY 1997	First Year of TEA-21 FFY 1998	Change	Percent Change
National Highway System	\$ 52.0	\$ 67.5	\$ 15.5	29.8%
NHS Restored Funds	2.0	0.0	- 2.0	-100.0%
Interstate Maintenance	38.5	48.6	10.1	26.2%
Interstate Reimbursement	9.5	0.0	- 9.5	-100.0%
Surface Trans. Program	62.8	70.8	8.0	12.7%
Bridge Replacement	41.2	49.4	8.2	19.9%
Congestion/Air Quality	4.9	6.2	1.3	26.5%
Recreational Trails	0.2	0.5	0.3	150.0%
Metro Planning	0.9	0.9	0.0	0.0%
High Priority Projects	20.9	12.0	- 8.9	-42.6%
Minimum Guarantee	0.0	14.3	14.3	NEW
Total	\$ 232.9	\$ 270.2	\$ 37.3	16.0%
Obligation Limitation	\$ 217.1	\$ 238.6	\$ 21.5	9.9%
Percent of Apportionments	93.2%	88.3%		

HIGH PRIORITY PROJECTS

Attachment A shows the list of Iowa projects that received specific apportionments in TEA-21. The Act specifies the percent of the total funds authorized for each project that may be drawn down for each of the six years. In addition, the Act provides for "Advance Construction" which permits states to construct a high priority project with state funds and then be reimbursed as the federal funds become available. The high priority projects are subject to the obligation limitation.

EFFECT OF TEA-21 ON IOWA'S HIGHWAY PROGRAM

The DOT currently has nearly \$2.0 billion of highway projects programmed in the FY 1998 - FY 2002 Transportation Program. Of this total, \$615.0 million is programmed for construction on the DOT's six priority corridors. These corridors include:

- Avenue of the Saints: \$267.6 million
- Construct four lane corridor between Des Moines and Burlington: \$176.4 million
- Construct four lane corridor between Des Moines and Marshalltown: \$47.5 million

- Improvements to IA 5 between Des Moines and Appanoose County: \$117.6 million
- Construct US 75/IA 60 corridor to four lanes from Sioux City to Minnesota: \$153.2 million
- Construct US 151 to four lanes between Cedar Rapids and Dubuque: \$120.3 million

The increase in federal highway funding will allow the DOT to complete the projects currently programmed in the Five-Year Transportation Plan on schedule. The additional funds will also allow the DOT to begin adding the following new priority corridors to the program:

- Construct IA 1 to super-two design standards in Washington, Johnson, and Linn Counties
- Construct US 18 to super-two design standards in Clayton County (Postville to Wisconsin)
- Complete US 20 to four lanes from Illinois to Nebraska
- Construct US 30 to four lanes from Illinois to I-35
- Construct US 34 to super-two design standards from Ottumwa to Nebraska
- Construct US 61 four lanes from Wisconsin to Missouri
- Construct US 63 to four lane/super two design standards from US 34 to Missouri
- Construct US 71 to super-two design standards from Missouri to Minnesota
- Construct US 75 to super-two design standards in Plymouth, Sioux, and Lyon counties
- Construct US 151 to super-two design standards in Iowa, Benton, and Linn counties

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Transportation Equity Act for the 21st Century
High Priority Projects
(Dollars in Thousands)

	Total Authorized	FFY 1998	FFY 1999	FFY 2000	FFY 2001	FFY 2002	FFY 2003
Mandatory Allocation Percentage		11%	15%	18%	18%	19%	19%
Relocate U.S. 61 to bypass Fort Madison	\$ 3,000.0	\$ 330.0	\$ 450.0	\$ 540.0	\$ 540.0	\$ 570.0	\$ 570.0
Improve U.S. 65/IA 5 interchange in Warren Co.	5,000.0	550.0	750.0	900.0	900.0	950.0	950.0
Construct controlled access 4 lane hwy between Des Moines and Burlington	9,525.0	1,047.8	1,428.8	1,714.5	1,714.5	1,809.8	1,809.8
Construct 4 lane expressway between Des Moines and Marshalltown	10,250.0	1,127.5	1,537.5	1,845.0	1,845.0	1,947.5	1,947.5
Reconstruct U.S. 218 in Keokuk between 7th and 20th Streets	2,500.0	275.0	375.0	450.0	450.0	475.0	475.0
Construct overpass to eliminate railroad grade crossing in Burlington	3,475.0	382.3	521.3	625.5	625.5	660.3	660.3
Reconstruct I-235 and improve interchange access to Martin Luther King Pkwy in Des Moines	5,175.0	569.3	776.3	931.5	931.5	983.3	983.3
Design, right-of-way and construction of Martin Luther King Pkwy in Des Moines from Center St. to Fluor Dr.	12,000.0	1,320.0	1,800.0	2,160.0	2,160.0	2,280.0	2,280.0
Construct the Julien Dubuque Bridge over the Mississippi R+A40iver at Dubuque	28,000.0	3,080.0	4,200.0	5,040.0	5,040.0	5,320.0	5,320.0
Construct I-29 airport interchange overpass in Sioux City and design right-of-way, and construction of bridge over railroad tracks on access road in Sioux City	6,150.0	676.5	922.5	1,107.0	1,107.0	1,168.5	1,168.5
Improve IA 60 corridor from Le Mars to Minnesota state line	6,600.0	726.0	990.0	1,188.0	1,188.0	1,254.0	1,254.0
Extend NW 86th St. in Polk County from NW 70th to Beaver Drive	5,250.0	577.5	787.5	945.0	945.0	997.5	997.5
Relocate IA 192 and Ave. G viaduct in Council Bluffs and design, right-of-way, and construction of Ave. G viaduct and related roadways in Council Bluffs	11,500.0	1,265.0	1,725.0	2,070.0	2,070.0	2,185.0	2,185.0
Conduct a study of Port of Des Moines	75.0	8.3	11.3	13.5	13.5	14.3	14.3
Design and construction of a native roadside vegetation enhancement center at UNI in Cedar Falls	760.0	83.6	114.0	136.8	136.8	144.4	144.4
Total	\$ 109,260.0	12,018.6	16,389.0	19,666.8	19,666.8	20,759.4	20,759.4
Obligation Limitation	\$ 96,184.9	\$ 10,612.4	\$ 14,422.3	\$ 17,306.8	\$ 17,306.8	\$ 18,268.3	\$ 18,268.3