



FEDERAL HIGHWAY FUNDING TO TEXAS

OVERVIEW

- ⇒ States are guaranteed apportionments of federal highway construction and planning funds based on percentages specified in the Transportation Equity Act for the 21st Century (TEA-21). These guaranteed highway funds are the most significant source of federal transportation funding received in Texas.
- ⇒ Since FY 2000, TEA-21 directs that states' apportionments are adjusted by a mechanism called Revenue Aligned Budget Authority (RABA) which ties highway spending to gas tax receipts in the federal Highway Trust Fund. Based upon RABA calculations, adjustments are made annually to funds apportioned for Interstate Maintenance, National Highway System, Surface Transportation Program, Bridge, and Congestion Mitigation and Air Quality.
- ⇒ Because Highway Trust Fund revenues fell nationally due to reduced travel and lower truck sales, FY 2003 federal guaranteed highway funds are negatively impacted. This loss, known as "negative RABA", decreases federal highway funding for FY 2003 by \$8.6 billion from FY 2002 funding levels, an estimated net reduction of \$532 million for Texas.
- ⇒ Because Texas receives federal highway funds on a reimbursement basis, it is likely that the fiscal impact of the FY 2003 "negative RABA" will not affect the state budget until FY 2004-05 at the earliest. However, projects could be delayed in FY 2003 due to the reduced obligation authority for the Texas Department of Transportation resulting from the decreased funding.

| Guaranteed Federal Highway Funds (as provided under TEA-21) | | | |
|--|----------------|----------------|----------------------------|
| Texas Impact | FY 2002 | FY 2003 | Increase/(Decrease) |
| Formula Highway Funds | \$1,869.0 | \$1,911.3 | \$42.3 |
| RABA | 277.2 | (297.2) | (574.5) |
| TOTAL ALLOTMENT | \$2,146.3 | \$1,614.1 | (\$532.2) |

CONGRESSIONAL ACTION

- ⇒ The House of Representatives recently passed the FY 2002 Supplemental bill which includes language that restores \$4.4 billion thereby maintaining the TEA-21 authorized guaranteed highway funding levels for FY 2003. As a result, this action would restore \$297 million of the estimated \$532 million reduction for Texas caused by the RABA.
- ⇒ The Senate FY 2002 Supplemental bill also would guarantee the \$4.4 billion similar to the House bill, but also allows the Appropriations Committee to increase spending above that amount potentially for non-highway purposes.
- ⇒ Both the House and Senate are considering bills which contain language indicating future Congressional intent to resolve the implications of current RABA calculations by developing a new formula that could smooth out any potential future radical swings in funding.