



Office of the Chairman

Surface Transportation Board
Washington, D.C. 20423-0001

February 6, 2007

The Honorable David R. Obey
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Obey:

The fiscal year (FY) 2008 budget estimates for the Surface Transportation Board are enclosed. In accordance with the ICC Termination Act of 1995, P.L. 104-88, I am transmitting this budget estimate and appropriation request to Congress.

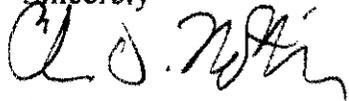
Specifically, the Board is requesting \$26.495 million, which is an increase over the Board's FY 2007 budgetary authority. The funding level requested reflects the agency's higher rental payments to the General Services Administration, associated with the Board's relocation to new office space in FY 2007, and increased funds to cover salary and employee benefit costs associated with the FY 2007 and the FY 2008 pay increases.

The overall budget request reflects the workload that is expected and the statutory and regulatory deadlines associated with the resolution of the cases filed and highlights the staffing and funding resources needed to accomplish this goal.

In accordance with 31 U.S.C. 720, I also am transmitting a written statement of the actions taken by the Board on the recommendations for action contained in the Government Accountability Office's report entitled "Freight Railroads: Industry Health Has Improved, But Concerns About Competition and Capacity Should Be Addressed", dated October 2006.

The Board is sending an identical letter to the Senate Appropriations Committee.

Sincerely



Charles D. Nottingham

Enclosure

cc: Chairman John W. Olver



Office of the Chairman

Surface Transportation Board
Washington, D.C. 20423-0001

February 6, 2007

The Honorable Robert C. Byrd
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

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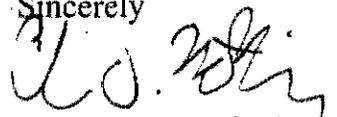
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Charles D. Nottingham

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cc: Chairman Patty Murray

Surface Transportation Board

Budget Request

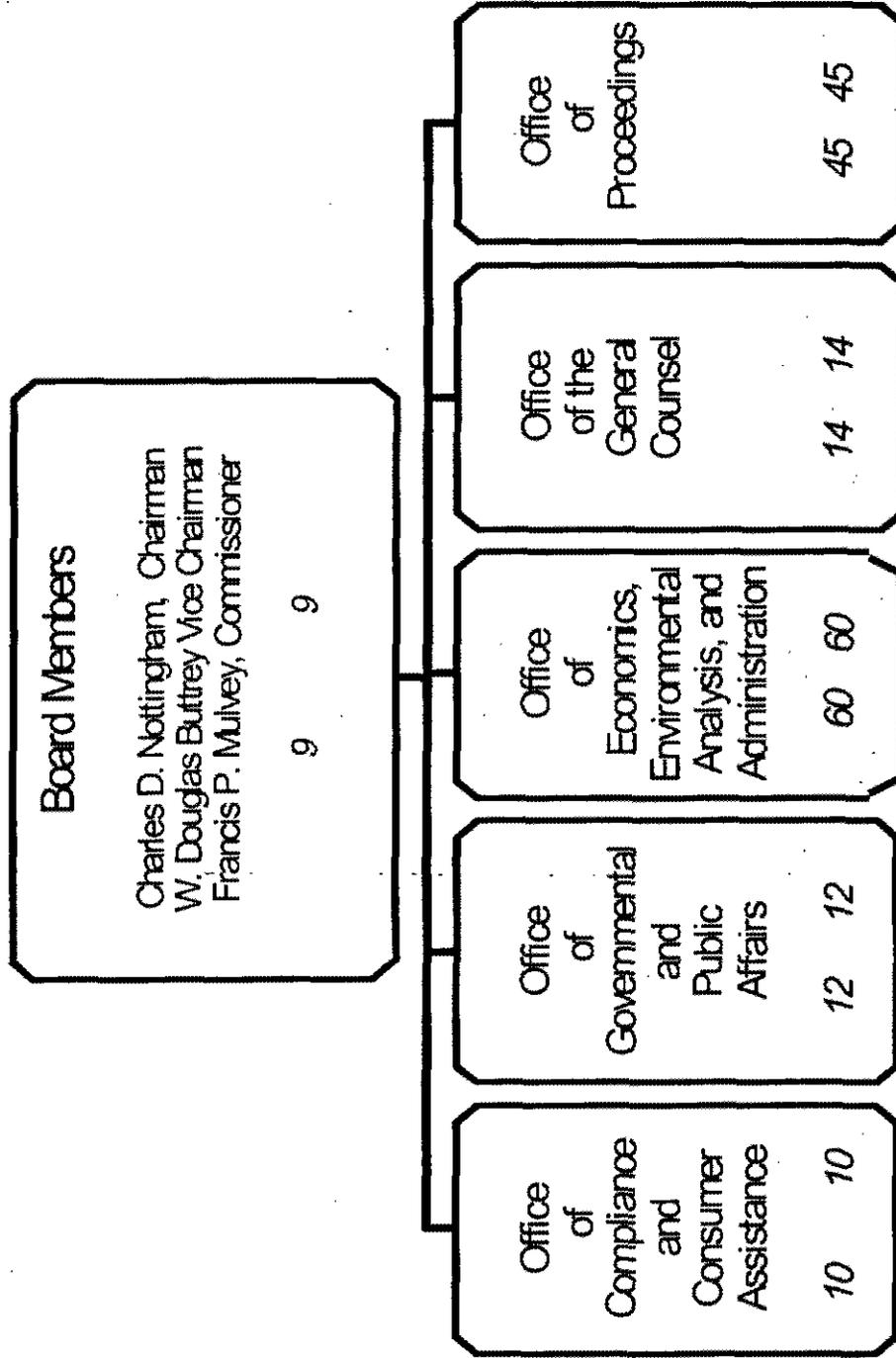
FY 2008



February 2007

Surface Transportation Board

FTEs for FY 2008 Budget



The above numbers to the left represent FY 2007 FTEs; numbers to the right represent FY 2008 FTEs. The number of Full-Time Permanent positions and FTEs is the same. The total number of FTEs for the Surface Transportation Board is 150 for FY 2007 and 150 for FY 2008.

SURFACE TRANSPORTATION BOARD

OVERVIEW OF BOARD AND BUDGET REQUEST

Introduction

The budget request submitted by the Surface Transportation Board (Board) for fiscal year (FY) 2008 reflects its FY 2007 budget, with an increase in funding due to higher rental payments to the General Services Administration (GSA) and salary increases due to the FY 2007/2008 pay increases. Operationally, the Board requests budget resources of \$26,495,000 and authority to continue to operate at 150 full time equivalents (FTEs).

Background on the Board

The Board is a three-member, bipartisan, decisionally independent adjudicatory body organizationally affiliated within the Department of Transportation (DOT). The Board has jurisdiction over certain surface transportation economic regulatory matters.

The rail oversight of the Board encompasses rate reasonableness, car service and interchange, mergers, line acquisitions, line constructions, and abandonments. The jurisdiction of the Board also includes certain oversight of the intercity bus industry; pipeline carriers; and rate regulation involving noncontiguous domestic water transportation, household goods carriers, and collectively determined motor carrier rates. The Board is statutorily empowered, through its exemption authority, to promote deregulation administratively.

The Board has kept up with its steady workload, and issued 1,252 decisions and court-related matters in FY 2006, with new cases being filed even as pending cases are resolved. In recent years, the Board experienced a continued increase in the number of major rail rate disputes and work related to these disputes. In past years, the Board had two or three of these cases pending at any one time. In FY 2006, it issued a decision in one rail rate dispute and had four rail rate cases pending (which it held in abeyance while it developed new rules for major rate cases). The Board had two pipeline rate disputes (one of which was resolved during the fiscal year) and one water carrier rate dispute pending in FY 2006. The Board also defended its decisions in court in a number of rate cases. These cases are costly and time consuming for the Board and its staff.

The Board has taken a number of actions in the past year that have promoted, where appropriate, substantive and procedural regulatory reform in the economic regulation of surface transportation to provide an efficient and effective forum for the

resolution of disputes. In this regard, during FY 2006, the Board held public meetings, hearings, and oral arguments; processed rulemakings streamlining or otherwise improving the regulatory process; handled several pending rail rate reasonableness complaints; addressed several labor arbitration matters; processed other rail restructuring cases; handled proposed rail construction cases; and took action on a significant number of non-rail matters.

The Board's Section of Environmental Analysis has also performed environmental reviews on the Board's construction, abandonment, and merger matters as required by the National Environmental Policy Act. As these reviews have become more controversial and complex, they have consumed an increasing amount of Board resources.

Board's Budget Request

In FY 2008, the Board requests budget resources totaling \$26,495,000. This budget level reflects the current resources provided by Congress in recent years with additional funds for the Board's higher rental payments and the salary increases due to the FY 2007/2008 mandated pay increases. The Board also seeks resources and authority to operate at 150 FTEs, the current staffing level authorized by Congress.

First, the Board will be relocated in FY 2007 by GSA from its current physical site to new leased space. The owners of the Board's current leased offices intend to vacate the building to provide for extensive renovation and modernization. Funds included in the FY 2006/2007 appropriations acts provided GSA with the resources to schedule the network and telecommunication connections and interfaces and perform needed structural changes to the leased space to support the Board's mission. However, the rental payments for the new leased space are double those that GSA secured in 1996 for the Board's present location. A portion of the higher rental costs is reflected in the FY 2007 funding base, but the full rental cost is reflected in the FY 2008 budget request.

Second, the remaining additional funds requested would cover salary and employee benefit costs associated with the FY 2007 and FY 2008 pay increase and increases associated with employee health benefit and retirement costs. Unlike many agencies, there is little room in the Board's budget to absorb a pay increase without the additional resources, because fixed costs, including salary and rent, comprise about 95% of the agency's expenses. Absorbing even a small amount of the pay increase could impair the Board's ability to perform its statutory mission.

The requested authorization for 150 FTEs also will provide the Board with the discretion to hire staff to replace tenured, retirement-eligible staff prior to their anticipated retirement date. Currently, 46 employees, or 34% of the current Board staff, are retirement-eligible. Several retirements can be expected in the near future, and having the flexibility to hire qualified people when they are available is particularly important for a high-rated agency that must obtain economic, legal, and technical expertise when they are available in the labor market.

Consistent with appropriation acts for past fiscal years, the Board requests a provision allowing user fee collections to be credited to the appropriation as offsetting collections and used for necessary and authorized expenses to the extent that they are collected. The overall budget request reflects the workload that is expected and the statutory and regulatory deadlines associated with the resolution of the cases filed.

PERFORMANCE GOALS

In the performance of its functions, the Board's objective is to ensure that, where regulatory oversight is necessary, it is exercised efficiently and effectively, integrating market forces and private-sector resolutions, where possible, into the overall regulatory framework.

In particular, the Board seeks to resolve matters brought before it fairly and expeditiously. Through use of its regulatory exemption authority, streamlining of its decisional process and the regulations applicable thereto, and consistent application of legal and equitable principles, the Board seeks to facilitate commerce by providing an effective forum for efficient dispute resolution and facilitation of appropriate business transactions. The Board continues to strive to develop, through rulemakings and case disposition, new and better ways to analyze unique and complex problems, to reach fully justified decisions more quickly, and to reduce the costs associated with regulatory oversight. The resources that the Board requests would be used to further these initiatives.

ACHIEVEMENT OF THE BOARD'S GOALS

To be more responsive to the surface transportation community by fostering governmental efficiency, innovation in dispute resolution, private-sector solutions to problems, and competition in the provision of transportation services, the Board will continue to:

- strive for a more streamlined process for the expeditious handling of rail rate reasonableness and other complaint cases in an effort to provide additional regulatory predictability to shippers and carriers;
- diligently process cases before the Board and ensure that appropriate market-based activities in the public interest are facilitated;
- adhere to all statutory deadlines for the resolution of matters pending before the Board;
- encourage new opportunities for the various sectors of the transportation community to work cooperatively with the Board and with one another to find

creative solutions to industry and/or regulatory problems involving carriers, shippers, employees, and local communities;

- work to ensure the provision of rail service that is responsive to the needs of customers; and
- ensure that the Board's processes are open and transparent to the public.

ACCOMPLISHMENTS AND WORKLOAD

Attached is a table showing workload trends and accomplishments, which provides the basis for the Board's budget request for FY 2008. As the table indicates, the Board believes that the number of decisions it issues and court-related matters it handles are the best measure of workload and performance. In accordance with its continued commitment to resolving matters before it expeditiously, the Board anticipates a relatively constant overall output in each year through the end of FY 2008. If, however, Congress were to make changes in the statute that the Board administers or vest the Board with additional responsibilities, then such actions could have an impact on the Board's resources.

Fiscal Year 2006

During FY 2006, the Board's workload included 1,252 decisions and court-related matters that involved adjudications and rulemakings dealing with rail and non-rail transportation issues. This work pertained to rail carrier consolidations, review of rail labor arbitral decisions, rail rates and service, rail line sales, rail line constructions, terms and conditions for continued rail service, and abandonments. It also involved intercity bus merger and pooling matters, motor carrier collective ratemaking oversight, and other non-rail matters such as water carrier and pipeline rate cases.

Regarding rate cases, the Board issued a decision in STB Docket No. 42071, *Otter Tail Power Company v. The Burlington Northern and Santa Fe Railway Company*, and successfully defended its decisions in court in STB Docket No. 42054, *PPL Montana v. The Burlington Northern and Santa Fe Railway Company*; STB Docket No. 42057, *Public Service Company D/B/A Xcel Energy v. The Burlington Northern and Santa Fe Railway Company*; and STB Docket No. 42058, *Arizona Electric Power Cooperative v. Burlington Northern and Santa Fe Railway Company and Union Pacific Railroad Company*. The Board had a number of pending rate complaints, including STB Docket No. 41191 (Sub-No.1), *AEP Texas North Company v. The Burlington Northern and Santa Fe Railway Company*; STB Docket No. 42088, *Western Fuels Association, Inc., and Basin Electric Power Cooperative, Inc. v. The Burlington Northern and Santa Fe Railway Company*; STB Docket No. 42095, *Kansas City Power & Light Company v. Union Pacific Railroad Company*; and STB Docket No. 41191, *West Texas Utilities Company v. The Burlington Northern and Santa Fe Railway Company*.

The Board instituted a rulemaking proceeding, STB Ex Parte No. 657 (Sub-No.1), *Major Issues in Rail Rate Cases*, to address major issues regarding the proper application of the stand-alone cost (SAC) test in rail rate cases and the proper calculation of the floor for any rail rate relief. The Board's general standards for judging reasonableness of rail freight rates are set forth in the "Coal Rate Guidelines," which adopted a set of pricing principles known as constrained market pricing (CMP). Most captive rail shippers seek relief under CMP's SAC test. Under the SAC constraint, the rate at issue cannot be higher than what a hypothetical, highly efficient railroad would need to charge to serve the complaining shipper while fully covering all of its costs, including a reasonable return on investment. Because the issues in the rulemaking had been raised or implicated in the pending rail rate cases, the Board held those cases in abeyance while it examined these important issues in the rulemaking.

In an attempt to make the Board's rate case process more accessible to all shippers, the agency sought public comment on new standards and procedures for medium and small rate cases. STB Ex Parte No. 646 (Sub-No. 1), *Simplified Standards for Rail Rate Cases*. The Board proposed a new methodology for deciding medium sized rate cases called "simplified stand-alone cost," and guidelines for deciding small cases. The proposed rules set forth clear thresholds for eligibility for filing large, medium and small rate cases.

During FY 2006, the Board instituted a rulemaking proceeding in STB Ex Parte No. 664, *Methodology To Be Employed in Determining the Railroad Industry's Cost of Capital*, regarding the appropriate methodology to be used in determining the railroad industry's cost of capital, which is part of the annual evaluation of the adequacy of railroad revenues. The cost-of-capital determination may also be utilized in other Board proceedings, including, but not necessarily limited to, those involving the prescription of maximum reasonable rate levels. The cost-of-capital rulemaking focuses on how to calculate the railroads' cost equity capital, which is an important part of the cost of capital.

The Board instituted a proceeding in STB Ex Parte No. 661, *Rail Fuel Surcharges*, after holding a hearing to inquire into the practices of the railroad industry of imposing surcharges to recoup the rising costs of fuel. Based on the testimony from shippers, carriers, labor, consultants, and representatives of the public, the Board proposed that any fuel surcharges should be based on a single, uniform index and should be cost-based. The Board also criticized the practice of "double-dipping" (imposing more than one charge for a single fuel cost increase) and asked carriers to file monthly fuel cost reports. Comments were sought on the proposal.

The Board also proposed, in STB Ex Parte No. 659, *Public Participation in Class Exemption Proceedings*, to increase the notice that the public receives before line sales, corporate family transactions, trackage rights and certain other transactions may be consummated pursuant to the Board's "class exemptions." The purpose of the proposal is to ensure that the public is given more notice of a transaction before the exemption becomes effective.

The Board asked for comments on a request by the Western Coal Traffic League in STB Ex Parte No. 575, *Review of Rail Access and Competition Issues—Renewed Petition of the Western Coal Traffic League*, to adopt rules limiting the extent to which agreements for the sale or lease of railroad lines, by larger railroads to existing or newly created short line railroads, may contain "paper barriers" restricting the incentive or ability of a purchaser or tenant to interchange traffic with connecting railroads that could compete with the seller or landlord railroad. The Board held a public hearing on the matter in July 2006, and is reviewing the comments and testimony by the various parties.

Regarding other rail matters, the Board continued to handle some labor arbitration appeals associated with previously approved major rail mergers. It issued 471 rail abandonment decisions, 28 rail line construction decisions, and 199 short-line and noncarrier acquisition decisions.

The Board had a large number of railroad line construction proposals pending during FY 2006, which have entailed considerable environmental review work. The 14 rail construction cases that were pending during FY 2006 vary in size and scope, ranging from less than a mile to 319 miles of new rail line. The Board issued a decision in FY 2006 that adopted a supplemental environmental impact statement in STB Finance Docket No. 33407, *Dakota, Minnesota & Eastern Railroad Corporation Construction Into The Powder River Basin.*, and that gave DM&E final approval to construct and operate a new 280-mile line into Wyoming's Powder River Basin. The Board's decision was challenged by several parties, but the U.S. Court of Appeals for the 8th Circuit, in December 2006, upheld in all respects the Board's decision permitting the construction. The Board also issued a decision authorizing the construction of a 13-mile line between a power plant and two Class I railroads (STB Finance Docket No. 34435, *Ameren Energy Generating Company—Construction and Operation Exemption—in Coffeen and Walshville, IL*). The Board issued its final supplemental environmental impact statement in STB Finance Docket No. 30186 (Sub No. 3), *Tongue River Railroad Company, Inc.—Construction and Operation—Western Alignment*, which proposes a new 17.3-mile rail alternative alignment to access coal mines in Montana. The Board also became involved in the environmental review of a

construction case to construct and operate an 80-mile rail line near Eielson Air Force Base, Alaska, to support both military and civilian activities along the proposed rail corridor (STB Finance Docket No. 34658, *Alaska Railroad Corporation—Construction and Operations Exemption*).

As part of its continuing emphasis on ensuring that rail service is responsive to the needs of customers and that related disputes are resolved effectively and expeditiously, the Board continues a number of actions to foster resolution of service-related issues. During FY 2006, the Board continued its focus on private-sector resolution through its Rail Consumer Assistance Program, which has a special toll-free telephone number and a specific website connection, to assist rail customers and others with concerns involving railroads. During FY 2006, 110 rail consumer issues were resolved through that program. In these matters, Board staff expeditiously handled and brought to a successful conclusion on an informal basis rail consumer inquiries and complaints concerning matters related to rates and other charges, car supply and other service issues, claims for damages, service-related problems, employee concerns, and community issues.

During FY 2006 the Board participated in numerous outreach activities between railroads and their customers to facilitate better communications regarding service issues and plans to resolve them. And the Board continues to act in cases before it to assist the parties in devising private-sector solutions to their disputes outside of the Board's formal processes.

On other non-rail matters, in FY 2006, the Board issued decisions dealing with intercity bus merger cases and motor carrier rate bureaus. The Board worked on its remaining pipeline case, which concerned rates for pipeline transportation of anhydrous ammonia, STB Docket No. 42084 *CF Industries, Inc. v. Kaneb Pipe Line Partners, L.P. and Kaneb Pipe Line Operating Partnership, L.P.* (that case was recently settled); and it worked on a water carrier rate case involving the non-contiguous domestic water trade, STB Docket No. WCC-101, *Government of the Territory of Guam v. Sea-Land Service, Inc., American President Lines, Ltd., and Matson Navigation Company, Inc.* The Board defended in court its decision in STB Docket No. WCC-105, *DHX, Inc. v. Matson Navigation Company and Sea-Land Service, Inc.*, regarding rate practices of a water carrier.

Fiscal Years 2007 and 2008

During FY 2007 and 2008, the Board will continue to look for ways to streamline or otherwise improve applicable regulations and the regulatory process and

to promote private-sector resolution of disputes. The Board is continuing to look independently for ways to shorten and streamline its procedures for bringing and prosecuting both large and small rate cases, and to make the environmental review process for new rail line construction cases more streamlined as well. And it will continue to use its processes to encourage private-sector dispute resolution.

The workload involving rail rates and services is expected to increase through FY 2008, particularly given the likely continuing expiration of long-term coal transportation contracts and some rail carriers' stated intention to move away from pricing through contracts. Rate case resolutions continue to strive for a balance between the railroads' need to earn adequate returns and shippers' need for fair and reasonable rates. The Board will move forward on its cost-of-capital proceeding, as to which it has scheduled a public hearing on February 15, 2007. The Board will continue to resolve its pending rate complaints and to work on new rail rate cases that come before it. The Board currently has four rate complaint cases at various states of adjudication and a number of decisions related to coal rate complaints that have been appealed to court, which will be in various stages of litigation during FY 2007/2008. These proceedings will require significant staff attention and additional resources, given the complex nature of the cases and the substantial attention that will need to be devoted to matters such as motions and discovery resolution. Other rail cases that will continue to require considerable resources involve questions of whether certain activity connected to rail service cannot be regulated at the state or local level because such regulation is preempted by Federal law.

The Board concluded its major rulemaking proceeding in STB Ex Parte No. 657 (Sub-No.1), *Major Issues in Rail Rate Cases*, in FY 2007 by making several changes to how it handles large rail rate cases. Through these changes, the Board will improve the soundness of its SAC decisions and reduce the complexity and expense of large rail rate proceedings. These changes will assist the Board and the parties as the Board moves forward with the rate proceedings it had held in abeyance.

The Board issued a final decision in FY 2007 in STB Ex Parte No. 661, *Rail Fuel Surcharges*, declaring it an unreasonable practice for railroads to double-dip, or to compute fuel surcharges in a manner that does not correlate with actual fuel costs for specific rail shipments. The Board is proceeding with a proposal to monitor the fuel surcharge practices of the rail industry by imposing mandatory reporting requirements on all large (Class I) railroads.

During FY 2007, the Board instituted a proceeding, STB Ex Parte No. 665, *Rail Transportation of Grain*, to examine issues related to grain transportation by the

railroads. On October 6, 2006, the United States Government Accountability Office (GAO) released a report that included observations on rates, competition, and capacity issues in the American rail freight industry. Although it reported that the changes that have occurred in the rail industry since the Staggers Rail Act of 1980 are widely viewed as positive, and that most rates have declined since 1985, GAO found that grain rates diverged from the industry trend. The Board took comments and held a public hearing, as a forum for interested persons to provide views and information about the market conditions that led to these observations by GAO and about grain transportation markets in general. The Board's response to the recommendations contained in the GAO report are attached hereto.

With respect to rail carrier consolidations, no major rail mergers are currently pending: Nevertheless, the workload in this category is expected to remain constant through FY 2008 because the Board is seeing a shift to, or an increase in, the number of smaller rail mergers and control filings. Of course, it is impossible to know whether a major merger may be proposed during FY 2007 or FY 2008. As noted, the Board continues to resolve issues related to past Class I rail mergers, including issues involved with the interpretation of conditions that the Board imposed in approving those prior mergers.

Concerning other rail restructuring matters, rail abandonment decisions are expected to remain constant through FY 2008. The Board continues to see a high volume of "post abandonment" activity relating to (1) trail use, as proponents avail themselves of opportunities under the National Trails System Act, and (2) offers of financial assistance, whereby shippers and others seek to acquire rail lines approved for abandonment at a price negotiated with the abandoning railroad or set by the Board to continue freight rail service.

The Board projects an increase in the number of line construction decisions involving the 15 rail line construction proposals and additional applications that are anticipated during FY 2007, all of which can implicate significant environmental review issues. The complexity of the environmental reviews the Board must conduct continues to grow, and the environmental matters require an increasing amount of resources.

With respect to construction matters in FY 2007, the Board issued its supplemental draft EIS in December 2006 in STB Finance Docket No. 34284,

Southwest Gulf Railroad Company—Construction and Operation—Medina County, TX, which involves the proposed construction of 7 miles of new rail line to provide rail service to a new limestone quarry. This document evaluated three additional potential rail routes to assess the environmentally preferable routes to avoid or minimize impacts to rural historical landscapes and to conduct additional noise analysis. Additionally, as noted, the Board's environmental staff has begun an environmental review of the Alaska Railroad proposal to construct and operate an 80-mile rail line (STB Finance Docket No. 34658, *Alaska Railroad Corporation—Construction and Operations Exemption*). Finally, the Board will prepare an EIS of the potential cumulative environmental effects of the DM&E coal trains from the Powder River Basin operating over the former I&M Rail Link system, which DM&E has acquired, in STB Finance Docket No. 34177, *Iowa, Chicago & Eastern Railroad Corporation—Acquisition and Operation Exemption—Lines of I&M Rail Link, LLC*.

Other line transaction activity is expected to remain constant through FY 2008 as carriers announce intentions to continue to sell unprofitable or marginally profitable lines as an alternative to service abandonment. These line sales can be beneficial in light of the desirability of preserving rail service for shippers as an alternative to abandonment. In the past few years, the Board has seen an increase in the number of line acquisitions by both small carriers and noncarriers as rail carriers restructure their rail systems.

Regarding non-rail matters, pipeline work is expected to remain constant although the cases that had been pending in FY 2006 have now been resolved; the intercity bus merger and pooling workload are projected to remain constant through FY 2008; and noncontiguous domestic water trade rate case activity is expected to remain constant through FY 2008. The Board expects to devote the same level of staffing resources to work on cases involving motor carrier ratemaking antitrust immunity through FY 2008.

**FY 2008 Congressional Budget Justification
Workload Summary¹**

Workload Category	Actual FY 2006 Board Decisions and Court-related Work	Estimated² FY 2007 Board Decisions and Court-related Work	Estimated² FY 2008 Board Decisions and Court-related Work
Rail Carrier Control Cases	41	45	45
Rail Rates and Service	73	111	111
Rail Abandonments and Constructions	499	517	517
Other Line Transactions	199	200	200
Other Rail Activities	89	85	85
Non-Rail Activities	351	352	352
Total	1,252	1,310	1,310

¹ At this time, the Board believes that the number of Board decisions and court-related work is the best measure of workload at the Board. Certain activities performed at the Board that provide direct and indirect support for rulemakings and decisions in specific cases are not reflected in these workload numbers. Such activities not reflected include: enforcement activities; rail audits and rail carrier reporting oversight; administration of the rail waybill sample and development of the Uniform Rail Costing System; and case-related correspondence and informal public assistance.

² Estimated workloads for FY 2007 and 2008 are based on historical information regarding actual filings and best estimates of probable future filings by parties. Because the Board is principally an adjudicatory body, it does not directly control the level or timing of actual case filings.

SALARIES AND EXPENSES
(Dollars in thousands)

	FY 2006 <u>Actual</u>	FY 2007 Continuing <u>Resolution</u> ³	FY 2008 <u>Request</u>	Difference <u>from Estimate</u>
Permanent Positions	140 ⁴	150	150	0
Full-time Equivalents	137	128	150	22
Personnel Compensation and Benefits	\$17,372	\$16,627	\$20,012	\$3,385
Travel	95	106	109	3
Agency Relocation	4,388	375	0	(375)
Other Costs	<u>4,292</u>	<u>5,817</u>	<u>6,374</u>	<u>557</u>
TOTAL BUDGET RESOURCES	\$26,147	\$22,925⁴	\$26,495	\$3,570

Changes in Resources:

The Board seeks a budget increase of \$3,570,000 for FY 2008, due to the low funding level of the FY 2007 Continuing Resolution. Under the Continuing Resolution funding level expiring on February 15, 2007, if annualized, the Board would have to undergo furloughs of existing staff to maintain adequate FY 2007 funding if additional FY 2007 funding is not provided. The FY 2008 increase restores full funding for the 150 FTEs that Congress has authorized in past years and includes higher rental payments to GSA at the agency's new location and salary increases due to the FY 2007/2008 pay increases. The Board will have completed the agency's relocation in FY 2007 from its current physical site to a new site leased by the General Services Administration (GSA).

For personnel compensation and benefits, \$20,012,000 is requested to support the Board's 150 authorized permanent positions. Included in this request is \$106,000 to fund the annual cost of the January 2007 pay raise and \$330,000 for the January 2008 pay

³ FY 2007 annualized Continuing Resolution funding level is based on the Continuing Resolution in place at the time of the budget submission and expiring on 2/15/2007.

⁴ As of 9/30/2006.

raise. The request also includes \$100,000 for lump-sum leave payments to retiring employees.

A travel budget of \$109,000 is requested primarily for on-site visits to railroads to finalize audits and review public accountants' workpapers, physically inspect proposed rail abandonment and construction sites, gather and verify environmental data provided by parties to proceedings, conduct operational reviews, meet with shippers regarding rail service issues and compliance, defend the Board's decisions in courts across the country, and generally provide presentations, upon request, on issues within the Board's jurisdiction. Due to the increased number of environmental reviews associated with new rail construction cases and attendance at field hearings on high-profiled cases as well as a Board policy of being open and accessible to stakeholders, agency travel has increased and is expected to remain at the increased level through FY 2008. A significant portion of the environmental travel increase is associated with the Board's cooperating agency participation in the environmental review associated with an 80-mile rail line construction near Eielson Air Force Base, Alaska and other environmental reviews in the western U.S.

Funding to cover other costs is requested at \$6,374,000. Included in this number are rental payments to GSA and payments for employee training, telephone service, postage, information technology systems support and equipment, miscellaneous services and supplies, and reimbursable services acquired from other Federal agencies. The increase in other costs is mainly associated with the projected increase in rental payments to GSA at the agency's new location and an increased level of security for all Federal agencies. The Board continues to evaluate its level of physical security in light of recommendations by GSA and the Department of Homeland Security and has implemented a Business Continuity Plan along with sheltering-in-place procedures to provide for the physical security of its employees and the continuity planning and continuance of its statutory mission.

Statement of Chairman Charles D. Nottingham, Surface Transportation Board, in Response to Government Accountability Office Report Entitled, "Freight Railroads: Industry Health Has Improved, but Concerns about Competition and Capacity Should Be Addressed" (GAO-07-94)

In October 2006, the United States Government Accountability Office (GAO) completed its report entitled, "Freight Railroads: Industry Health Has Improved, but Concerns about Competition and Capacity Should Be Addressed" (GAO-07-94) (herein *GAO Report*). This report discusses changes in the freight railroad industry since the Staggers Rail Act, as well as future freight demand and capacity projections. Pursuant to 31 U.S.C. 720, I am submitting this statement of the actions taken or proposed to be taken by the Surface Transportation Board (STB) on the recommendations set forth in that report.

GAO found that, in general, changes in the rail industry since the Staggers Act of 1980 have been positive. As the report shows, railroads have seen their productivity and financial health improve, and inflation-adjusted rail rates have fallen as carriers have passed cost savings back to their customers. We share GAO's concern that further rail investment is needed to meet the significant rise in demand predicted over the next 10 to 15 years, and that further investment would provide broad public benefits by improving highway traffic flow, air quality, and safety at the national, state and local levels. We also agree with GAO's ultimate finding that "widespread and fundamental changes to the relationship between the railroads and their customers are not needed." *GAO Report* at 65.

GAO does report concerns, however, about competition and captivity in certain regions of the country. In particular, GAO found that rail rates have increased in nominal terms (without accounting for inflation) since 1980 for some shippers; and that, even though the overall extent of shipper captivity has dropped, the amount of traffic with rates reflecting high revenue-to-variable cost (R/VC) ratios has increased in some areas. As GAO summarized, "[t]he results of our analysis suggest a reasonable possibility that shippers in selected markets may be paying excessive rates related to a lack of competition in those markets." *GAO Report* at 43.

Based on this study into the state of rail competition, GAO offers two recommendations for agency action. First, GAO recommends that the STB review its data collection methods to ensure that all freight revenues are consistently and accurately reported. Second, GAO recommends that the STB conduct its own rigorous analysis of competitive markets to identify the state of competition nationwide; inquire into railroad pricing practices in specific markets where it finds evidence of an inappropriate exercise of market power; and consider actions to address any potential market abuses.

With regard to the first recommendation, the STB will continue its ongoing efforts to ensure the accuracy and reliability of the data collected from railroads. Each

year, the Class I railroads submit to the STB reports containing extensive financial and operational data needed to assist the agency in fulfilling its regulatory responsibilities. This information is audited and reviewed by the Board and by independent accounting firms. Railroads also submit waybill data for a sample of individual movements. The waybill data are carefully reviewed for accuracy each year by two contractors, and the Board conducts its own series of checks on the waybill data as well. If at any of these stages there appears to be inconsistent or questionable data, the reporting railroad is immediately contacted for clarification or correction. And where a significant recurring problem is detected, the STB has taken and will continue to take the steps necessary to ensure it has the information it needs to carry out its statutory responsibilities. For example, this year the STB has proposed to change its reporting requirements to better monitor the collection of revenues under the carriers' "fuel surcharge" programs.

With regard to the second recommendation (for a broad, national study), the STB would require significant increased appropriations from Congress to implement such a study while continuing to meet the agency's core responsibilities. The STB already has several important rulemakings underway which bear more directly on GAO's concerns. The key concern in the report seems to be that there are pockets of captivity in the country where a carrier can exploit its market power, and there is little effective relief for captive shippers because the STB rate review process is viewed as largely inaccessible. See *GAO Report* at 38.

Earlier this year, the STB concluded that it must reform its rail rate review process to streamline and improve the methodology used to assess the reasonableness of rates. The STB therefore launched two separate rulemakings to improve the standards and procedures for addressing rail rate disputes – one for large disputes and the other for small disputes.

On October 30, 2006, we completed the first critical step in this broad reform initiative: revising our standards and procedures for deciding large rail rate disputes. This marked a significant milestone in the STB's effort to reduce litigation costs, create incentives for private settlement of disputes, and shorten the time required to bring large rail rate cases to the STB. The revised procedures should save shippers and railroads millions of dollars per case in consultant and legal fees – funds that can be used for more productive job creation, investment and transportation purposes.

In the coming months, we will work to complete the task of reforming our procedures and standards for deciding smaller rail rate disputes. We are committed to providing shippers with small rail rate disputes an effective, low-cost alternative avenue for pursuing effective rate relief.

In addition to these two large rulemaking proceedings, we have held hearings on grain markets, to better understand the concerns of captive grain shippers and on the continued use of "paper barriers" (contractual restrictions on interchange between a Class I railroad and a short line railroad). We have also instituted two other rulemakings to address concerns over unreasonable fuel surcharge practices, and to address shipper

concerns that our cost-of-capital calculations may be overstating the revenue needs of the carriers.

Given the aggressive agenda already underway at the Board, we are hesitant to divert resources and attention away from these pending initiatives to undertake another prolonged national study. Because most of GAO's concerns involve the possibility that some shippers may be paying excessive rates, we believe that a far more practical approach is for the STB to focus on the important reforms to its rate complaint procedures to ensure that captive shippers have an effective forum to seek rate relief if a railroad is charging unreasonably high rates.

In response to our comments, GAO stated that improving the rate relief process is insufficient because such changes "are designed to improve the process available to shippers, after shippers have been charged a rate that they consider to be unreasonable." *GAO Report* at 68. GAO seems to have concluded that a robust rate relief process would not have a significant deterrent effect, but would merely provide monetary relief after a railroad has exploited its market power. GAO suggests that injecting competition would be a preferred means to maintain reasonable rates. But a robust rate relief process for captive shippers should deter the exploitation of market power by carriers, just as clear securities laws deter insider trading or as sanctions for tax evasion encourage people to pay their taxes.

We also have practical concerns with the recommendation that the STB conduct the type of study described by GAO. GAO envisions an examination of the state of competition for the transportation of all commodities in all regions of the country. Thousands of products are shipped via rail each year, and a full competition analysis could require the agency to review not just direct competition (inter- and intramodal competition), but also indirect competition (product and geographic competition). A national study of transportation of all commodities in every local county and state would be so expensive, time consuming, and complex that we question the STB's ability to fund and manage the study while continuing to meet the agency's core responsibilities.

In addition, the scope of any such study would have to be carefully circumscribed to avoid examining the reasonableness of any particular rates or of the rate pricing practices of any individual carrier. Prior to 1996, the ICC had the authority to begin an investigation on its own initiative. But in the ICC Termination Act of 1995, Congress amended the statute to provide that "the Board may begin an investigation under this part only on complaint." 49 U.S.C. 11701(a).

Finally, the STB does not have sufficient funds available to devote to such a study in either its current or projected appropriations. To conduct any study of this nature and magnitude would require at least \$2 million to \$4 million and at least a year to complete. Under the current continuing resolution, the STB's operating budget (95% of which is fixed expenses) is already 12.5% lower than its requested appropriation. In the event Congress provides adequate appropriations for either a regional or national study of competition in the freight rail market, the STB would implement such a study.

For all of these reasons, we believe that a broad study of the state of competition in the rail industry would not be practicable at this time. Any such study should await (and not distract from) completion of the reforms to the STB's rate review process, and an opportunity to see if such a study is needed or if those reforms provide effective relief for captive shippers.

SURFACE TRANSPORTATION BOARD

SALARIES AND EXPENSES

OBJECT CLASSIFICATIONS
(in thousands of dollars)

OBJECT CLASS	FY 2007		
	FY 2006 ACTUAL	CONTINUING RESOLUTION	FY 2008 REQUEST
PERSONNEL COMPENSATION			
11.10 FULL TIME PERMANENT APPT.	11,988.0	11,374.0	14,130.0
11.30 OTHER THAN FULL-TIME PERMANENT	706.0	746.0	746.0
11.50 OTHER PERSONNEL COMPENSATION	532.0	505.0	520.0
11.90 TOTAL PERSONNEL COMPENSATION	<u>13,226.0</u>	<u>12,625.0</u>	<u>15,396.0</u>
12.10 CIVILIAN PERSONNEL BENEFITS	2,927.0	2,752.0	3,366.0
13.00 BENEFITS FOR FORMER PERSONNEL	0.0	0.0	0.0
21.00 TRAVEL AND TRANSPORTATION OF PERSONS	95.0	106.0	109.0
22.00 TRANSPORTATION OF THINGS	18.0	21.0	21.0
23.10 RENTAL PAYMENTS TO GSA	1,427.0	3,173.0	3,571.0
23.30 COMMUNICATIONS, UTILITIES, MISCELLANEOUS CHARGES	167.0	190.0	201.0
24.00 PRINTING AND PRODUCTION	4.0	7.0	7.0
25.20 OTHER SERVICES	726.0	256.0	314.0
25.30 PURCHASES OF GOODS FROM GOVERNMENT ACCOUNTS	5,916.0	2,140.0	1,708.0
26.00 SUPPLIES AND MATERIALS	303.0	315.0	326.0
31.00 EQUIPMENT	119.0	90.0	226.0
42.00 INDEMNITIES-OTHER PAYMENTS	0.0	0.0	0.0
99.00 SUBTOTAL, DIRECT OBLIGATIONS:	<u>24,928.0</u>	<u>21,675.0</u>	<u>25,245.0</u>
REIMBURSABLE OBLIGATIONS:			
11.10 REIMBURSABLE FULL TIME PERMANENT APPT.	1,015.0	1,063.0	1,063.0
12.10 REIMBURSABLE PERSONNEL BENEFITS	204.0	187.0	187.0
99.00 SUBTOTAL, REIMBURSABLE OBLIGATIONS	<u>1,219.0</u>	<u>1,250.0</u>	<u>1,250.0</u>
99.90 TOTAL OBLIGATIONS	<u>26,147.0</u>	<u>22,925.0 ^{1/}</u>	<u>26,495.0</u>

1/ FY 2007 annualized Continuing Resolution funding level is based on the Continuing Resolution in place at the time of the budget submission and expiring on 2/15/2007.

SURFACE TRANSPORTATION BOARD

SALARIES AND EXPENSES

PERSONNEL SUMMARY

	FY 2006 ACTUAL	FY 2007 CONTINUING RESOLUTION	FY 2008 REQUEST
1001 FULL-TIME EQUIVALENT-DIRECT	127	118	140
2001 FULL-TIME EQUIVALENT-REIMBURSABLE	10	10	10
FULL-TIME EQUIVALENT (FTE) TOTAL	137	128	150

Surface Transportation Board

Summary Analysis of Change from FY 2007 to FY 2008 (in thousands of dollars)

<u>Item</u>	<u>Changes from FY 2007 to FY 2008</u>	<u>Appropriation Total</u>
FY 2007 Continuing Resolution Base		
Salaries and Expenses - Funds only 118 Direct FTEs		\$21,675
Adjustments to Base		
2007 Pay Raise	\$106	
2008 Pay Raise	\$330	
2008 Extra Pay Days (262 vs. 260)	\$136	
GSA Rent	\$398	
Working Capital Fund Increase	\$38	
Inflation	\$61	
Subtotal, Adjustments to Base		\$1,069
Program Increases/Decreases		
Restoration of full funding for 150 FTEs	\$2,813	
One-time agency relocation costs in FY 2007	-\$445	
One-time FY 2008 equipment purchases	\$133	
Subtotal, Program Increases/Decreases		\$2,501
Total FY 2008 Request		\$25,245

**SURFACE TRANSPORTATION BOARD
COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY**
(in thousands of dollars)

APPROPRIATIONS, OBLIGATION LIMITATIONS, AND EXEMPT OBLIGATIONS

ACCOUNT NAME	FY 2006 ACTUAL	FY 2007 PRESIDENT'S BUDGET	FY 2007 CONTINUING RESOLUTION ^{1/}	FY 2007 BOARD'S BUDGET REQUEST	FY 2008 TOTAL REQUEST
SALARIES & EXPENSES	24,928	21,675	21,675	24,368	25,245
TOTALS	<u>24,928</u>	<u>21,675</u>	<u>21,675</u>	<u>24,368</u>	<u>25,245</u>
FTE (direct funded only)	127	120	118	140	140
OFFSETTING COLLECTIONS	1,219	1,250	1,250	1,250	1,250
FTE (reimbursable funded only)	10	10	10	10	10

EXPLANATION:

Past fiscal years' appropriation acts have included a provision allowing user fee collections to be credited to the appropriation as offsetting collections thereby reducing the amount appropriated and the budget authority.

^{1/} FY 2007 annualized Continuing Resolution funding level is based on the Continuing Resolution in place at the time of the budget submission and expiring on 2/15/2007.

**SURFACE TRANSPORTATION BOARD
FY 2008 BUDGET REQUEST BY APPROPRIATION ACCOUNT**
(in thousands of dollars)

APPROPRIATIONS, OBLIGATION LIMITATIONS, AND EXEMPT OBLIGATIONS

<u>ACCOUNT TITLE</u>	<u>FY 2006 ACTUAL</u>	<u>FY 2007 PRESIDENT'S BUDGET</u>	<u>FY 2007 CONTINUING RESOLUTION 1/</u>	<u>BOARD'S BUDGET REQUEST</u>	<u>FY 2008 TOTAL REQUEST</u>
SALARIES & EXPENSES	24,928	21,675	21,675	24,368	25,245
OFFSETTING COLLECTIONS:					
Users Fees Credited to Appropriation	1,219	1,250	1,250	1,250	1,250
TOTALS	<u>26,147</u>	<u>22,925</u>	<u>22,925</u>	<u>25,618</u>	<u>26,495</u>

EXPLANATION:

Past fiscal years' appropriation acts have included a provision allowing user fee collections to be credited to the appropriation as offsetting collections thereby reducing the amount appropriated and the budget authority.

1/ FY 2007 annualized Continuing Resolution funding level is based on the Continuing Resolution in place at the time of the budget submission and expiring on 2/15/2007.

**SURFACE TRANSPORTATION BOARD
FY 2008 BUDGET REQUEST BY APPROPRIATION ACCOUNT**
(in thousands of dollars)

ACCOUNT TITLE	BUDGET AUTHORITY				FY 2008 TOTAL REQUEST
	FY 2006 ACTUAL	FY 2007 PRESIDENT'S BUDGET	FY 2007 CONTINUING RESOLUTION 1/	FY 2007 BOARD'S BUDGET REQUEST	
SALARIES & EXPENSES	24,928	21,675	21,675	24,368	25,245
OFFSETTING COLLECTIONS:					
Users Fees Credited to Appropriation	1,219	1,250	1,250	1,250	1,250
TOTALS	<u>26,147</u>	<u>22,925</u>	<u>22,925</u>	<u>25,618</u>	<u>26,495</u>

EXPLANATION:

Past fiscal years' appropriation acts have included a provision allowing user fee collections to be credited to the appropriation as offsetting collections thereby reducing the amount appropriated and the budget authority.

1/ FY 2007 annualized Continuing Resolution funding level is based on the Continuing Resolution in place at the time of the budget submission and expiring on 2/15/2007.

**SURFACE TRANSPORTATION BOARD
FY 2008 BUDGET REQUEST BY APPROPRIATION ACCOUNT**
(in thousands of dollars)

OUTLAYS

ACCOUNT TITLE	FY 2006 ACTUAL	FY 2007 PRESIDENT'S BUDGET	FY 2007 CONTINUING RESOLUTION 1/	FY 2007 BOARD'S BUDGET REQUEST	FY 2008 TOTAL REQUEST
SALARIES & EXPENSES	21,298	26,066	26,066	28,489	25,156
OFFSETTING COLLECTIONS: Users Fees Credited to Appropriation	1,219	1,250	1,250	1,250	1,250
TOTALS	<u>22,517</u>	<u>27,316</u>	<u>27,316</u>	<u>29,739</u>	<u>26,406</u>

EXPLANATION:

Past fiscal years' appropriation acts have included a provision allowing user fee collections to be credited to the appropriation as offsetting collections thereby reducing the amount appropriated and the budget authority.

1/ FY 2007 annualized Continuing Resolution funding level is based on the Continuing Resolution in place at the time of the budget submission and expiring on 2/15/2007.

SURFACE TRANSPORTATION BOARD
SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
APPROPRIATIONS, OBLIGATION LIMITATIONS, AND EXEMPT OBLIGATIONS
 (in thousands of dollars)

SALARIES AND EXPENSES

FY 2007 Continuing Resolution	FY 2007 PC&B Per Program	FY 2007 # FTE Per Program	Baseline Changes						FY 2008 Pay Raise	WCF Increase/ Decrease	Extra Pay Days (262 vs. 260)	Inflation	FY 2007 Adjusted Base	Program Increase/ Decrease	FY 2008 Request
			FY 2007 Annualization of FY 2007 Pay Raise	GSA Rent	WCF Increase/ Decrease	WCF Increase/ Decrease									
Direct:															
Personnel Resources															
Direct FTE			118									118	22	140	
			118									118	22	140	
Financial Resources															
Salaries and Benefits			\$15,377	\$106	\$330					\$136		\$15,949	\$2,813	\$18,762	
Travel			\$106								\$3	\$109		\$109	
Transportation			\$21									\$21		\$21	
GSA Rent			\$3,173				\$398					\$3,571		\$3,571	
Communications & Utilities			\$190								\$11	\$201		\$201	
Printing			\$7									\$7		\$7	
Other Services:															
-WCF			\$108						\$38			\$146		\$146	
-Other			\$2,288								\$33	\$2,321	-\$445	\$1,876	
Supplies			\$315								\$11	\$326		\$326	
Equipment			\$90								\$3	\$93		\$93	
Total			\$21,875	\$0	\$106	\$330	\$398	\$38	\$136	\$61	\$61	\$22,744	\$2,501	\$25,245	
Reimbursable:															
Personnel Resources			10												
Reimbursable FTE			10												
Financial Resources															
Salaries and Benefits			\$1,250									\$1,250		\$1,250	
TOTAL															
FTE			128												
Budgetary Resources			\$22,925	\$0	\$106	\$330	\$398	\$38	\$136	\$61	\$61	\$23,994	\$2,501	\$26,495	

**SURFACE TRANSPORTATION BOARD
PERSONNEL RESOURCE - SUMMARY
TOTAL FULL-TIME EQUIVALENTS**

<u>DIRECT FUNDED BY APPROPRIATION</u>	<u>FY 2006 ACTUAL</u>	<u>FY 2007 PRESIDENT'S BUDGET</u>	<u>FY 2007 CONTINUING RESOLUTION</u>	<u>FY 2007 BOARD'S 1/ BUDGET REQUEST</u>	<u>FY 2008 REQUEST</u>
SALARIES & EXPENSES					
Civilian	127	120	118	140	140
SUBTOTAL, DIRECT FUNDED	127	120	118	140	140
<u>REIMBURSEMENTS/ALLOCATIONS/OTHER</u>					
OFFSETTING COLLECTIONS					
Civilian	10	10	10	10	10
SUBTOTAL, REIMBURSEMENTS/ OFFSETTING COLLECTIONS	10	10	10	10	10
TOTAL FTE	<u>137</u>	<u>130</u>	<u>128</u>	<u>150</u> 2/	<u>150</u>

1/ FY 2007 annualized Continuing Resolution funding level is based on the Continuing Resolution in place at the time of the budget submission and expiring on 2/15/2007.

2/ The FY 2007 Budget Request reflects the Board's Budget Request to Congress.

EXPLANATION:

Past fiscal years' appropriation acts have included a provision allowing user fee collections to be credited to the appropriation as offsetting collections thereby reducing the amount appropriated and the budget authority.

**SURFACE TRANSPORTATION BOARD
RESOURCE SUMMARY - STAFFING
FULL-TIME PERMANENT POSITIONS**

	<u>FY 2006 ACTUAL</u>	<u>FY 2007 PRESIDENT'S BUDGET</u>	<u>FY 2007 CONTINUING RESOLUTION</u>	<u>FY 2007 BOARD'S BUDGET REQUEST</u>	<u>FY 2008 REQUEST</u>
<u>DIRECT FUNDED BY APPROPRIATION</u>					
SALARIES & EXPENSES					
Civilian	130	140	140	140	140
SUBTOTAL, DIRECT FUNDED	130	140	140	140	140
<u>REIMBURSEMENTS/ALLOCATIONS/OTHER</u>					
OFFSETTING COLLECTIONS					
Civilian	10	10	10	10	10
SUBTOTAL, REIMBURSEMENTS/ OFFSETTING COLLECTIONS	10	10	10	10	10
TOTAL FTE	140	150	150	150 2/	150

1/ FY 2007 annualized Continuing Resolution funding level is based on the Continuing Resolution in place at the time of the budget submission and expiring on 2/15/2007.

2/ The FY 2007 Budget Request reflects the Board's Budget Request to Congress.

EXPLANATION:

Past fiscal years' appropriation acts have included a provision allowing user fee collections to be credited to the appropriation as offsetting collections thereby reducing the amount appropriated and the budget authority.

**SURFACE TRANSPORTATION BOARD
SUMMARY BY PROGRAM ACTIVITY**
(in thousands of dollars)

APPROPRIATIONS, OBLIGATION LIMITATIONS, AND EXEMPT OBLIGATIONS

PROGRAM ACTIVITIES	FY 2006 ACTUAL	FY 2007		FY 2007 CONTINUING RESOLUTION 1/	FY 2007 BOARD'S BUDGET REQUEST	FY 2008 TOTAL REQUEST
		PRESIDENT'S BUDGET	21,675			
SALARIES & EXPENSES	24,928	21,675	21,675	24,368	25,245	
TOTALS	<u>24,928</u>	<u>21,675</u>	<u>21,675</u>	<u>24,368</u>	<u>25,245</u>	
FTE (direct funded only)	127	120	118	140	140	
OFFSETTING COLLECTIONS	1,219	1,250	1,250	1,250	1,250	
FTE (reimbursable funded only)	10	10	10	10	10	

EXPLANATION:

Past fiscal years' appropriation acts have included a provision allowing user fee collections to be credited to the appropriation as offsetting collections thereby reducing the amount appropriated and the budget authority.

1/ FY 2007 annualized Continuing Resolution funding level is based on the Continuing Resolution in place at the time of the budget submission and expiring on 2/15/2007.

SURFACE TRANSPORTATION BOARD

SALARIES AND EXPENSES

10-YEAR TABLE

<u>ESTIMATES</u>		<u>APPROPRIATIONS</u>	
1997.....	^{1,2} (\$15,344,000)	1997.....	³ 12,244,000
1998.....	^{1,4} (14,300,000)	1998.....	⁵ 13,850,000
1999.....	¹ (16,000,000)	1999.....	⁶ 15,959,000
2000.....	¹ (17,000,000)	2000.....	⁷ 16,930,000
2001.....	¹ (17,954,000)	2001.....	⁸ 17,916,481
2002.....	⁹ 18,457,000	2002.....	¹⁰ 18,435,000
2003.....	¹¹ 20,651,300	2003.....	¹² 19,320,075
2004.....	¹³ 20,516,000	2004.....	¹⁴ 19,395,599
2005.....	¹⁵ 21,283,000	2005.....	¹⁶ 21,069,400
2006.....	¹⁵ 26,622,000	2006.....	¹⁷ 26,198,000
2007.....	¹⁵ 25,618,000	2007.....	¹⁸
2008.....	¹⁵ 26,495,000		

¹ To be derived from offsetting collections.

² The estimate provided for \$15,344,000 in user fees of which a maximum of \$3,000,000 would become available as an appropriation and subsequently reduced as offsetting collections are received.

³ Reflects reduction of \$100,000 for awards (P.L. 104-205, sec. 346). Excludes \$3,000,000 from offsetting collection.

⁴ Estimate reduced the Board's request by \$1,553,000.

⁵ Reflects reduction of \$3,000 for TASC (P.L. 105-66, sec. 320). Excludes \$2,000,000 from offsetting collections.

⁶ Reflects reduction of \$10,000 for TASC (P.L. 105-277, sec. 320). Reflects reduction of \$31,000 for administrative and travel expenses, P.L. 106-51 (sec. 202). Includes \$2,600,000 from offsetting collections as a credit to the appropriation.

⁷ Reflects reduction of \$12,000 for TASC (P.L. 106-69, sec. 319). Reflects reduction of \$58,000 (0.38 percent) (Sec. 301, title III, Appendix E-HR 3425, P.L. 106-113). Includes \$1,600,000 from offsetting collections as a credit to the appropriation.

⁸ Reflects reduction of \$37,519 (0.22 percent) (Sec. 1403 of Chapter 14, Division A, Appendix D of P.L. 106-554). Includes \$900,000 from offsetting collections as a credit to the appropriation.

⁹ Includes \$950,000 from offsetting collections as a credit to the appropriation.

¹⁰ Reflects reduction of \$5,000 for TASC (P.L. 107-87, sec. 349), an additional reduction of \$4,000 for TASC (P.L. 107-117, sec. 1106), and reduction of \$13,000 for across-the-board rescission (P.L. 107-206). Includes \$950,000 from offsetting collections as a credit to the appropriation.

¹¹ Includes \$1,180,200 for CSRS/FEHB accrual. Includes \$1,000,000 from offsetting collections as a credit to the appropriation.

¹² Reflects reduction of \$10,000 for TASC (P.L. 108-7, sec. 362) and reduction of \$119,925 for across-the-board rescission (P.L. 108-7, sec. 601). Includes \$1,000,000 from offsetting collections as a credit to the appropriation.

¹³ Includes \$1,050,000 from offsetting collections as a credit to the appropriation.

¹⁴ Reflects reduction of \$16,422 for TASC (P.L. 108-199, Div. F, Title V, sec. 317) and reduction of \$108,979 for across-the-board rescission (P.L. 108-199, Div. H, sec. 168(b)). Includes \$1,050,000 from offsetting

collections as a credit to the appropriation.

¹⁵ Includes \$1,250,000 from offsetting collections as a credit to the appropriation.

¹⁶ Reflects reduction of \$19,000 for TASC (P.L. 108-447, Div. H, Title I, sec.197) and reduction of \$161,600 for across-the-board rescission (P.L. 108-447, Div. J, Title I, sec. 122. Includes \$1,050,000 from offsetting collections as a credit to the appropriation.

¹⁷ Reflects reduction of \$252,000 for across-the-board rescission (P.L. 109-148, Title III, Chap. 8, sec. 3801. Includes \$1,250,000 from offsetting collections as a credit to the appropriation.

¹⁸ Full-year Continuing Resolution has not been enacted by Congress at this time. Current Continuing Resolution expires on 2/15/2007.