

# Federal Surface Transportation Act

## Reauthorization Critical for California

### Summary

#### Background

Each year, California receives about \$3.5 billion in federal transportation funds, or about 95 percent of what state motorists pay in federal gas taxes. This makes California a “donor” state in respect to the rest of the country. Every five years when Congress reauthorizes the highway and transportation act, California must make sure that its position is maintained, if not strengthened.

The current federal transportation funding act, called SAFETEA-LU, expired on September 30, 2009. Congress failed to enact a five-year reauthorization measure and instead has approved several short-term funding authorizations, the latest of which expires in February 2010.

#### Federal Activity

In December 2009, the U.S. House of Representatives passed H.R. 2847, “Jobs for Main Street Act of 2010,” legislation intended to stimulate job growth. Included in the bill are funds for various infrastructure investments, including \$37.3 billion for transportation programs, of which \$27.5 billion is for highways (freight and passenger rail and port projects are also eligible for these funds), \$8.4 billion is for transit, \$500 million is for Airport Improvement Program grants and \$800 million for Amtrak fleet modernization.

The highway funds will be distributed to states by the same formula that was used to distribute stimulus funds previously provided in the American Recovery and Reinvestment Act (ARRA). States are not required to provide any matching dollars to be eligible to receive these funds. States would be required to have 50 percent of the funds under contract within 90 days or lose the remaining funds (to be redistributed to states that have met this requirement). The second 50 percent must be under contract within one year or be lost to other successful states. This is a far more stringent requirement than ARRA, which required funds to be “obligated” rather than under contract. These funds are provided on top of funding that comes through the traditional program.

Also included in the bill is an extension of highway and transit program authorization through September 30, 2010 at current levels and additional Highway Trust Fund (HTF) revenue to fund these programs. Since SAFETEA-LU expired on September 30, 2009, these programs have been extended on a short-term basis at a funding level that is significantly below the 2009 authorized level. H.R. 2847 will increase funding by \$10.7 billion, nearly to the 2009 authorized level. The bill also includes provisions to stabilize the Highway Trust Fund. It restores \$19.5 billion in interest payments foregone on the HTF’s previous cash balances, and restores authority for HTF balances to receive interest payments in the future. The bill alters the way in which long-standing fuel tax exemptions provided to state and local governments are accounted for, which are projected to increase HTF balances by about \$1.7 billion annually, for a total of \$9.8 billion over six years. In addition, as with the stimulus dollars, the legislation waives the requirement that states provide matching revenue to receive these funds.

The bill is not expected to be taken up in the Senate until February at the earliest. Another short-term extension was required to ensure that program funding was not cut off, and the House passed a 60-day authorization and attached it to the Defense Department appropriation bill, which the Senate must now approve.

### CalChamber Position

California’s transportation future will be determined by decisions made 3,000 miles away in Washington, D.C. The stakes are very high and the California congressional delegation must focus on the following issues for California to receive its fair share of federal transportation dollars. The California congressional delegation must:

- Concentrate on any permanent increased funding in the existing highway and transit formula and capital investment programs.
- Provide for increased program capacity to support safe and efficient movement of goods in corridors that are crucial to national economic vitality.
- Use the Highway Trust Fund dollars for program increases above current authorizations.
- Ensure that California receives an increased share of highway funding based on the state’s contributions into the Highway Trust Fund and role in the national economy.

## Federal Surface Transportation Act (continued)

**Reason for Position** A well-financed, dependable and efficient transportation system is essential for a healthy California business climate and Congress should be encouraged to keep these issues in mind as debate continues on the new surface transportation act.

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