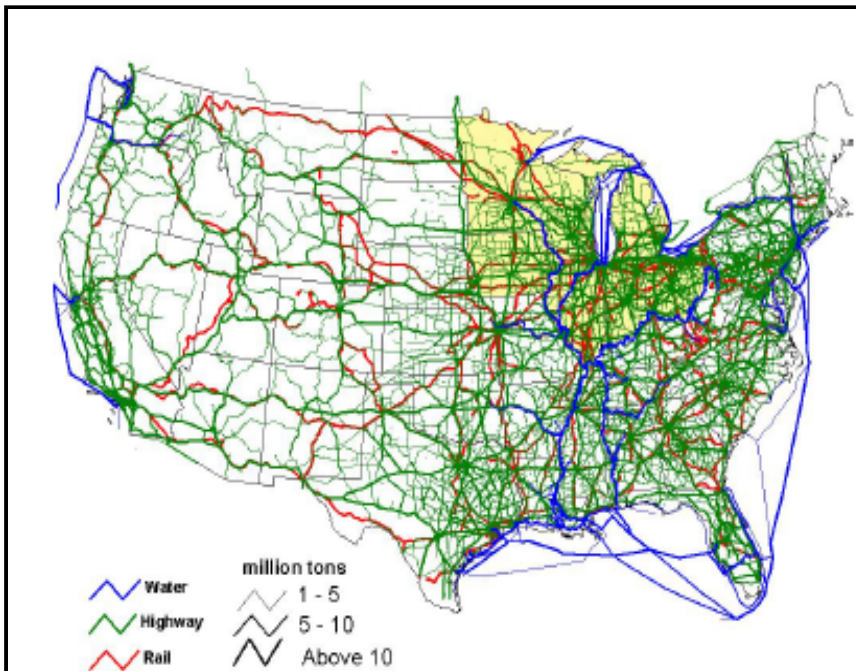


## Creating Capacity

The challenge of creating capacity to move the growing volume of freight in the Upper Midwest will remain one of the primary preoccupations of shippers, haulers, and policy makers for the foreseeable future. Because the current transportation infrastructure, including highway, rail, air, and water, is reaching or exceeding capacity and is difficult to expand, decision makers and planners will likely look towards innovative new programs as another way to increase capacity without adding new infrastructure. This white paper will focus on federal programs, as established in the SAFETEA-LU legislation, that provide opportunities to create and/or expand freight capacity throughout the Upper Midwest region. Information on funding levels, approval processes, and federal formula funding is also considered.



**Figure 1. Link Tonnages, 1998.**

Source: FHWA, GeoFreight

Figure 1 displays tons of freight transported by road, rail, and water and clearly depicts the critical importance of the Upper Midwest in the Nation's freight network. In addition to freight origination in the region, freight moving between the east and west coasts is likely to pass through the Upper Midwest. This image suggests the area is becoming a bottleneck for freight movements.

## **EXISTING FEDERAL PROGRAMS**

SAFETEA-LU includes a variety of programs and tools that could assist in creating additional capacity for freight in the Upper Midwest. A regional coalition must become familiar with funding, project approval processes, and the impact of guarantee dollars on the ability of our transportation system to meet the region's freight shipping demands.

### **National Corridor Infrastructure Improvement (Corridors) Program (\$1302)**

Capacity improvement and congestion management for the Interstate Highway System create some of the greatest opportunities for managing highway solutions that facilitate and improve the flow of freight along the nation's highways. The Corridors Program allocates funds to the states to make improvements in nationally significant corridors that are likely to promote economic growth and foster trade. States must apply to the federal government in a competitive bid process to be awarded funds through this program. Funding levels for the Corridors Program are appropriated from the Highway Trust Fund. Appropriated funding levels in SAFETEA-LU are as follows:

- \$194,800,000 for fiscal year 2005;
- \$389,600,000 for fiscal year 2006;
- \$487,000,000 for fiscal year 2007;
- \$487,000,000 for fiscal year 2008, and;
- \$389,600,000 for fiscal year 2009.

### ***Project approval process***

Under the Corridors Program, projects on the National Highway (Interstate) System that promote national and international trade and economic growth, and can be completed within a five-year period are given priority for funding. Selection factors considered in the legislation during the approval process include:

- The extent to which the project corridor provides a link between two existing segments of the Interstate System;
- The extent to which a project will facilitate major multi-state or regional mobility and economic growth;
- The extent to which commercial vehicle traffic in the project area is projected to increase;
- The volume of international freight traffic in the corridor;
- The extent to which the improvement will decrease congestion;
- The anticipated reduction in travel time through the freight corridor as a result of the project;
- The value of cargo moving through the area, and;
- The extent to which federal funds are leveraged by the project.

But projects funded through this program are earmarked in SAFETEA-LU. Five projects of particular interest to Upper Midwest Freight stakeholders are:

- IL Construction of the U.S. I-80 to I-88 North-South Connector in Illinois - \$152,000,000
- IL Construction of Route 34 Interchange and improvements in Illinois – \$55,000,000
- IN I-80 Improvements - \$10,000,000
- MN Falls-to-Falls Corridor - \$50,000,000
- WI Construction and reconstruction of the U.S. Highway 41 corridor between Milwaukee and Green Bay, Wisconsin - \$30,000,000

Many of the criteria noted in the project approval process portion of this discussion are met by the challenges and opportunities currently manifest in the Upper Midwest, making the region a good candidate for funding through the Corridors program. Particularly, provisions to encourage capacity building in areas with significant international trade should draw the attention of states along the Canadian border. A regional freight coalition's proposed projects would be attractive under the criteria for the promotion of multi-state regional economic growth.

### **Projects of National and Regional Significance (§1301)**

In a manner similar to the Corridors Program, this program provides funds for projects that include efforts to improve freight mobility and thus provide regional and national economic benefits. To achieve this goal, SAFETEA-LU establishes a program to award grant money to states, on a competitive basis, to address the need to complete transportation projects that result in economic benefits and improve the safe and secure flow of goods, people, and services along the National Highway System.

### ***Project approval process***

Eligible projects under this section of SAFETEA-LU include those that will incur costs expected to equal or exceed either \$500,000,000, or seventy-five percent of federal highway funds apportioned to the state in the most recent fiscal year for the state in which the project is located. This program provides funding for any surface transportation project that is eligible for federal assistance and includes freight rail as well as highway freight transportation projects.

Projects are awarded in a competitive bid process; however, special consideration is given to proposals that effectively do the following:

- Leverage federal investment by incorporating non-federal funding into the budget, including monies from public/private partnerships.
- Use new technologies, including ITS.
- Help protect the environment.

In addition, funding is available over the life of a project, beginning with preliminary engineering through construction.

Projects funded through this program are already earmarked. Five projects designated through SAFETEA-LU are of particular interest to Upper Midwest Freight stakeholders:

- IL Construction of O'Hare, Bypass/Elgin O'Hare Extension - \$140,000,000
- IL Mississippi River Bridge - \$150,000,000
- MI Planning, design, and construction of a new American border plaza at the Blue Water Bridge in or near Port Huron, MI - \$20,000,000
- VA, WV, OH Heartland Corridor Project including multiple intermodal facility improvements - \$90,000,000
- WI Reconstruction of the Marquette Interchange, Milwaukee, WI - \$30,000,000

As the above list displays, states in the Upper Midwest have already begun to take advantage of this program. Regional stakeholders should continue to take advantage of this program, particularly since it focuses on capacity building and congestion reduction with an eye towards economic development and freight movement.

### **Truck Parking Facilities (§1305)**

This program addresses the shortage of long-term parking for commercial motor vehicles (trucks) on the nation's National Highway System. This program seeks to construct new parking facilities and to increase available parking at existing sites, including highway rest stops, park and rides, or other similar facilities. Funding for the Parking Facilities program comes from the Highway Trust Fund. SAFETEA-LU earmarks \$6,250,000 per year from 2006 through 2009 for this program.

Increasing available truck parking on the National Highway System will benefit capacity by providing truck parking spaces for the increasing numbers of trucks that will be entering the highways in the Upper Midwest. These funds are not yet earmarked, which provides an opportunity for Upper Midwest freight stakeholders to take advantage of this program.

### **Freight Intermodal Distribution Pilot Grant Program (§1306)**

The purpose of the Freight Intermodal Distribution Pilot Grant Program (FIDPG) is to facilitate and support intermodal freight transportation initiatives at the state and local levels to relieve congestion and improve safety and to provide capital funding to address infrastructure and freight distribution needs, primarily at inland ports and intermodal freight facilities. SAFETEA-LU sets funding levels for the FIDPG program at \$6,000,000 for each fiscal year from 2006 through 2009.

#### ***Project approval process***

To receive monies through this program, states must submit a grant application to the Secretary of Transportation. Priority is given to funding projects which:

- Reduce congestion into and out of international ports in the U.S.
- Demonstrate ways to increase the likelihood that freight container movements involve freight containers carrying goods, and;
- Establish or expand intermodal facilities which encourage development of inland freight distribution centers.

By reducing congestion, increasing the number of containers actually carrying freight, and improving or constructing new distribution centers, the FIDPG program may facilitate the improvement of freight-carrying capacity for highway-system freight as well as intermodal freight. These funds are not yet earmarked, which provides an opportunity for regional freight stakeholders to take advantage of this program.

### **Coordinated Border Infrastructure Program (§3203)**

The coordinated border infrastructure program seeks to distribute funds to border states to improve the mobility of freight and motor vehicles across the border between the United states and Mexico and the United states and Canada. Funding from this program can be applied to a number of eligible uses, including:

- Improvements to existing transportation and support infrastructure;
- Construction of highways and related safety facilities;
- Operational improvements (electronic data interchange, telecommunications, etc.) that expedite freight movements;
- Modification to regulatory procedures that expedite cross-border freight movement, and;
- International coordination of freight movements pertaining to cross-border movement of freight and motor vehicles.

#### ***Funding Levels and Eligibility Criteria***

Funding for this program is distributed by formula. The funding breakdown by year is as follows:

- \$123,000,000 for fiscal year 2005;
- \$145,000,000 for fiscal year 2006;

- \$165,000,000 for fiscal year 2007;
- \$190,000,000 for fiscal year 2008, and;
- \$210,000,000 for fiscal year 2009.

Projects funded through this program are already earmarked. Two projects, one in Michigan and one in Minnesota are of particular interest to Upper Midwest Freight stakeholders. The funding levels are as follows:

- Michigan      \$20,871,373
- Minnesota    \$3,749,666

Funding is available for projects in Canada or Mexico, if a U.S. border state proposes a project to facilitate cross-border trade. Facilities may be constructed in these countries if the appropriate local government in Canada or Mexico can guarantee that the facility will be constructed using equivalent U.S. construction standards and that the new infrastructure will be properly maintained to facilitate trade. States in the Upper Midwest sharing borders with Canada can capitalize on this program to improve efficiency and infrastructure at their border crossings.

#### **Freight Planning and Capacity Building Program (§5204)**

This new program funds research, training, and education to support freight transportation planning. Funding for this program comes through the Training and Education funds and is set at \$875,000 a year from 2006 to 2009.

Research targeted towards strategic planning for infrastructure improvements, congestion mitigation needs, and technologies to enhance freight movements across the country would be of particular interest and benefit to a regional freight coalition in the Upper Midwest. This program could potentially interact with the National Cooperative Freight Transportation Research Program (§5209). The development of a national research agenda for freight offers numerous opportunities to develop recommendations for capacity-building programs.

#### **National Cooperative Freight Transportation Research Program (§5209)**

could potentially interact with the Freight Planning and Capacity Building Program. An advisory committee chosen to represent the different stakeholders in freight transport will be selected to develop a national research agenda for this program. The advisory committee should work cooperatively with researchers involved in the Freight Planning and Capacity Program to promote programs that aid in creating capacity for the freight industry. This program is funded at \$3.75 million per year for 2006-2009. The funding comes from Surface Transportation Research funds.

## **IMPACT OF FORMULA FUNDING<sup>1</sup>**

The question of the impact of formula funding on the states of the Upper Midwest is a complicated one that is not easy to answer. In short, formula funding refers to the formula the federal government uses to determine the amount of money from the federal gas tax it returns to the states. This tax, collected in the individual states at the pump, funds the Highway Trust Fund. According to FHWA staff, a full analysis of the impact of this money on freight programs has not yet been completed but eligibility relative to freight has not changed from TEA-21. However, FHWA has issued a summary of how these monies will be distributed. Selections from this summary are included here to help in considering funding levels and options for building freight capacity. For a more detailed discussion of funding through SAFETEA-LU, please visit <http://www.fhwa.dot.gov/safetealu/summary.htm>.

**Equity Bonus** – Federal-aid highway funds for individual programs are apportioned by formula using factors relevant to the particular program. After those computations are made, additional funds are distributed to ensure that each state receives an amount based on equity considerations. In SAFETEA-LU, this provision is called the Equity Bonus (replaces TEA-21's Minimum Guarantee) and ensures that each state will be guaranteed a minimum rate of return on its share of contributions to the Highway Account of the Highway Trust Fund, and a minimum increase relative to the average dollar amount of apportionments under TEA-21, and that certain states will maintain the share of total apportionments they each received during TEA-21. An open-ended authorization is provided, ensuring that there will be sufficient funds to meet the objectives of the Equity Bonus.

**Relative Rate of Return** – Each state's share of apportionments from the Interstate Maintenance, National Highway System, Bridge, Surface Transportation, Highway Safety Improvement, Congestion Mitigation and Air Quality Improvement, Metropolitan Planning, Appalachian Development Highway System, Recreational Trails, Safe Routes to School, Rail-Highway Grade Crossing, Coordinated Border Infrastructure programs, the Equity Bonus itself, along with High Priority Projects will be at least a specified percentage of that state's share of contributions to the Highway Account of the Highway Trust Fund. The specified percentage, referred to as a *relative rate of return*, is 90.5% for 2005 and 2006, 91.5% for 2007, and 92% for 2008 and 2009.

## **Concluding Thoughts**

Table 1, below, shows the range of federal programs available through SAFETEA-LU. From the perspective of creating new capacity for freight, there are a wealth of possibilities. For example, Projects of National and Regional

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<sup>1</sup> Adapted from FHWA SAFETEA-LU summary: <http://www.fhwa.dot.gov/safetealu/summary.htm>

Significance and the Corridors Program, although fully earmarked in the legislation, include projects that promise to improve capacity for freight movement in the Upper Midwest. There is clearly a fair amount of funding available that could be used to enhance the region's freight capacity. However, the manner in which this funding is currently being used focuses on the efforts of individual states. While projects constructed by individual states may improve infrastructure, they are unlikely to address system-wide deficiencies or capitalize on opportunities across the region. Projects proposed by a multi-state coalition, such as a regional coalition of the Upper Midwest Freight stakeholders, hold greater potential for funding projects that not only get constructed, but contribute to enhancing freight movement at a regional level.

**Table 1. Freight Capacity-Building Programs in SAFETEA-LU**

<b>Program</b>	<b>Section</b>	<b>Infrastructure</b>	<b>Congestion Mitigation</b>	<b>ITS/Data Management</b>	<b>Highway</b>	<b>Multi-modal</b>	<b>International</b>	<b>Research</b>
Projects of National and Regional Significance	§1301	X			X			
Corridors Program	§1302	X	X		X			
Coordinated Border Infrastructure Program	§3203	X	X	X		X	X	
Freight Intermodal Distribution Pilot Grant Program	§1306	X	X	X		X		
Interstate Discretionary	§1113	X	X	X	X	X		
Bridge Discretionary	§1114	X	X	X	X	X		
Truck Parking Facilities	§1305	X	X		X			
Freight Planning and Capacity Building	§5204							X
National Cooperative Freight Transportation Research	§5209							X