THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

May 12, 2003

The Honorable Richard B. Cheney
President of the Senate
Washington, DC 20510

Dear Mr. President:

The U.S. Department of Transportation is pleased to provide you, for introduction and referral to the appropriate committees, a bill entitled the:

"Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003" (SAFETEA).

Reauthorization will supply the funds and the framework for investments needed to maintain and grow our vital transportation infrastructure. In addition, our proposed legislation seeks to place a central focus on transportation safety. Although we have made improvements in the rates of fatalities and injuries on our highways, the total numbers remain intolerable, and they are rising. Every year, nearly 43,000 people lose their lives on our highways and roads. Families are destroyed and promise is lost.

The economic costs are unacceptable as well. The total annual economic impact of all motor vehicle crashes is an astonishing $230.6 billion.

For these reasons, the President and I have made saving lives an essential priority for the Department and for the reauthorization of the Transportation Equity Act for the 21st Century (TEA-21). Nothing would make a greater difference in these numbers than to increase the use of safety belts everywhere in America.

If safety belt use were to increase from 75 percent to 90 percent -- an achievable goal – 4,000 lives would be saved each year. For every one percentage point increase in safety belt use -- that is 2.8 million more people "buckling up" -- we would save hundreds of lives, suffer significantly fewer injuries, and reduce economic costs by hundreds of millions of dollars a year.

We have a moral, as well as an economic, obligation to address immediately the problem of transportation safety. The Bush Administration is committed to reducing highway fatalities, and our bill offers proposals to increase safety belt use and to take those actions that can make the achievement of this goal possible. Our proposals include creation of a new core funding category dedicated to safety within the Federal-aid highway program. This new category will increase visibility and funding beyond the

current safety set-aside provisions. Enactment of this bill would be an important step, we believe, in reducing highway fatalities and injuries, and providing greater flexibility to State and local governments to use these funds consistent with a comprehensive strategic highway safety plan.

Our Nation's transportation system faces significant challenges in other areas, such as congestion, intermodal connectivity, freight efficiency, and project delivery. Our proposal will create a safer, simpler, and smarter Federal surface transportation program by addressing transportation problems of national significance, while giving State and local transportation decisionmakers more flexibility to solve transportation problems in their communities.

Our proposal would provide over $201 billion in funding for highway and safety programs, and nearly $46 billion in funding for public transportation programs, from fiscal year 2004 through fiscal year 2009.

These funding levels would be achieved as follows:

- First, by continuing the funding guarantees of TEA-21 that linked highway funding with the receipts generated by transportation excise taxes;

- Second, by redirecting to the Highway Account of the Highway Trust Fund, the 2.5 cents per gallon of the gasohol tax currently deposited in the General Fund; and

- Third, by dedicating an additional $1 billion a year of Highway Trust Fund dollars over and above each year's estimated receipts into the Highway Trust Fund to improve highway infrastructure performance and maintenance.

We propose to continue minimum guarantee funding levels for States and to smooth out the wide annual swings in total highway program funding caused in part by TEA-21's Revenue Aligned Budget Authority (RABA) mechanism. The RABA reform would be accomplished by modifying the RABA calculation so that annual funding level adjustments are less dependent on future anticipated receipts and more dependent on the levels of actual receipts. We also propose continuing guaranteed funding for the portion of the transit program provided from the Highway Trust Fund and have added a similar RABA mechanism as well.

Major elements of the Administration's proposal to reauthorize the Nation's surface transportation programs include the following:

Creating a Safer Transportation System

President Bush and this Administration are committed to fostering the safest, most secure national transportation system possible, even as we seek to enhance mobility, reduce congestion, and expand our economy. These are not incompatible goals. Indeed, it is essential that the Nation's transportation system be both safe and secure while making our economy both more efficient and productive. To accomplish our safety goals, we propose to:

- Establish a new core highway safety infrastructure program in lieu of the existing Surface Transportation Program safety set-aside that more than doubles funding over TEA-21 levels.

- Create a new safety belt incentive program to strongly encourage States to enact primary safety belt laws and achieve substantially higher safety belt usage rates.

- Combine the several safety programs administered by the National Highway Traffic Safety Administration into a consolidated grant program.

- Grant States broad new flexibility to transfer safety funds among the diverse safety programs administered by the Department, provided the States develop performance-based comprehensive strategic highway safety plans that identify their highest priority safety improvements.

- Provide increased funding for commercial vehicle safety and research programs in order to enhance the quality, stability, continuity, and uniformity of State commercial vehicle safety and enforcement programs.

- Expand and improve safety auditing of "New Entrant" motor carriers.

Simplifying Programs by Expanding State and Local Flexibility and Improving Project Delivery

The President and I strongly believe that Federal transportation programs must be simpler. This belief is manifested in two types of proposals that appear throughout this bill: 1) those that increase State and local flexibility and 2) those that seek to increase the efficiency of transportation project delivery.

Based on my experience in dealing with transportation issues at various levels of government, it has become clear to me that State and local decisionmakers are the most capable of addressing State and local transportation problems. The Federal Government's primary role should be to facilitate, enable, and maintain a national perspective.

With respect to project delivery, neither the President nor I hold the view that the environment must be sacrificed to improve America's mobility. Rather, we can and must protect our environment while improving the efficiency of transportation project delivery, consistent with the President's Executive Order on Environmental Stewardship and Transportation Infrastructure Project Reviews.

To that end, we propose the following:

- Expand State and local flexibility by eliminating most discretionary highway grant programs and making these funds available under the core formula highway grant programs.

- Establish a new pilot program under which States could manage their core program funds as a block grant, excluding the Congestion Mitigation and Air Quality Improvement (CMAQ) and the Transportation Enhancements programs, as well as the new Infrastructure Performance and Maintenance Program. Under the pilot program, States would work with the Department to develop and meet specific system performance measures.

- Improve the ability of State and local decisionmakers to provide public transportation in the most cost-effective way by streamlining program requirements, especially for smaller grantees, and restructuring Federal Transit Administration (FTA) programs into three major areas:

    - Urbanized Area Formula Grants, which would include the current formula grant as well as formula Fixed Guideway Modernization funding;
    - Major Capital Investments, which would broaden the current New Starts program to include non-fixed guideway corridor improvements, such as Bus Rapid Transit; and
    - State-Administered Programs, including the Rural, Elderly and Disabled, Job Access and Reverse Commute, and New Freedom programs. The Job Access and Reverse Commute and New Freedom programs would be provided as flexible formula grants to the States.

- Enhance the delivery of transportation projects and streamline the environmental review process by:

    - Improving the linkage between the transportation planning and project development processes;
    - Strengthening the provisions of current law that establish time frames for resource agencies to conduct environmental reviews and make decisions on permits;
    - Simplifying the processing of Categorical Exclusion approvals;
    - Clarifying the legal standard applicable to determinations under 49 U.S.C. 303 (former section 4(f) of the Department of Transportation Act of 1966) as to whether an alternative is feasible and prudent;
    - Resolving the current overlap between Section 106 of the National Historic Preservation Act and "section 4(f)";
    - Establishing exemption from section 303 and Section 106 processes for the Interstate Highway System as an historic resource, unless the Secretary applies Section 106 to individual elements. The Advisory Council on

Historic Preservation and the Federal Highway Administration are working to achieve the objective of this section through an administrative exemption, using a provision of the regulations that implement Section 106. If we are able to make progress towards such an administrative solution, we will advise the Congress that this additional legislation is no longer needed.

- Providing for timely resolution of outstanding legal disputes by establishing a six-month statute of limitations for appeals on the adequacy of projects' environmental impact statements and other environmental documents; and
- Expanding the ability of States to provide Federal-aid highway funds to resources agencies to expedite the environmental review process.

- Simplify the transportation planning process by:
  - Combining the long-range metropolitan transportation plan and shorter term Transportation Improvement Program into a single document;
  - Aligning the transportation and air quality planning horizons for purposes of transportation conformity; and
  - Creating a single set of requirements applicable to both highway and public transportation planning.

- Provide maximum flexibility to States to implement innovative contracting techniques, such as design-build.

- Protect and enhance our environment by:
  - Revising the CMAQ program to better address the new air quality standards;
  - Continuing a major emphasis on improving public transportation;
  - Revising the High Occupancy Vehicle (HOV) lane provisions to encourage the use of cleaner and more fuel-efficient vehicles;
  - Encouraging the active consideration and implementation of context-sensitive design principles and practices in all Federally aided transportation projects; and
  - Establishing a new Transportation, Energy, and Environment program to carry out a multi-modal energy and climate change research program.

Making the Federal Transportation Program Smarter

The President has urged every Federal agency to be more results-oriented, guided not by process but performance. In the context of transportation, that means: using Federal surface transportation programs to increase the efficiency with which goods move throughout the transportation system; expanding innovative financing options; enhancing operational capacity; rewarding grantees that meet important goals; promoting

a seamless system in which different transportation modes are efficiently connected; and increasing oversight to ensure large Federal investments are being protected.

To accomplish these important goals, we propose to do the following:

- Expand the capacity and efficiency of the Nation's freight system by:
    - Establishing a National Highway System (NHS) set-aside to fund highway connections between the NHS and intermodal freight facilities, such as ports and freight terminals;
    - Continuing the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) and allowing rail freight projects to qualify for TIFIA credit assistance;
    - Lowering the TIFIA program's project threshold from $100 million to $50 million; and
    - Expanding the availability of tax-exempt private activity bonds to include highway projects and freight transfer facilities.

- Establish a ridership-based Performance Incentive Program, using up to ten percent of FTA's Urbanized Area and Rural program funds.

- Maximize existing transportation system capacity through improved operations, coordination, and implementation of real-time traffic information systems.

- Invest in research, data, and training, aggressively promote technology and innovation deployment, and assure a skilled and technically competent transportation workforce.

- Continue to foster the research, development, and implementation of Intelligent Transportation Systems technologies with greater emphasis on using these technologies to improve the performance and operation of transportation systems and motor vehicles in a way that directly benefits transportation customers.

- Increase resources and reduce loopholes to combat fuel tax evasion.

- Establish requirements to improve intercity bus access to significant intermodal facilities and authorize a $425 million grant program to fund capital improvements related to such access.

- Allow States to establish user charges on Federal-aid highways, including the Interstate System, if certain conditions are satisfied.

- Allow States to permit Single Occupancy Vehicles (SOVs) on HOV lanes, so long as time-of-day variable charges are assessed on SOVs for such access (so-called HOT lanes).

- Strengthen stewardship of Federal funds without treading on State prerogatives or creating red tape by:

    - Requiring that project management plans and annual financial plans be submitted for all Federal-aid projects costing $1 billion or more;
    - Requiring that annual financial plans be prepared for all projects receiving $100 million or more in Federal-aid funds;
    - Establishing minimum cost-estimating standards in order to provide more reliable and consistent project cost expectations;
    - Strengthening the Department's suspension and debarment policies to prevent contractors from continuing to defraud the government; and
    - Allowing States to share in monetary recoveries from Federal fraud cases.

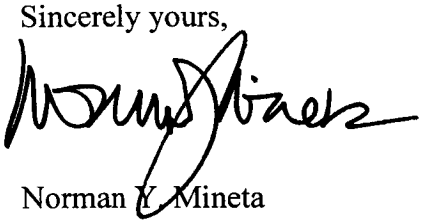
This legislative proposal builds upon the principles, values, and achievements of the Intermodal Surface Transportation Efficiency Act of 1991 and TEA-21, yet recognizes that there are new challenges to address. We urge Congress to reauthorize the surface transportation programs before they expire on September 30, 2003, since any delay would cause uncertainty and likely reduce infrastructure investment at the State and local levels at a time when such investment is particularly critical.

We look forward to working with you in the months ahead to consider and enact this important legislation.

The Office of Management and Budget advises that the enactment of this legislative proposal would be in accord with the President's program.

An identical letter has been sent to the Speaker of the House.

Sincerely yours,



Norman Y. Mineta

Enclosures