

# TEA-21 and RABA

## Why is there Less Money?

In the 2002 budget, highway programs received a record total of \$31.8 billion. In the Bush Administration's Fiscal Year 2003 Budget, \$23.2 billion was requested. State Highway Departments and other transportation leaders were aghast at what they saw as a \$9 billion reduction.

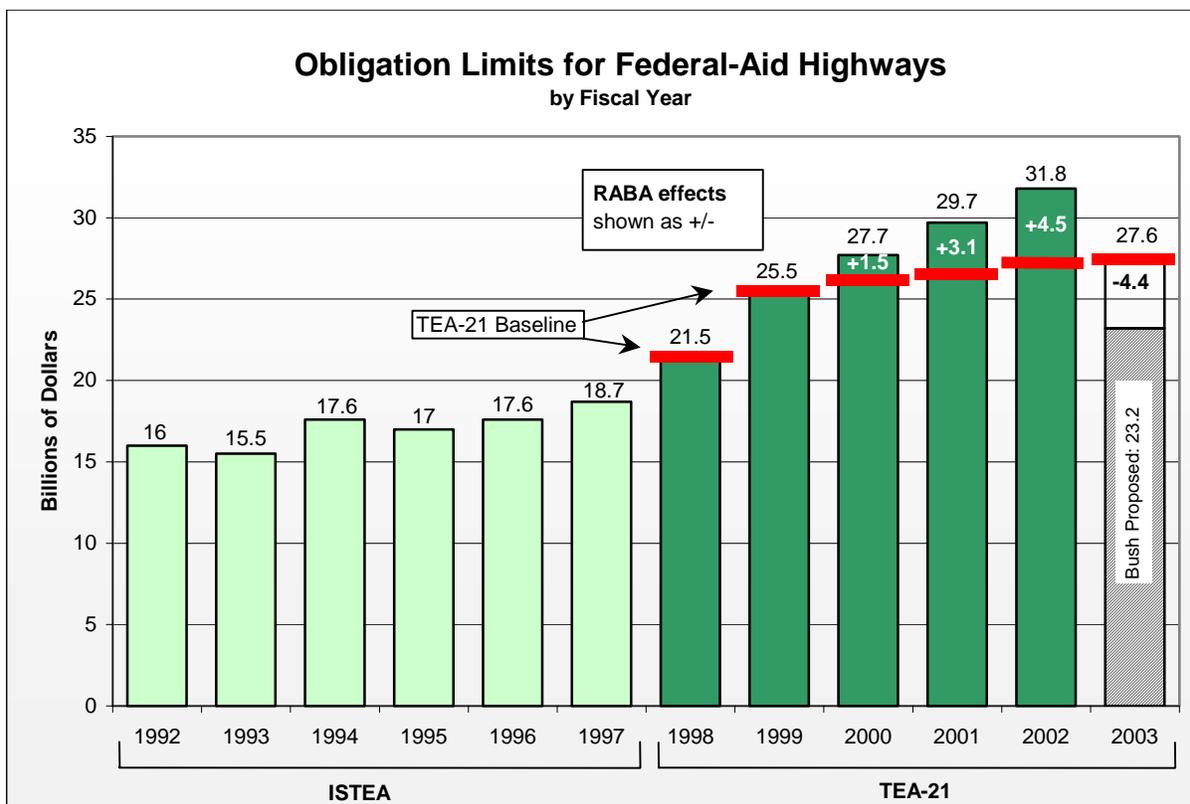
The change in the budget is largely due to an automatic adjustment called Revenue Aligned Budget Authority (RABA). This is a provision of TEA-21, the 1998 surface transportation bill, that ensures that transportation funding follows actual revenue from gas taxes and vehicle taxes. If more revenue than originally predicted is received, as was the case in FYs 2000, 2001 and 2002, the RABA adjustment adds money to the baseline funding levels set in TEA-21. If the revenues decline, the

RABA adjustment subtracts from the funding level. This happened for the first time this year.

As shown in the graph below, federal funding to the states has increased dramatically during TEA-21, even without RABA. For example, baseline spending set by Congress in TEA-21 (shown by thick horizontal lines) was 46% higher in FY 2002 than in 1997, the last year of ISTEA. After adding RABA, 2002 funding was 70% higher than in 1997.

The states received a total of \$9.1 billion more than the TEA-21 baseline in positive RABA from 2000-2002, which is shown below as an added amount above the TEA-21 baseline for each year.

This year, "negative RABA" amounted to



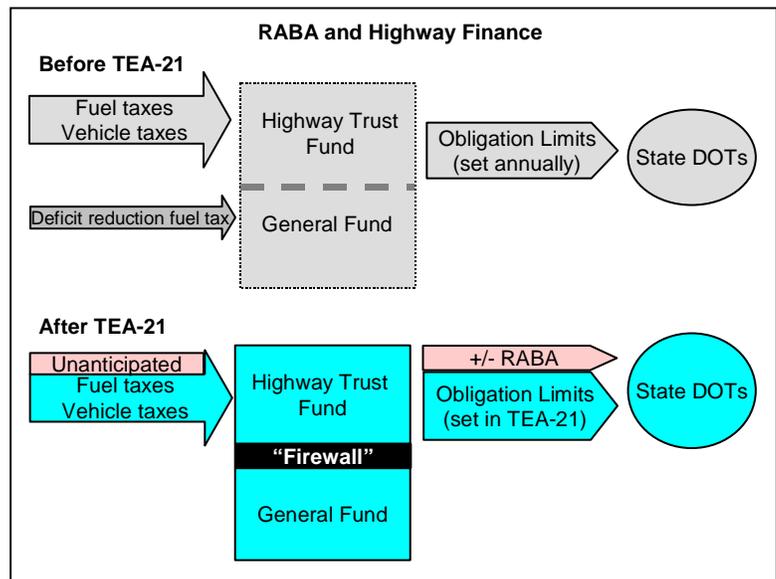
\$4.4 billion less, or 16% below the baseline. Even with this negative adjustment, RABA has resulted in a net gain of \$4.7 billion since 1998. Transit funding is not affected by RABA.

### The Intent of RABA

During the legislative debate on TEA-21, there was concern that not all transportation revenues (fuel taxes, vehicle taxes) were being spent on transportation projects. Instead, they were leaching into the General Fund. To remedy this, TEA-21 included a guarantee that these revenues would go into the Highway Trust Fund and would be committed to transportation projects. Since these revenues could not be exactly anticipated for the six years covered by the bill, RABA was created to align spending with actual revenues.

The diagram above shows how revenues from federal fuel taxes and other sources are distributed to the states from the Highway Trust Fund. Before TEA-21, spending was not directly calibrated with incoming revenue. Obligation limits, i.e., what the states actually are allowed to spend, were set each year in the Congressional funding process. Any excess revenues would go into the Highway Trust Fund, but were also available for General Fund expenditure. Some fuel tax revenue also went directly into the General Fund for deficit reduction.

Under TEA-21, the obligation limits are set in the law, and each year the RABA calculation adjusts for the difference between anticipated and actual revenues. TEA-21 separated the Highway Trust Fund



from the General Fund with a "firewall" so that its revenue sources would be dedicated to transportation expenditures.

### Congress Takes Action on Highway Spending

Shortly after the release of the Bush Budget Request in February, Congressional transportation leaders rallied support for legislation (H.R. 3694/ S. 1917) to adjust the proposed spending level for TEA-21's core highway programs.

These and other proposals would reset the "obligation limit," or limit on how much states can spend, to a minimum of \$27.6 billion for FY 2003, which is the amount foreseen in TEA-21 without RABA. The spending adjustment made by these proposals is particularly important in that it will influence assumptions about the budget baseline that will guide spending in the next transportation bill. RABA itself sunsets with TEA-21, but this feature of the current law will undoubtedly be debated during TEA-21 renewal.

#### Sources

Public Law 105-178 (TEA-21); FY '03 Budget Request; *Highway Statistics*; FHWA website.

For further information, see:

<http://www.transact.org>

<http://www.tea3.org>